

P E M C O

Oregon Dwelling Property Policy



PEMCO CONTACT INFORMATION

1-800-GO-PEMCO (1-800-467-3626)

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You may report claims 24 hours a day.

Thank you for choosing PEMCO. We'll work hard to keep your trust and serve you for years to come. You can count on us to be there when you need us.

We like to say PEMCO is a lot like you – a little different. That's a reflection of the unique and sometimes quirky nature of people who live in the Northwest, our wonderful little corner of the country. We're proud of our Northwest roots, and proud to be your local insurance company.

You're why we're here, and we want to make sure you receive world-class service every time you do business with us. We'd rather be listed in a customer's personal phone book than in *The Wall Street Journal*. At the end of the day, it's all about delivering on our promise and doing it in a way that's fair and meets your needs.

So, thanks again for choosing PEMCO. Feel free to follow us on Facebook and Twitter, and visit pemco.com to tell us how we're doing.

A handwritten signature in black ink, reading "Stan McNaughton". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Stan McNaughton
President and CEO

PEMCO Mutual Insurance Company

AGREEMENT

We will provide the insurance described in this policy in return for the premium and compliance with all applicable provisions of this policy.

DEFINITIONS

A. In this policy, **you** and **your** refer to:

- 1.** The Named Insured shown in the Declarations; and
- 2.** The spouse, if a resident of the same household, including a domestic partner registered under Oregon law, if a resident of the same household.

We, us and **our** refer to the Company providing this insurance.

B. In addition, certain words and phrases are defined as follows:

1. Actual cash value means:

- a.** When the damage to property is economically repairable, the cost of repairing the damage, less reasonable deduction for wear and tear, deterioration and obsolescence.
- b.** When the loss or damage to property creates a total loss, the market value of property in a used condition equal to that of the destroyed property, if reasonably available on the used market.
- c.** Otherwise, the market value of new, identical or nearly identical property less reasonable deduction for wear and tear, deterioration and obsolescence.

2. Business means:

- a.** A trade, profession or occupation engaged in on a full-time, part-time or occasional basis; or
- b.** Any other activity engaged in for money or other compensation, except the following:
 - (1)** One or more activities, not described in **(2)** through **(4)** below, for which no insured receives more than \$2,000 in total compensation for the 12 months before the beginning of the policy period;
 - (2)** Volunteer activities for which no money is received other than payment for expenses incurred to perform the activity;
 - (3)** Providing home day care services for which no compensation is received, other than the mutual exchange of such services; or
 - (4)** The rendering of home day care services to a relative of an insured.

3. Domestic abuse means:

- a.** Physical harm, bodily injury, assault or the infliction of fear of imminent physical harm, bodily injury or assault between family or household members;
- b.** Sexual assault of one family or household member by another;
- c.** Stalking, as defined in ORS 163.732, of one family or household member by another family or household member; or
- d.** Intentionally, knowingly or recklessly causing damage to property so as to intimidate or attempt to control the behavior of another family or household member.

4. 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.

5. Replacement cost means:

- a.** In case of loss or damage to buildings, the cost, at the time of loss, to repair or replace the damaged property with new materials of like kind and quality, without deduction for depreciation.
- b.** In case of loss to personal property, the cost, at the time of loss, of a new article identical to the one damaged, destroyed or stolen. When the identical article is no longer manufactured or is not available, **replacement cost** means the cost of a new article similar to the one damaged or destroyed and which is of comparable quality and usefulness, without deduction for depreciation.

DEDUCTIBLE

Unless otherwise noted in this policy, the following deductible provision applies:

Subject to the policy limits that apply, we will pay only that part of the total of all loss payable that exceeds the deductible amount shown in the Declarations.

COVERAGES

This insurance applies to the Described Location, Coverages for which a Limit of Liability is shown and Perils Insured Against for which a Premium is stated.

A. Coverage A – Dwelling

- 1.** We cover:
 - a.** The dwelling on the Described Location shown in the Declarations, used principally for dwelling purposes, including structures attached to the dwelling;
 - b.** Materials and supplies located on or next to the Described Location used to construct, alter or repair the dwelling or other structures on the Described Location; and
 - c.** If not otherwise covered in this policy, building equipment and outdoor equipment used for the service of and located on the Described Location.
- 2.** We do not cover land, including land on which the dwelling is located.

B. Coverage B – Other Structures

- 1.** We cover other structures on the Described Location, set apart from the dwelling by clear space. This includes structures connected to the dwelling by only a fence, utility line or similar connection.
- 2.** We do not cover:
 - a.** Land, including land on which the other structures are located;
 - b.** Other structures rented or held for rental to any person not a tenant of the dwelling, unless used solely as a private garage;
 - c.** Other structures used in whole or in part for commercial, manufacturing or farming purposes. This does not apply to a structure that contains commercial, manufacturing or farming property solely owned by you or a tenant of the dwelling provided that such property does not include gaseous or liquid fuel, other than fuel in a permanently installed fuel tank of a vehicle or craft parked or stored in the structure; or
 - d.** Grave markers, including mausoleums.

C. Coverage C – Personal Property

1. Covered Property

We cover personal property, usual to the occupancy as a dwelling and owned or used by you or members of your family residing with you while it is on the Described Location. After a loss and at your request, we will cover personal property owned by a guest or servant while the property is on the Described Location.

