

1 CIT ESERVE

CAUSE NO. DC-21-03349CHILDREN'S LEARNING ADVENTURE
USA, LLC,*Plaintiff,*

v.

STARR SURPLUS LINES INSURANCE
COMPANY,*Defendant.*

IN THE DISTRICT COURT OF

DALLAS COUNTY, TEXAS

44th
____ JUDICIAL DISTRICT**JURY TRIAL DEMANDED****PLAINTIFF'S ORIGINAL PETITION**

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW Plaintiff CHILDREN'S LEARNING ADVENTURE USA LLC ("CLA" or "Plaintiff") who complains as follows regarding the actions of Defendant STARR SURPLUS LINES INSURANCE COMPANY ("Starr" or the "Insurance Company"):

I.**DISCOVERY CONTROL PLAN**

1. Plaintiff intends to conduct discovery under Level 3 of Texas Rule of Civil Procedure 190.4.

II.**RULE 47 STATEMENT**

2. Plaintiff seeks monetary relief of more than \$1,000,000 in costs, expenses, prejudgment interest, and attorney's fees.

III.

PARTIES, JURISDICTION AND VENUE

3. Plaintiff is a limited liability company organized under Arizona law and doing business in Texas. Defendant Starr Surplus Lines Insurance Company is an insurance company domiciled in Dallas County, Texas and authorized by the Texas Department of Insurance to conduct insurance business in Texas. This suit arises out of insurance business purposefully and continually conducted by Starr with the Plaintiff in the State of Texas and elsewhere.

4. Jurisdiction is proper in the District Court of Dallas County, Texas because the amount in controversy is within the jurisdictional limits of this Honorable Court.

5. Venue is proper in Dallas County pursuant to Texas Civil Practice and Remedies Code § 15.002, because a substantial part of the events that give rise to the claims arose out of events that occurred in Dallas County; and pursuant to Texas Civil Practice and Remedies Code § 15.032, because the defendant Insurance Company is domiciled in Dallas County.

IV.

FACTUAL BACKGROUND

A. The Starr Policy

6. Starr sold to CLA Commercial Property Insurance policy number SLSTPTY11139019, in effect from February 1, 2020 to February 1, 2021 (the “Policy”). A true and correct copy of the Policy is attached hereto as Exhibit A and fully incorporated by reference. The Policy affords, among other things, coverage for first party business income losses (“Time Element Coverage”), as well as Extra Expense and other coverages. Pursuant to the Policy, the Plaintiff paid a total of \$328,715 in premium in exchange for the Starr’s promises to indemnify CLA for its losses incurred, including but not limited to, Time Element Coverage

losses at multiple different infant, child, and teen care facilities around the country (the “Insured Properties”).

7. The Plaintiff has fulfilled all of its duties, conditions, and responsibilities under the Policy, paying hundreds of thousands of dollars in commercial property premiums to Starr over a number of years.

8. The Policy has been continuously in full force and effect since its inception.

9. Starr, by way of the Policy, agreed to insure “losses occurring during the Policy Period, as stated in ITEM 3 of the Declarations, at the location of property insured.”

10. More specifically, the Policy provides, in relevant part, as follows: “SECTION II-COVERED CAUSES OF LOSS, A. PERILS INSURED AGAINST. This policy insures against all risks of direct physical loss of or damage to property described herein including general average, salvage, and all other similar charges on shipments covered hereunder, if any, except as hereinafter excluded.”

11. Further, the Policy “is extended to cover the actual loss sustained by the Insured during the Period of Interruption directly resulting from the Covered Cause of Loss to Insured Property.” (SECTION IV TIME ELEMENT COVERAGE.) With regard to calculation of the loss payable by Starr to CLA, Starr promised that: “in determining the amount of loss payable under this coverage, due consideration shall be given to the experience of the business before the Period of Interruption and the probable experience thereafter had no loss occurred, and to the continuation of only those normal charges and expenses that would have existed had no interruption of production or suspension of business operations or services occurred.”