2. Property Not Covered

We do not cover:

- a.** Accounts, bank notes, bills, bullion, coins, currency, deeds, evidences of debt, gold other than goldware, letters of credit, manuscripts, medals, money, notes other than bank notes, passports, personal records, platinum other than platinumware, securities, silver other than silverware, tickets, stamps, scrip, stored value cards or smart cards;

- b.** Animals, birds or fish;

- c.** Aircraft meaning any contrivance used or designed for flight including any parts whether or not attached to the aircraft.

We do cover model or hobby aircraft not used or designed to carry people or cargo;

- d.** Hovercraft and parts. Hovercraft means a self-propelled motorized ground effect vehicle and includes, but is not limited to, flarecraft and air cushion vehicles;

- e.** Motor vehicles and all other motorized land conveyances.

(1) This includes:

- (a)** Their accessories, equipment and parts; or

- (b)** Any device or instrument for the transmitting, recording, receiving or reproduction of sound or pictures which is operated by power from the electrical system of motor vehicles and all other motorized land conveyances, and their accessories. Accessories include antennas, tapes, wires, records, discs or other media that can be used with any device or instrument described above.

The exclusion of property described in **(a)** and **(b)** above applies only while such property is in or upon the vehicle or conveyance.

(2) We do cover motor vehicles or other motorized land conveyances not required to be licensed for use on public roads or property which are:

- (a)** Used solely to service the Described Location; or

- (b)** Designed to assist the handicapped;

- f.** Watercraft of all types, other than rowboats and canoes;

- g.** Data, including data stored in:

(1) Books of account, drawings or other paper records; or

(2) Computers and related equipment;

We do cover the cost of blank recording or storage media, and of pre-recorded computer programs available on the retail market;

- h.** Credit cards, electronic fund transfer cards or access devices used solely for deposit, withdrawal or transfer of funds;

- i.** Water or steam; or

- j.** Grave markers, including mausoleums.

3. Property Removed To A Newly Acquired Principal Residence

If you remove personal property from the Described Location to a newly acquired principal residence, the Coverage **C** limit of liability will apply at each residence for the 30 days immediately after you begin to move the property there. This time period will not extend beyond the termination of this policy. Our liability is limited to the proportion of the limit of liability that the value at each residence bears to the total value of all personal property covered by this policy.

D. Coverage D – Fair Rental Value

1. If a loss to property described in Coverage **A**, **B** or **C** by a Peril Insured Against under this policy makes that part of the Described Location rented to others or held for rental by you unfit for its normal use, we cover the fair rental value of that part of the Described Location rented to others or held for rental by you less any expenses that do not continue while that part of the Described Location rented or held for rental is not fit to live in.

Payment will be for the shortest time required to repair or replace that part of the Described Location rented or held for rental, but not to exceed 24 months.

2. If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Fair Rental Value loss for no more than two weeks.
3. The periods of time referenced above are not limited by the expiration of this policy.
4. We do not cover loss or expense due to cancellation of a lease or agreement.

E. Coverage E – Additional Living Expense

1. If a loss to property described in Coverage **A**, **B** or **C** by a Peril Insured Against under this policy makes the Described Location unfit for its normal use, we cover any necessary increase in living expenses incurred by you so that your household can maintain its normal standard of living.

Payment will be for the shortest time required to repair or replace the Described Location or, if you permanently relocate, the shortest time required for your household to settle elsewhere, but not to exceed 24 months.

2. If a civil authority prohibits you from use of the Described Location as a result of direct damage to a neighboring location by a Peril Insured Against in this policy, we cover the Additional Living Expense loss for no more than two weeks.
3. The periods of time referenced above are not limited by the expiration of this policy.
4. We do not cover loss or expense due to cancellation of a lease or agreement.

F. Other Coverages

1. Other Structures

You may use up to 10% of the Coverage **A** limit of liability for loss by a Peril Insured Against to other structures described in Coverage **B**.

This coverage is additional insurance.

2. Debris Removal

- a. We will pay your reasonable expense for the removal of:

- (1) Debris of covered property if a Peril Insured Against that applies to the damaged property causes the loss; or
- (2) Ash, dust or particles from a volcanic action that has caused direct loss to a building or property contained in a building.

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

- b.** We will also pay your reasonable expense, up to \$2,000, for the removal from the Described Location of:
- (1)** Your tree(s) felled by the peril of Windstorm or Hail or Weight of Ice, Snow or Sleet; or
 - (2)** A neighbor's tree(s) felled by a Peril Insured Against under Coverage **C**, as described in this policy form; provided the tree(s):
 - (a)** Damage(s) a covered structure; or
 - (b)** Does not damage a covered structure, but:
 - 1.** Block(s) a driveway on the Described Location which prevent(s) a motor vehicle, that is registered for use on public roads or property, from entering or leaving the Described Location; or
 - 2.** Block(s) a ramp or other fixture designed to assist a handicapped person to enter or leave the dwelling.

The \$2,000 limit is the most we will pay in any one loss regardless of the number of fallen trees. No more than \$500 of this limit will be paid for the removal of any one tree.

This coverage is additional insurance.

3. Improvements, Alterations And Additions

If you are a tenant of the Described Location, you may use up to 10% of the Coverage **C** limit of liability for loss by a Peril Insured Against to improvements, alterations and additions, made or acquired at your expense, to that part of the Described Location used only by you.

This coverage is additional insurance.

4. Worldwide Coverage

You may use up to 10% of the Coverage **C** limit of liability for loss by a Peril Insured Against to property covered under Coverage **C** except rowboats and canoes, while anywhere in the world.

Use of this coverage reduces the Coverage **C** limit of liability for the same loss.

5. Rental Value And Additional Living Expense

You may use up to 20% of the Coverage **A** limit of liability for loss of both fair rental value as described in Coverage **D** and additional living expense as described in Coverage **E**.

This coverage is additional insurance.

6. Reasonable Repairs

- a.** In the event that covered property is damaged by a Peril Insured Against, we will pay the reasonable cost incurred by you for necessary measures taken solely to protect against further damage.
- b.** If the measures taken involve repair to other damaged property, we will pay for those measures only if that property is covered under this policy and the damage to that property is caused by a Peril Insured Against. This coverage does not:
 - (1)** Increase the limit of liability that applies to the covered property; or
 - (2)** Relieve you of your duties, in case of a loss to covered property, as set forth in Condition **D.3.**

7. Property Removed

We insure covered property against direct loss from any cause while being removed from a premises endangered by a Peril Insured Against and for no more than 30 days while removed.

This coverage does not change the limit of liability that applies to the property being removed.

8. Trees, Shrubs And Other Plants

We cover trees, shrubs, plants or lawns, on the Described Location for loss caused by the following Perils Insured Against:

- a.** Fire or lightning;
- b.** Explosion;
- c.** Riot or civil commotion;
- d.** Aircraft;
- e.** Vehicles not owned or operated by you or a resident of the Described Location; or
- f.** Vandalism or malicious mischief, including damage during a burglary or attempted burglary, but not theft of property.

The limit of liability for this coverage will not be more than 5% of the Coverage **A** limit of liability, or more than \$500 for any one tree, shrub or plant. We do not cover property grown for commercial purposes.

This coverage is additional insurance.

9. Fire Department Service Charge

We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges incurred when the fire department is called to save or protect covered property from a Peril Insured Against. We do not cover fire department service charges if the property is located within the limits of the city, municipality or protection district furnishing the fire department response.

This coverage is additional insurance. No deductible applies to this coverage.

10. Collapse

- a.** With respect to this Other Coverage:
 - (1)** Collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its current intended purpose.
 - (2)** A building or any part of a building that is in danger of falling down or caving in is not considered to be in a state of collapse.
 - (3)** A part of a building that is standing is not considered to be in a state of collapse even if it has separated from another part of the building.
 - (4)** A building or any part of a building that is standing is not considered to be in a state of collapse even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.
- b.** We insure for direct physical loss to covered property involving collapse of a building or any part of a building if the collapse was caused by one or more of the following:
 - (1)** The Perils Insured Against named under Coverage **C**, as described in this policy form;
 - (2)** Decay that is hidden from view, unless the presence of such decay is known to you prior to collapse;
 - (3)** Insect or vermin damage that is hidden from view, unless the presence of such damage is known to you prior to collapse;
 - (4)** Weight of contents, equipment, animals or people;
 - (5)** Weight of rain which collects on a roof; or
 - (6)** Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

- c.** Loss to an awning, fence, patio, deck, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under **b.(2)** through **(6)** unless the loss is a direct result of the collapse of a building or any part of a building.
- d.** This coverage does not increase the limit of liability that applies to the damaged covered property.

11. Glass Or Safety Glazing Material

- a.** We cover:
 - (1)** The breakage of glass or safety glazing material which is part of a covered building, storm door or storm window; and
 - (2)** The direct physical loss to covered property caused solely by the pieces, fragments or splinters of broken glass or safety glazing material which is part of a building, storm door or storm window.
- b.** This coverage does not include loss:
 - (1)** To covered property which results because the glass or safety glazing material has been broken, except as provided in **a.(2)** above;
 - (2)** On the Described Location if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant; or
 - (3)** Caused by Earth Movement, as defined by General Exclusions **A.2**.

Loss to glass covered under this Other Coverage **11.** will be settled on the basis of replacement with safety glazing materials when required by ordinance or law.

This coverage does not increase the limit of liability that applies to the damaged property.

12. Ordinance Or Law

- a.** The Ordinance Or Law limit of liability determined in **b.** or **c.** below will apply with respect to the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:
 - (1)** The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;
 - (2)** The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or
 - (3)** The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.
- b.** If you are an owner of a Described Location, and that location:
 - (1)** Is insured for Coverage **A** or Unit-Owner Building Items, you may use up to 10% of the limit of liability that applies to Coverage **A** or Unit-Owner Building Items at each Described Location; or
 - (2)** Is not insured for Coverage **A** or Unit-Owner Building Items, you may use up to 10% of the total limit of liability that applies to Coverage **B** at each Described Location.