12. The Policy also contains an extension of coverage for all “CONTINGENT TIME ELEMENT” coverage, “INTERRUPTION BY CIVIL OR MILITARY AUTHORITY,”

“INGRESS AND EGRESS,” and an “EXTENDED PERIOD OF INDEMNITY.” (SECTION V.C.5-8.)

B. The COVID-19 Pandemic and Its Resulting Shutdowns

13. On or about March 11, 2020, the World Health Organization (“WHO”) publicly characterized the spread of the COVID-19 Coronavirus as a “pandemic.” The WHO saw “alarming levels of spread and severity”

14. The pandemic spread from mainland China to virtually every country in the world, including the United States of America.

15. In response to the pandemic, on or about March 16, 2020, the United States Government issued social distancing guidelines and guidance on the closure of businesses that were not deemed to be essential. In order to “slow the spread” of the virus, thousands of businesses around the country were shuttered, including CLA’s infant, child, and teen care centers.

16. A number of the CLA centers were closed as a result of specific governmental orders requiring the closure of day care centers and operations. Other facilities around the country, which were allowed to remain open, suffered serious loss of childcare business because parents were now staying home with their infants, children, and teenagers.

17. On March 16, 2020, Collin County, Texas (the location of CLA’s Plano, Texas childcare facility) declared a state of disaster throughout the county under Section 418.018 of the Texas Government Code, indicating that the coronavirus which “causes the disease COVID-19 has spread through the world and has now been declared a global pandemic...” Following up on the original state of disaster order, Collin County issued a Stay Home Order on March 24, 2020.

V.

CAUSES OF ACTION

A. Breach of Insurance Contract

18. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 17 above as if fully set forth herein.

19. CLA has satisfied and performed all relevant terms and conditions of the Policy, including providing timely notice to the Insurance Company and paying all premiums when due.

20. Alternatively, by failing to provide a coverage position, Starr has waived any such term or condition and may not assert any term or condition in the Policy as to defense to liability thereunder.

21. Starr at minimum has breached the Time Element Coverage of the Policy form which provides coverage for the Actual Loss Sustained by CLA throughout its covered operations nationally caused by “direct physical loss of” its covered properties, all of which are insured under the Policy.

22. There are no applicable “virus” exclusions in the Policy which would limit or eliminate coverage for CLA’s claims herein.

23. The Insured Properties, caring for infants, children, and teens, could not be safely opened to its customers or the public as a result of the risk of person to person transmission of COVID-19 within the Insured Properties.

24. CLA’s Insured Properties were directly and physically lost to CLA as a result of the pandemic.

25. At no time were “contaminants” or “pollutants” (as defined in the Policy) released, discharged, escaped, or disbursed from the subject-covered properties.

26. Starr has effectively denied this claim by failing to provide a coverage position or pay any of the losses previously noticed and submitted to Starr for payment.

27. Starr repeatedly misrepresented in its coverage position letter that the Policy required “physical loss and damage to covered property.”

28. In fact, the Policy provides coverage for a “direct physical loss of or damage to covered property.”

29. The undisputed fact that the covered properties could not be used because of the obvious danger of transmission and exposure to the COVID-19 pandemic resulted in a direct physical loss of their covered properties nationally.

30. The various orders issued by state and local governments requiring certain CLA Insured Properties to close also resulted in a direct physical loss of CLA’s covered properties.

31. The Policy does not clearly and unambiguously demand that a physical change or deformation of the covered property occurs, nor does the Policy clearly and unambiguously exclude claims for business income losses through what has now commonly been referred to as a “virus exclusion.”

32. Upon information and belief, the Insurance Company is otherwise barred from relying upon the “contaminants and pollutants” exclusion in the Policy as it is designed to exclude environmental pollution discharged from the facility which did not occur at any of the CLA covered facilities. Alternatively, and upon information and belief, Plaintiff alleges that Starr is barred from relying upon the “contaminants and pollutants” exclusion as a result of regulatory and/or administrative estoppel. Additionally, the “contaminants and pollutants” exclusion as interpreted by Starr is unconscionable as a matter of law and contrary to public policy as interpreted by Starr because any discharge or dispersal of “contaminants and

pollutants” anywhere in the world would ostensibly result in no coverage under the Policy. Such an interpretation is contrary to public policy as well as the reasonable expectations of the insured CLA.