- c. If you are a tenant of a Described Location, you may use up to 10% of the limit of liability that applies to Improvements, Alterations And Additions at each Described Location. Also, the words "covered building" used throughout this Other Coverage **12. Ordinance Or Law**, refer to property at such a Described Location covered under Other Coverage **3. Improvements, Alterations And Additions**.
- d. You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.
- e. We do not cover:
 - (1) The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or
 - (2) The costs to comply with any ordinance or law which requires you or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants in or on any covered building or other structure.
 Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

G. Special Limit of Liability

- 1. Our liability under Coverage **A, B, C, D** or **E** for damage to covered property arising out of or involving **fungus**, wet or dry rot or bacteria caused by a Peril Insured Against under this policy other than fire or lightning applicable to the damaged property is limited to a maximum of \$10,000.
 - a. With respect to this Special Limit of Liability, **damage** means:
 - (1) Direct physical loss to covered property;
 - (2) The cost to remove **fungus**, wet or dry rot or bacteria from covered property;
 - (3) The cost to tear out and replace any part of the covered property in order to gain access to the **fungus**, wet or dry rot or bacteria;
 - (4) The cost of any testing of air or property to confirm the absence, presence or level of **fungus**, wet or dry rot or bacteria;
 - (5) Loss of fair rental value under Coverage **D** because of **fungus**, wet or dry rot or bacteria; and
 - (6) Additional living expense under Coverage **E** because of **fungus**, wet or dry rot or bacteria.

This is the most we will pay under **A, B, C, D** and **E** combined for damage to covered property because of **fungus**, wet or dry rot or bacteria and does not increase the limit of liability applicable to the damaged property.

PERILS INSURED AGAINST

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

- 1. We insure against direct physical loss to property described in Coverages **A** and **B**.
- 2. We do not insure, however, for loss:
 - a. Excluded under General Exclusions;
 - b. Involving collapse, except as provided in Other Coverage **10. Collapse**; or

c. Caused by:

- (1)** Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This provision does not apply if you have used reasonable care to:

- (a)** Maintain heat in the building; or
- (b)** Shut off the water supply and drain all systems and appliances of water;

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;

- (2)** Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
- (a)** Fence, pavement, patio or swimming pool;
 - (b)** Footing, foundation, bulkhead, wall, or any other structure or device, that supports all or part of a building or other structure;
 - (c)** Retaining wall or bulkhead that does not support all or part of a building or other structure; or
 - (d)** Pier, wharf or dock;
- (3)** Theft of property not part of a covered building or structure;
- (4)** Theft in or to a dwelling or structure under construction, or of materials and supplies for use in the construction until the dwelling is finished and occupied;
- (5)** Wind, hail, ice, snow or sleet to:
- (a)** Outdoor radio and television antennas and aerials including their lead-in wiring, masts or towers; or
 - (b)** Trees, shrubs, plants or lawns;
- (6)** Vandalism and malicious mischief, theft or attempted theft, and any ensuing loss caused by any intentional and wrongful act committed in the course of the vandalism or malicious mischief, theft or attempted theft, if the dwelling has been vacant for more than 60 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;
- (7)** Constant or repeated seepage or leakage of water, steam, fuel, or liquid over a period of weeks, months or years from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance, shower enclosure, bathtub, hot tub, spa or storage tank.
- For purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment or a roof drain, gutter, downspout or similar fixtures or equipment;
- (8)** Any of the following:
- (a)** Wear and tear, marring, deterioration;
 - (b)** Mechanical breakdown, latent defect, inherent vice, or any quality in property that causes it to damage or destroy itself;
 - (c)** Smog, rust or other corrosion;
 - (d)** Smoke from agricultural smudging or industrial operations;

- (e) Discharge, dispersal, seepage, migration, release or escape of pollutants unless the discharge, dispersal, seepage, migration, release or escape is itself caused by a Peril Insured Against named under Coverage **C**, as described in this policy form.
Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed;
- (f) Settling, shrinking, bulging or expansion, including resultant cracking, of bulkheads, pavements, patios, footings, foundations, walls, floors, roofs or ceilings;
- (g) Birds, vermin, rodents, insects, reptiles, bats, skunks, raccoons or similar animals or domestic animals;
- (h) Tree or other plant roots; or
- (i) The presence, growth, spread, proliferation, dispersal or residue of **fungus**, wet or dry rot or bacteria.

Exception to c.(8)

Unless the loss is otherwise excluded, we cover loss to property covered under Coverage **A** or **B** resulting from an accidental discharge or overflow of water or steam from within a:

- (a) Storm drain, or water, steam or sewer pipe, off the Described Location; or
- (b) Plumbing, heating, air conditioning or automatic fire protective sprinkler system or household appliance on the Described Location. This includes the cost to tear out and replace any part of a building, or other structure, on the Described Location, but only when necessary to repair the system or appliance. However, such tear out and replacement coverage only applies to other structures if the water or steam causes actual damage to a building on the Described Location.

We do not cover loss to the system or appliance from which this water or steam escaped.

For the purposes of this provision, a plumbing system or household appliance does not include a sump, sump pump or related equipment, or roof drain, gutter, downspout or similar fixtures or equipment.

General Exclusion **A.3**. Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of ground do not apply to loss by water covered under **c.(8)** above.

Under **2.b.** and **c.** above, any ensuing loss to property described in Coverages **A** and **B** not excluded or excepted in this policy is covered.

B. Coverage C – Personal Property

We insure for direct physical loss to the property described in Coverage **C** caused by a peril listed below unless the loss is excluded in the General Exclusions.

1. Fire Or Lightning

2. Windstorm Or Hail

This peril does not include loss to:

- a.** Property contained in a building caused by rain, snow, sleet, sand or dust unless the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening;
- b.** Canoes and rowboats; or
- c.** Trees, shrubs or plants.

3. Explosion

4. Riot Or Civil Commotion

5. Aircraft

This peril includes self-propelled missiles and spacecraft.

6. Vehicles

This peril means a device designed or used to transport persons or property.

7. Smoke

This peril means sudden and accidental damage from smoke, including the emission or puffback of smoke, soot, fumes or vapors from a boiler, furnace or related equipment.

This peril does not include loss caused by smoke from agricultural smudging or industrial operations, such as slash burns.

8. Vandalism Or Malicious Mischief

This peril does not include loss by pilferage, theft, burglary or larceny.

9. Damage By Burglars

a. This peril means damage to covered property caused by burglars.

b. This peril does not include:

(1) Theft of property; or

(2) Damage caused by burglars to property on the Described Location if the dwelling has been vacant for more than 60 consecutive days immediately before the damage occurs. A dwelling being constructed is not considered vacant.

10. Falling Objects

This peril does not include loss to property contained in the building unless the roof or an outside wall of the building is first damaged by a falling object. Damage to the falling object itself is not covered.

11. Weight Of Ice, Snow Or Sleet

This peril means weight of ice, snow or sleet which causes damage to property contained in the building.

12. Accidental Discharge Or Overflow Of Water Or Steam

a. This peril means accidental discharge or overflow of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system or from within a household appliance.

b. This peril does not include loss:

(1) To the system or appliance from which the water or steam escaped;

(2) Caused by or resulting from freezing except as provided in Peril Insured Against **14**. Freezing;

(3) On the Described Location caused by accidental discharge or overflow which occurs off the Described Location; or

(4) Caused by mold, **fungus** or wet or dry rot.

c. In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment; or a roof drain, gutter, downspout or similar fixtures or equipment.

d. General Exclusion **A.3**. Water Damage, Paragraphs **a.** and **c.** that apply to surface water and water below the surface of the ground do not apply to loss by water covered under this peril.

13. Sudden And Accidental Tearing Apart, Cracking, Burning Or Bulging

This peril means sudden and accidental tearing apart, cracking, burning or bulging of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

We do not cover loss caused by or resulting from freezing except as provided in the peril of freezing below.

14. Freezing

- a.** This peril means freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system or of a household appliance but only if you have used reasonable care to:

- (1)** Maintain heat in the building; or
- (2)** Shut off the water supply and drain all systems and appliances of water.

However, if the building is protected by an automatic fire protective sprinkler system, you must use reasonable care to continue the water supply and maintain heat in the building for coverage to apply.

- b.** In this peril, a plumbing system or household appliance does not include a sump, sump pump or related equipment; or a roof drain, gutter, downspout or similar fixtures or equipment.

15. Sudden And Accidental Damage From Artificially Generated Electrical Current

This peril does not include loss to tubes, transistors, electronic components or circuitry that are a part of appliances, fixtures, computers, home entertainment units or other types of electronic apparatus.

16. Volcanic Action

- a.** This peril means direct loss resulting from the eruption of a volcano when the loss is caused by:

- (1)** Volcanic blast or airborne shock waves;
- (2)** Ash, dust or particulate matter; or
- (3)** Lava flow.

- b.** This peril does not provide coverage for:

- (1)** Damage to land, property in the open or in open sheds;
- (2)** Portions of buildings not completely enclosed; or
- (3)** Personal property contained within those buildings.

- c.** All volcanic actions that occur within any 72-hour period will be considered as one volcanic action.

- d.** Direct loss includes the cost to remove the ash, dust or particulate matter from the interior and exterior surfaces of the covered building and from personal property contained in the building.

Payment for removal applies only to the initial deposit of ash, dust or particulate matter following a volcanic action. Subsequent deposits arising from the movement of volcanic dust or ash by wind or other means are not covered.

GENERAL EXCLUSIONS

- A.** We do not insure for loss caused directly or indirectly by any of the following. These exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Ordinance Or Law means any ordinance or law:

- a.** Requiring or regulating the construction, demolition, remodeling, renovation or repair of property, including removal of any resulting debris. This Exclusion **A.1.a.** does not apply to the amount of coverage that may be provided under Other Coverage **11. Glass or Safety Glazing Material** or **12. Ordinance Or Law**;
- b.** The requirements of which result in a loss in value to property; or
- c.** Requiring you or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, pollutants.

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

This Exclusion **A.1.** applies whether or not the property has been physically damaged.

2. Earth Movement

Earth Movement means:

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

caused by or resulting from human or animal forces or any act of nature unless direct loss by fire or explosion ensues and then we will pay only for the ensuing loss.

This Exclusion **A.2.** does not apply to loss by theft.

3. Water Damage

Water Damage means:

- a.** Flood, surface water, waves, tidal water, overflow of a body of water or spray from any of these, whether or not driven by wind;
- b.** Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or
- c.** Water or water-borne material below the surface of the ground, including water which exerts pressure on or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

Direct loss by fire or explosion resulting from water damage is covered.