33. As a result of all of the foregoing, Starr therefore has breached the insurance Policy contract by its wrongful failure to pay CLA’s covered claim, causing delay and loss of receipt of the Policy benefits CLA paid for as well as actual and/or consequential damages.

34. Plaintiff is entitled to recover its attorneys’ fees incurred in the prosecution of this matter pursuant to Texas Civil Practice and Remedies Code § 38.001(8).

B. Breach of Duty of Good Faith and Fair Dealing

35. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 34 above as if fully set forth herein.

36. A special relationship existed and continues to exist between Starr and Plaintiff as a result of the Policy issued by Starr. There is inherently unequal bargaining power between Starr and CLA, a childcare provider.

37. Starr had no reasonable basis for denying or delaying payment of the CLA claims, and it knew or should have known that it had no reasonable basis for denial under the Policy.

38. Starr only considered its own interests, has adjusted this claim only according to its one-sided and improper interpretation of the Policy, and attempted to conceal from the Plaintiff the actual terms and conditions of the Policy.

39. Starr, through its outside adjusting company, McLarens, has only looked for ways to avoid paying this claim and has, in fact, failed to pay this claim to date despite timely notice of loss on or about March 23, 2020.

40. Starr had a duty to investigate fairly and objectively the claim brought by CLA but has failed to do so to date.

41. Starr is charged with full knowledge of what a reasonable investigation would have revealed, and thus Starr's actions must be judged in light of the true facts that would be revealed in an adequate and reasonable claim investigation.

42. Based on the foregoing, Starr failed to attempt a good faith, prompt, equitable, and fair settlement of this claim wherein liability is reasonably clear.

43. Starr's breach of the duty of good faith and fair dealing has proximately caused actual and consequential damages to CLA in an amount to be proven at trial.

C. Punitive Damages

44. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 43 above as if fully set forth herein.

45. Defendant's breach of the duty of good faith was malicious or grossly negligent and therefore supports an award of punitive damages herein.

46. Starr has been previously informed on multiple occasions and had actual knowledge of the serious financial damage caused by Starr's breach of its duty of good faith and failure to provide a coverage position and pay this subject claim.

D. Violation of the Texas Prompt Pay Act

47. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 46 above as if fully set forth herein.

48. The Insurance Company has failed to pay timely and promptly the subject claim as mandated by Texas Insurance Code §§ 542.055 – 542.059.

49. In addition to the amount of the underlying claim, Starr should be ordered to pay interest on the amount of the claim at the rate of eighteen percent (18%) per year as additional damages, together with reasonable and necessary attorneys' fees pursuant to Texas Insurance Code § 542.060(a).

50. Plaintiff CLA was forced to retain the services of the undersigned law firm to represent CLA in its claim for, *inter alia*, damages, losses, and attorneys' fees. Starr's wrongful acts and omissions authorize an award of attorneys' fees under Texas Insurance Code § 542.060(b).

VI.

JURY TRIAL DEMANDED

51. Plaintiff hereby demands a jury trial on all issues so triable.

VII.

PLAINTIFF INTENDS TO USE DEFENDANT'S DOCUMENTS

52. Pursuant to Texas Rule of Civil Procedure 193.7, any and all documents produced by Starr in response to written discovery herein will be used by Plaintiff at any pretrial proceeding or at trial.

VIII.

PRAYER

Plaintiff hereby prays this that Honorable Court enter judgment for Plaintiff CLA for the following relief:

- (a) Actual and consequential damages arising from Starr's breach of contract;
- (b) Actual damages for Starr's breach of its duty of good faith and fair dealing to CLA;

- (c) Punitive damages for Starr's intentional or grossly negligent violations of the duty of good faith and fair dealing;
- (d) An eighteen percent (18%) penalty under Texas Insurance Code § 542.060, *et seq.*;
- (e) Reasonable and necessary attorneys' fees and costs incurred herein;
- (f) Pre-judgment and post-judgment interest, all as allowed by law; and
- (g) All such other and further relief, both in law and equity, to which CLA is entitled.

Respectfully submitted this 15th day of March, 2021.

/s/ John L. Corbett

James J. Leonard
Texas Bar No 12209700
John L. Corbett
Texas Bar No. 24088884
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*Counsel for Plaintiff Children's Learning Adventure
USA, LLC*

EXHIBIT A

Program Manager:
Starr Specialty Lines Insurance Agency, LLC
3353 Peachtree Road NE
Suite 1000
Atlanta, GA 30326

Company:
Starr Surplus Lines Insurance Company
399 Park Avenue
8th Floor
New York, NY 10022

Policy Number: SLSTPTY11139019

Renewing or in lieu of: SLSTPTY11139019

DECLARATIONS

Insured: Children's Learning Adventure
USA, LLC
(and as per Schedule attached)

Producer: USI Insurance Services, LLC

Address: 14631 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85254

Address: 2375 E. Camelback Rd., Suite 250
Phoenix, AZ 85016

Policy Period: From February 1, 2020 at 12:01 A.M., to February 1, 2021 at 12:01 A.M. Local Standard Time at the address of the insured listed in the declarations.

To the extent that coverage in this policy replaces coverage in other policies terminating at noon standard time on the inception date of this policy, coverage under this policy shall not become effective until such other coverage has terminated.

The insurance afforded is only with respect to the specific part and coverages therein, the full title of which is set forth below the caption "Form."

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

PERILS INSURED	COVERAGE PROVIDED	FORMS & ENDORSEMENTS	LIMIT OF LIABILITY
AS PER ATTACHED FORMS AND ENDORSEMENTS The surplus lines policy or evidence of coverage is issued by a domestic surplus lines insurer. If the insurer that issued this policy becomes insolvent, insureds or claimants will not be eligible for insurance guaranty fund protection pursuant to title 20, Arizona Revised Statutes.	AS PER ATTACHED FORMS AND ENDORSEMENTS	SEE ATTACHED SCHEDULE OF FORMS AND ENDORSEMENTS	\$25,000,000 per occurrence, that being 100% part of \$25,000,000 per occurrence excess of various deductibles. Premium: \$328,715.00 Inspection Fee: \$2,500.00 State Tax: \$9,936.45 Stamping Fee: \$662.43 Total: \$341,813.88 Coverage does not apply to locations situated in Guam or the U.S. Virgin Islands.

GROSS PREMIUMS:	PROPERTY PREMIUM:	\$328,715.00
	CERTIFIED TERRORISM PREMIUM:	\$0.00
	NON-CERTIFIED TERRORISM PREMIUM:	\$0.00
	TOTAL PREMIUM:	\$328,715.00

This Declaration and attached Form(s), with Policy Standard Conditions and Endorsements, if any, issued to form a part thereof, completes the above numbered policy.

The Company shall have no duty to defend or investigate any claim or suit unless and until all limits of all underlying insurance policies have been exhasusted by payment of judgements, claims or settlements.

If any underlying insurance policy has no duty to pay a claim for injury or damage for a reason other than exhaustion of an aggregate limit of insurance, then Company shall have no obligation to make any payment under this policy.

Any taxes imposed by virtue of this policy being written by an unauthorized insurer are the responsibility of the insured and a licensed producer.

A handwritten signature in blue ink, consisting of a stylized capital 'A' followed by a long horizontal stroke.

Signature of Authorized Agent

2/25/2020

Date

SECURITY PAGE

The insurance companies named herein, each for itself, severally but not jointly, do obligate themselves under the terms of this policy to the extent of the percentage set opposite their names.

<u>Companies</u>	<u>Percent Assumed</u>
Starr Surplus Lines Insurance Company:	100%

POLICYHOLDER NOTICES

Alabama:

This contract is registered and delivered as a surplus line coverage under the Alabama Surplus Line Insurance Law.

Alaska:

This is evidence of insurance procured and developed under the Alaska Surplus Lines Law, AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act, AS 21.80.