4. Power Failure

Power Failure means the failure of power or other utility service if the failure takes place off the Described Location. But if the failure of power or other utility service results in a loss, from a Peril Insured Against on the Described Location, we will pay for the loss caused by that Peril Insured Against.

5. Neglect

Neglect means your neglect to use all reasonable means to save and preserve property at and after the time of a loss.

6. War

War includes the following and any consequence of any of the following:

- a.** Undeclared war, civil war, insurrection, rebellion or revolution;
- b.** Warlike act by a military force or military personnel; or
- c.** Destruction, seizure or use for a military purpose.

Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

7. Nuclear Hazard

This Exclusion **A.7.** pertains to Nuclear Hazard to the extent set forth in the Nuclear Hazard Clause of the Conditions.

8. Intentional Loss

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

does not apply to the interests of an insured who did not cause, did not contribute to, and was not aware of the intentional act before it was committed.

- b.** However, this exclusion or Condition **C. Concealment Or Fraud**, will not apply to deny an insured's claim for an otherwise covered property loss if such loss is caused by an act of **domestic abuse** by another insured under the policy, and the insured making claim:
 - (1)** Files a police report and cooperates with any law enforcement investigation relating to the act of **domestic abuse**; and
 - (2)** Did not cause, did not contribute to, and was not aware of the intentional act, or did not cooperate in or contribute to the creation of the loss, before it was committed.
- c.** If we pay a claim pursuant to Paragraph **8.a.** or **8.b.**, our payment to the insured is limited to that insured's insurable interest in the property less any payments we first made to a mortgagee or other party with a legal secured interest in the property. In no event will we pay more than the limit of liability.

9. Governmental Action

Governmental Action means the destruction, confiscation or seizure of property described in Coverage **A, B** or **C** by order of any governmental or public authority.

This exclusion does not apply to such acts ordered by any governmental or public authority that are taken at the time of a fire to prevent its spread, if the loss caused by fire would be covered under this policy.

10. Controlled Substances

Meaning the use, sale, manufacture, delivery, transfer or possession, by an insured or by any resident of the Described Location, of a Controlled Substance(s) as defined by the Federal Food and Drug Law at 21 U.S.C.A. Sections 811 and 812. Controlled Substances include but are not limited to cocaine, LSD, marijuana and all narcotic drugs. However, this does not apply to the legitimate use of prescription drugs by a person following the order of a licensed physician.

- B.** We do not insure for loss to property described in Coverages **A** and **B** caused by any of the following. However, any ensuing loss to property described in Coverages **A** and **B** not excluded or excepted by any other provision in this policy is covered.
 - 1.** Weather conditions.
 - 2.** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - 3.** Faulty, inadequate or defective:
 - a.** Planning, zoning, development, surveying, siting;
 - b.** Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - c.** Materials used in repair, construction, renovation or remodeling; or
 - d.** Maintenance;
- of part or all of any property whether on or off the Described Location.

CONDITIONS

A. Policy Period

This policy applies only to loss which occurs during the policy period.

B. Insurable Interest And Limit Of Liability

Even if more than one person has an insurable interest in the property covered, we will not be liable in any one loss:

1. For an amount greater than the interest of a person insured under this policy at the time of loss; or
2. For more than the applicable limit of liability.

C. Concealment Or Fraud

1. The entire policy will be void if, whether before or after a loss, an insured has:
 - a. Intentionally concealed or misrepresented any material fact or circumstance; or
 - b. Engaged in fraudulent conduct relating to this insurance. This Condition will not apply to deny an insured's otherwise covered claim if the fraud, concealment or misrepresentation is caused by an act of **domestic abuse** by another insured under the policy, and the insured seeking coverage:
 - (1) Files a police report and cooperates with any law enforcement investigation relating to the act of **domestic abuse**; and
 - (2) Did not cooperate in or contribute to the fraud, concealment or misrepresentation.

If we make payment under this domestic abuse exception for a loss covered by the policy, our payment to the insured is limited to that insured's insurable interest in the property less any payments we first make to a mortgagee or other party with a legal secured interest in the property. In no event will we pay more than the limit of liability.

2. All statements made by or on behalf of the insured, in the absence of fraud, shall be deemed representations and not warranties. No such statements that arise from an error in the application shall be used in defense of a claim under a policy unless:
 - a. The statements are contained in written applications; and
 - b. A copy of the application is endorsed upon or attached to the policy when issued.
3. In order to use any representation by or on behalf of the insured in defense of a claim under this policy, we must show that the representations are material and that we relied on them.

D. Duties After Loss

In case of a loss to covered property, these duties must be performed either by you or your representative:

1. Give prompt notice to us or our agent;
2. Notify the police in case of loss by criminal acts;
3. Protect the property from further damage. If repairs to the property are required, you must:
 - a. Make reasonable and necessary repairs to protect the property; and
 - b. Keep an accurate record of repair expenses;
4. Cooperate with us in the investigation of a claim;
5. Prepare an inventory of damaged personal property showing the quantity, description, **actual cash value** and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
6. As often as we reasonably require:
 - a. Show the damaged property to us or our representative;
 - b. Provide us with records and documents we request and permit us to make copies; and
 - c. Submit to examination under oath, while not in the presence of another named insured, and sign the same;

7. Send to us, within 90 days after our request, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:
 - a. The time and cause of loss;
 - b. Your interest and that of all others in the property involved and all liens on the property;
 - c. Other insurance which may cover the loss;
 - d. Changes in title or occupancy of the property during the term of the policy;
 - e. Specifications of damaged buildings and detailed repair estimates;
 - f. The inventory of damaged personal property described in **D.5.**;
 - g. Receipts for additional living expenses incurred and records that support the fair rental value loss.