"ALASKA POLICYHOLDER NOTICE 3 AAC 25.050

This policy is issued by a nonadmitted or surplus lines insurer. Insurance may only be purchased from nonadmitted insurers if the full amount, kind, or class of insurance cannot be obtained from insurers who are admitted to do business in the State of Alaska. Your broker or the surplus lines broker has determined that this was true on the date the policy was placed. Before issuing a renewal policy or extending this policy, remarketing is required. To avoid intentional or unintentional extension of coverage in the surplus lines market when an admitted market for that coverage exists, a nonadmitted insurer is prohibited from the automatic renewal or extension of a policy without remarketing by your broker or the surplus lines broker. In order to comply with the Alaska Administrative Code, the following notice is given:

You are hereby notified that, under 3 AAC 25.050, your policy will terminate effective no later than the date and time of its expiration. We reserve the right to cancel this policy sooner than the expiration date by giving you notice of cancellation as required in AS 21.36.220. You may request through your broker that a new policy from the surplus lines broker be concurrent with the effective date of the termination of this policy.

You are also notified that a new policy, if issued by us, is subject to rerating, which may result in a premium increase of more than ten percent (10%). As required by 3 AAC 25.050, you are hereby notified that any subsequent policy issued by us may be subject to a ten percent (10%) or more increase in premium. The actual premium will be based upon rates that apply at the time a subsequent policy, if any, is issued and will be made available to you before the effective date of the new policy, or the date subsequent coverage is bound, whichever occurs first."

Arizona:

Pursuant to Arizona Revised Statutes § 20-401.01, subsection B, paragraph 1, this policy is issued by an insurer that does not possess a certificate of authority from the Director of the Arizona Department of Insurance. If the insurer that issued this policy becomes insolvent, insureds or claimants will not be eligible for insurance guaranty fund protection pursuant to Arizona Revised Statutes Title 20.

Arkansas:

This contract is registered and delivered as a surplus line coverage under the Surplus Lines Insurance Law, and it may in some respects be different from contracts issued by insurers in the admitted markets, and, accordingly, it may, depending upon the circumstances, be more or less favorable to an insured than a contract from an admitted carrier might be. The protection of the Arkansas Property and Casualty Guaranty Act does not apply to this contract. A tax of four percent (4%) is required to be collected from the insured on all surplus lines premiums.

California:

NOTICE:

1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED “NONADMITTED” OR “SURPLUS LINE” INSURERS.
2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.
3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.
4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR “SURPLUS LINE” BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357 OR INTERNET WEB SITE WWW.INSURANCE.CA.GOV. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC’S INTERNET WEB SITE AT WWW.NAIC.ORG.
5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE’S DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.
6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC’S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR “SURPLUS LINE” BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.
7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT

LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: WWW.INSURANCE.CA.GOV.

8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.

D-2 (Effective January 1, 2017)

Colorado:

This contract is delivered as a surplus line coverage under the 'Nonadmitted Insurance Act.' The insurer issuing this contract is not licensed in Colorado but is an approved nonadmitted insurer. There is no protection under the provisions of the 'Colorado Insurance Guaranty Association Act.

Connecticut:

NOTICE

THIS IS A SURPLUS LINES POLICY AND IS NOT PROTECTED BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION." Conn. Gen. Stat. § 38a-745.

Delaware:

This insurance contract is issued pursuant to the Delaware Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Delaware Insurance Department." Del. Code tit. 18, § 1909.

Florida:

THIS INSURANCE IS ISSUED PURSUANT TO THE FLORIDA SURPLUS LINES LAW. PERSONS INSURED BY SURPLUS LINES CARRIERS DO NOT HAVE THE PROTECTION OF THE FLORIDA INSURANCE GUARANTY ACT TO THE EXTENT OF ANY RIGHT OF RECOVERY FOR THE OBLIGATION OF AN INSOLVENT UNLICENSED INSURER.

SURPLUS LINES INSURERS' POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA REGULATORY AGENCY.

SURPLUS LINES INSURERS' POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA REGULATORY AGENCY.

Georgia:

This contract is registered and delivered as a surplus line coverage under the Surplus Line Insurance Law, O.C.G.A. Chapter 33-5.

Hawaii:

This insurance contract is issued by an insurer which is not licensed by the State of Hawaii and is not subject to its regulation or examination. If the insurer is found insolvent, claims under this contract are not covered by any guaranty fund of the State of Hawaii.

Idaho:

This surplus lines contract is issued pursuant to the Idaho insurance laws by an insurer not licensed by the Idaho Department of Insurance. There is no coverage provided for surplus line insurance by either the Idaho Insurance Guaranty Association or by the Idaho Life and Health Insurance Guaranty Association.

Illinois:

Notice to Policyholder: This contract is issued, pursuant to Section 445 of the Illinois Insurance Code, by a company not authorized and licensed to transact business in Illinois and as such is not covered by the Illinois Insurance Guaranty Fund.

Iowa:

This policy is issued, pursuant to Iowa Code section 515.120, by a nonadmitted company in Iowa and as such is not covered by the Iowa Insurance Guaranty Association.

Kansas:

This policy is issued by an insurer not authorized to do business in Kansas and, as such, the form, financial condition and rates are not subject to review by the Commissioner of insurance and the insured is not protected by any guaranty fund.

Kentucky:

This insurance has been placed with an insurer not licensed to transact business in the Commonwealth of Kentucky but eligible as a surplus lines insurer. The insurer is not a member of the Kentucky Insurance Guaranty Association. Should the insurer become insolvent, the protection and benefits of the Kentucky Insurance Guaranty Association are not available.

Louisiana:**NOTICE**

This insurance policy is delivered as surplus lines coverage under the Insurance Code of the State of Louisiana. In the event of insolvency of the company issuing this contract, the policyholder or claimant is not covered by the Louisiana Insurance Guaranty Association which guarantees only specific policies issued by an insurance company authorized to do business in Louisiana.

This surplus lines policy has been procured by the following licensed Louisiana surplus lines broker:

SEE DECLARATIONS PAGE

**IMPORTANT INFORMATION REQUIRED BY THE
LOUISIANA DEPARTMENT OF INSURANCE
FIRE INSURANCE POLICY COVERAGE DISCLOSURE
SUMMARY (OTHER THAN HOMEOWNERS)
OR
COMMERCIAL INSURANCE POLICY
COVERAGE DISCLOSURE SUMMARY**

This form is promulgated pursuant to LSA-R.S. 22:1319 and 22:1332.

THIS IS ONLY A SUMMARY OF YOUR COVERAGE AND DOES NOT AMEND, EXTEND OR ALTER THE COVERAGES OR ANY OTHER PROVISIONS CONTAINED IN YOUR POLICY. INSURANCE IS A CONTRACT. THE LANGUAGE IN YOUR POLICY CONTROLS YOUR LEGAL RIGHTS AND OBLIGATIONS.

**** READ YOUR INSURANCE POLICY FOR COMPLETE POLICY TERMS AND CONDITIONS ****

COVERAGE(S) FOR WHICH PREMIUM WAS PAID

DEDUCTIBLES

This policy sets forth certain deductibles that will be applied to claims for damages. When applicable, a deductible will be subtracted from your total claim, and you will be paid the balance subject to applicable coverage limits.

- **You may be able to reduce your premium by increasing your deductible. Contact your producer/agent or insurer for more details.**

NOTICE:

This policy [does/does not] set forth a deductible for covered losses caused by [hurricane; wind; named storm] as defined in the policy.

Separate Deductible Examples – Hurricane, Wind or Named Storm Damage

If applicable, the following illustrates how a separate deductible applying to hurricane, wind or named storm damage is applied under your policy:

[The insurer shall comply with LSA-R.S. 22:1319.B(3) by selecting either option A or B below:

- A. Developing its own standardized example to reflect how a hurricane, wind or named storm damage loss will be adjusted under the policy. The standardized example shall set forth a**

separate loss for each coverage included in the policy for which a premium has been paid. The total of all losses combined shall exceed by at least ten percent (10%) the applicable deductible(s) so that the example demonstrates a net payment to the insured.

- B. Utilizing the standardized example prepared by the LDOI if this standardized example properly reflects how a separate deductible is applied to a hurricane, wind or named storm damage loss under the policy:**

The following assumes no coinsurance penalty and a 2% hurricane, wind or named storm deductible. The amounts of loss to the damaged property are \$50,000 (building) and \$20,000 (business personal property).