E. Loss Settlement

In this Condition **E.**, the terms **cost to repair or replace** and **replacement cost** do not include the increased costs incurred to comply with the enforcement of any ordinance or law except to the extent that coverage for these increased costs is provided in Other Coverage **F.12.** Ordinance Or Law. Covered property losses are settled as follows:

1. Property of the following types:
 - a. Personal property;
 - b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings; and
 - c. Structures that are not buildings;at **actual cash value** at the time of loss but not more than the amount required to repair or replace.
2. Buildings under Coverage **A** or **B** at **replacement cost** without deduction for depreciation, subject to the following:
 - a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full **replacement cost** of the building immediately before the loss, we will pay the cost to repair or replace, after application of any deductible and without deduction for depreciation, but not more than the least of the following amounts:
 - (1) The limit of liability under this policy that applies to the building;
 - (2) The **replacement cost** of that part of the building damaged for like use; or
 - (3) The necessary amount actually spent to repair or replace the damaged building.If the building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been built at the original premises.
 - b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full **replacement cost** of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:
 - (1) The **actual cash value** of that part of the building damaged; or
 - (2) That proportion of the cost to repair or replace, after application of deductible and without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the **replacement cost** of the building.
 - c. To determine the amount of insurance required to equal 80% of the full **replacement cost** of the building immediately before the loss, do not include the value of:
 - (1) Excavations, footings, foundations, piers or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;

- (2) Those supports in (1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (3) Underground flues, pipes, wiring and drains.
- d. We will pay no more than the **actual cash value** of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss as noted in **2.a.** and **b.** above.
However, if the cost to repair or replace the damage is both:
 - (1) Less than 5% of the amount of insurance in this policy on the building; and
 - (2) Less than \$2,500;we will settle the loss as noted in **2.a.** and **b.** above whether or not actual repair or replacement is complete.
- e. You may disregard the **replacement cost** loss settlement provisions and make claim under this policy for loss to buildings on an **actual cash value** basis. You may then make claim for any additional liability according to the provisions of this Condition **E.** Loss Settlement, provided you notify us of your intent to do so within 180 days after the date of loss.

F. Loss To A Pair Or Set

In case of loss to a pair or set we may elect to:

- 1. Repair or replace any part to restore the pair or set to its value before the loss; or
- 2. Pay the difference between **actual cash value** of the property before and after the loss.

G. Appraisal

If you and we fail to agree on the amount of loss, an appraisal of the loss may take place. However, both parties must agree to the appraisal and to be bound by the results of that appraisal. In this event, each party will choose a competent and impartial appraiser within 20 days after receiving a written request from the other. The two appraisers will choose an umpire. If they cannot agree upon an umpire within 15 days, you or we may request that the choice be made by a judge of a court of record in the state where the Described Location is located. The appraisers will separately set the amount of loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon will be the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will set the amount of loss.

Each party will:

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

H. Other Insurance And Service Agreement

If property covered by this policy is also covered by:

- 1. Other insurance, we will pay only the proportion of a loss caused by any peril insured against under this policy that the limit of liability applying under this policy bears to the total amount of insurance covering the property; or
- 2. A service agreement, this insurance is excess over any amounts payable under any such agreement. Service agreement means a service plan, property restoration plan, home warranty or other similar service warranty agreement, even if it is characterized as insurance.

I. Subrogation

You may waive in writing before a loss all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, the person insured must sign and deliver all related papers and cooperate with us.

J. Suit Against Us

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

K. Our Option

If we give you written notice within 30 days after we receive your signed, sworn proof of loss, we may repair or replace any part of the damaged property with material or property of like kind and quality.

L. Loss Payment

We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 60 days after we receive your proof of loss and:

1. Reach an agreement with you;
2. There is an entry of a final judgment; or
3. There is a filing of an appraisal award with us.

M. Abandonment Of Property

We need not accept any property abandoned by you.

N. Mortgage Clause

1. Oregon law states as follows:
 - a. If loss hereunder is made payable, in whole or in part, to a designated mortgagee not named herein as the insured such interest in this policy may be canceled by giving to such mortgagee a 10 days' written notice of cancellation.
 - b. If the insured fails to render proof of loss such mortgagee, upon notice, shall render proof of loss in the form herein specified within 60 days thereafter and shall be subject to the provisions hereof relating to appraisal and time of payment and of bringing suit. If this company shall claim that no liability existed as to the mortgagor or owner, it shall, to the extent of payment of loss to the mortgagee, be subrogated to all the mortgagee's rights of recovery, but without impairing mortgagee's right to sue; or it may pay off the mortgage debt and require an assignment thereof and of the mortgage. Other provisions relating to the interests and obligations of such mortgagee may be added hereto by agreement in writing.
2. If a mortgagee is named in this policy, any loss payable under Coverage **A** or **B** will be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment will be the same as the order of precedence of the mortgages.
3. If we deny your claim, that denial will not apply to a valid claim of the mortgagee, if the mortgagee:
 - a. Notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;
 - b. Pays any premium due under this policy on demand if you have neglected to pay the premium; and
 - c. Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Paragraphs **G**, Appraisal, **J**, Suit Against Us and **L**, Loss Payment apply to the mortgagee.
4. If we decide to cancel or not to renew this policy, the mortgagee will be notified at least 10 days before the date nonrenewal takes effect.