Limits of insurance on building	\$ 100,000.00
Total amount of building loss	\$ 50,000.00
Less 2% deductible (\$100,000 X .02)	– \$ 2,000.00
Net payment to insured for building loss	\$ 48,000.00
	\$
Limits of insurance on the business personal property	\$ 50,000.00
Total amount of business personal property loss	\$ 20,000.00
Less 2% deductible (\$50,000 X .02)	– \$ 1,000.00
Net payment to insured for business personal property loss	\$ 19,000.00
Total net payment to insured for building and business personal property loss (\$48,000 + \$19,000)	\$ 67,000.00]

TO SEE EXACTLY HOW YOUR SEPARATE HURRICANE, WIND OR NAMED STORM DEDUCTIBLE WILL APPLY, PLEASE REFER TO YOUR POLICY.

LIMITATIONS OR EXCLUSIONS UNDER THIS POLICY

FLOOD:

Flood damage [is/is not] covered, regardless of how caused, when flood is the peril that causes the loss. Flood water includes, but is not limited to, storm surge, waves, tidal water and overflow of a body of water, whether driven by wind or not.

Flood Insurance may be available through the National Flood Insurance Program (NFIP). NFIP flood insurance may provide coverage for damage to your building and/or contents, subject to the coverage limits and terms of the policy.

Excess Flood Insurance may be available under a separate policy, from this or another insurer, if the amount of the primary flood insurance is not enough to cover the value of your property.

- You may contact your producer/agent or insurer for more information on the NFIP and excess flood insurance.

MOLD:

Damage caused solely by mold [is/is not] covered under this policy.

**** FOR ALL OTHER LIMITATIONS OR EXCLUSIONS, REFER TO YOUR POLICY FOR COMPLETE DETAILS ON TERMS AND PROVISIONS ****

Maine:

This insurance contract is issued pursuant to the Maine Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Maine Bureau of Insurance.

Maryland:

This insurance is issued by a nonadmitted insurer not under the jurisdiction of the Maryland Insurance Commissioner.

DISCLOSURE REGARDING SURPLUS LINES INSURANCE.

Please Read the Following Carefully Before Purchasing Insurance From a Surplus Lines Insurer. This policy is issued by a surplus lines insurer that has been approved by the Maryland Insurance administration to issue insurance policies in the surplus lines insurance market. Surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration and do not possess a certificate of authority to transact insurance business in the State of Maryland. Because surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration, your ability to seek assistance from the State if you have a problem with our insurance company is limited. The Property and Casualty Insurance Guaranty Corporation provides a fund that permits claimants or policyholders to receive payment of covered claims if their insurance company becomes insolvent (i.e., bankrupt) and is unable to pay the claims. However, this fund does not apply to surplus lines insurers. If a surplus lines insurer becomes insolvent (i.e. bankrupt), any claim that you have against the surplus lines insurer will not be covered by the fund administered by Property and Casualty Insurance Guaranty Corporation. If you have any questions regarding this disclosure or surplus lines insurance, please contact the Maryland Insurance Administration at 410-468-2340.

Massachusetts:

The insurer with whom the insurance was placed is not licensed in Massachusetts. In the event of insolvency of the surplus lines insurer, losses will not be paid by the state insurance guaranty fund.

Michigan:

This insurance has been placed with an insurer that is not licensed by the state of Michigan. In case of insolvency, payment of claims may not be guaranteed.

Minnesota:

THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THE INSURER IS AN ELIGIBLE SURPLUS LINES INSURER BUT IS NOT OTHERWISE LICENSED BY THE STATE OF MINNESOTA. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED.

Mississippi:

NOTE

This insurance policy is issued pursuant to Mississippi law covering surplus lines insurance. The company issuing the policy is not licensed by the State of Mississippi, but is authorized to do business in Mississippi as a nonadmitted company. The policy is not protected by the Mississippi Insurance Guaranty Association in the event of the insurer's insolvency.

Missouri:

This Policy is issued in an unauthorized insurer under The Surplus Lines Insurance Law, under surplus lines insurance producer license No. _____ and is NOT covered by the property and casualty guaranty fund of this state if the unauthorized insurer becomes insolvent.