O. No Benefit To Bailee

We will not recognize any assignment or grant any coverage that benefits a person or organization holding, storing or moving property for a fee regardless of any other provision of this policy.

P. Cancellation

1. You may cancel this policy at any time by returning it to us or by letting us know in writing of the date cancellation is to take effect.

- 2.** We may cancel this policy only for the reasons stated below by letting you know in writing of the date cancellation takes effect. However, with respect to Paragraphs **2.b.**, **c.(1)** and **d.**, we may not cancel solely because a home day care is operated on the Described Location. This cancellation notice may be delivered to you, or mailed to you at your mailing address shown in the Declarations.

Proof of mailing will be sufficient proof of notice.

- a.** When you have not paid the premium, we may cancel at any time by letting you know at least 10 days before the date cancellation takes effect.
 - b.** When this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel for any reason by letting you know at least 30 days before the date cancellation takes effect.
 - c.** When this policy has been in effect for 60 days or more, or at any time if it is a renewal with us, we may cancel:
 - (1)** If there has been a material misrepresentation of fact which if known to us would have caused us not to issue the policy; or
 - (2)** If the risk has changed substantially since the policy was issued.
This can be done by letting you know at least 30 days before the date cancellation takes effect.
 - d.** When this policy is written for a period of more than one year, we may cancel for any reason at anniversary by letting you know at least 30 days before the date cancellation takes effect.
- 3.** When this policy is canceled, the premium for the period from the date of cancellation to the expiration date will be refunded pro rata within 30 days of the date of the cancellation notice. If your policy is reinstated after cancellation, we may charge a fee for reinstatement.
- 4.** If the return premium is not refunded with the notice of cancellation or when this policy is returned to us, we will refund it within a reasonable time after the date cancellation takes effect.

Q. Nonrenewal

We may elect not to renew this policy. However, we may not nonrenew solely because a home day care is operated on the Described Location. If we do not renew, we will deliver to you, or mail to you at your mailing address shown in the Declarations, written notice of nonrenewal at least 30 days before the expiration date of this policy. Proof of mailing will be sufficient proof of notice.

R. Liberalization Clause

If we make a change which broadens coverage under this edition of our policy without additional premium charge, that change will automatically apply to your insurance as of the date we implement the change in your state, provided that this implementation date falls within 60 days prior to or during the policy period stated in the Declarations.

This Liberalization Clause does not apply to changes implemented with a general program revision that includes both broadenings and restrictions in coverage, whether that general program revision is implemented through introduction of:

- 1.** A subsequent edition of this policy; or
- 2.** An amendatory endorsement.

S. Waiver Or Change Of Policy Provisions

A waiver or change of a provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination will not waive any of our rights.

T. Assignment

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

U. Death

If you die, we insure:

1. Your legal representatives but only with respect to the property of the deceased covered under the policy at the time of death;
2. With respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

V. Nuclear Hazard Clause

1. **Nuclear Hazard** means any nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these.
2. Loss caused by the **nuclear hazard** will not be considered loss caused by fire, explosion or smoke, whether these perils are specifically named in or otherwise included within the Perils Insured Against.
3. This policy does not apply to loss caused directly or indirectly by **nuclear hazard**, except that direct loss by fire resulting from the **nuclear hazard** is covered.

W. Recovered Property

If you or we recover any property for which we have made payment under this policy, you or we will notify the other of the recovery. At your option, the property will be returned to or retained by you or it will become our property. If the recovered property is returned to or retained by you, the loss payment will be adjusted based on the amount you received for the recovered property.

X. Waiver of Small Premiums

Additional charges or a refund of less than \$2 resulting from policy changes will be waived.

MUTUAL POLICY CONDITIONS

This policy is issued by a mutual insurance company, and you are a member of PEMCO Mutual Insurance Company ("PEMCO") while this policy is in force. PEMCO's annual meeting is held at its headquarters in Seattle, Washington, on the third day in January each year at 4 p.m. If January 3 falls on a Saturday or Sunday, the meeting will take place on the next business day. The purpose of the meeting is to transact the general business of PEMCO and elect a board of directors.

Members participate in earnings of PEMCO in a manner and to an extent as determined by the board of directors.

This policy is nonassessable, meaning that, beyond payment of the premium for this insurance, you have no responsibility for our debts or obligations.

This is not a complete and valid contract without an accompanying policy Declarations page.

ENDORSEMENTS ARE AN IMPORTANT PART OF YOUR POLICY. PLEASE ATTACH THEM TO YOUR POLICY.



1-800-GO-PEMCO
(1-800-467-3626)

pemco.com

PEMCO Mutual Insurance Company