Montana:

This Policy is issued in an unauthorized insurer under The Surplus Lines Insurance Law, under surplus lines insurance producer license No. _____ and is NOT covered by the property and casualty guaranty fund of this state if the unauthorized insurer becomes insolvent.

Nebraska:

This policy is issued by a nonadmitted insurer, and in the event of the insolvency of such insurer, this policy will not be covered by the Nebraska Property and Liability Insurance Guaranty Association.

Nevada:

This insurance contract is issued pursuant to the Nevada insurance laws by an insurer neither licensed by nor under the supervision of the Division of Insurance of the Department of Business and Industry of the State of Nevada. If the insurer is found insolvent, a claim under this contract is not covered by the Nevada Insurance Guaranty Association Act.

New Hampshire:

The company issuing this policy has not been licensed by the state of New Hampshire and the rates charged have not been approved by the commissioner of insurance. If the company issuing this policy becomes insolvent, the New Hampshire insurance guaranty fund shall not be liable for any claims made against the policy.

New Jersey:

This policy is written by a surplus lines insurer and is not subject to the filing or approval requirements of the New Jersey Department of Banking and Insurance. Such a policy may contain conditions, limitations, exclusions and different terms than a policy issued by an insurer granted a Certificate of Authority by the New Jersey Department of Banking and Insurance. The insurer has been approved by the Department as an eligible surplus lines insurer, but the policy is not covered by the New Jersey Insurance Guaranty Fund, and only a policy of medical malpractice liability insurance as defined in N.J.S.A. 17:30D-3d or a policy of property insurance covering owner-occupied dwellings of less than four dwelling units are covered by the New Jersey Surplus Lines Guaranty Fund.

New Mexico:

This policy provides surplus lines insurance by an insurer not otherwise authorized to transact business in New Mexico. This policy is not subject to supervision, review or approval by the superintendent of insurance. The insurance so provided is not within the protection of any guaranty fund law of New Mexico designed to protect the public in the event of the insurer's insolvency.

New York:

THE INSURER(S) NAMED HEREIN IS (ARE) NOT LICENSED BY THE STATE OF NEW YORK, NOT SUBJECT TO ITS SUPERVISION. AND IN THE EVENT OF THE INSOLVENCY OF THE INSURER(S) , NOT PROTECTED BY THE NEW YORK STATE SECURITY FUNDS, THE POLICY MAY NOT BE SUBJECT TO ALL OF THE REGULATIONS OF THE INSURANCE DEPARTMENTS PERTAINING TO POLICY FORMS.

North Carolina:

The insurance company with which this coverage has been placed is not licensed by the State of North Carolina and is not subject to its supervision. In the event of the insolvency of the insurance company, losses under this policy will not be paid by any State insurance guaranty or solvency fund.

North Dakota:

THIS POLICY IS ISSUED PURSUANT TO THE NORTH DAKOTA SURPLUS LINES INSURANCE STATUTE UNDER THE SURPLUS LINES PRODUCER'S LICENCE OF _____. THE INSURER IS A QUALIFIED SURPLUS LINES INSURER, BUT IS NOT OTHERWISE LICENSED BY THE STATE OF NORTH DAKOTA AND DOES NOT PARTICIPATE IN THE NORTH DAKOTA INSURANCE GUARANTY ASSOCIATION.

Ohio:

THE INSURANCE HEREBY EVIDENCED IS WRITTEN BY AN APPROVED NON-LICENSED INSURER IN THE STATE OF OHIO AND IS NOT COVERED IN CASE OF INSOLVENCY BY THE OHIO INSURANCE GUARANTY ASSOCIATION.

Oklahoma:

The insurance company with which this coverage has been placed is not licensed by the State of Oklahoma and is not subject to its supervision. In the event of the insolvency of the insurance company, losses under this policy will not be paid by any State insurance guaranty or solvency fund.

Oregon:

This insurance was procured and developed under the Oregon surplus lines laws. It is NOT covered by the provisions of ORS 734.510 to 734.710 relating to the Oregon Insurance Guaranty Association. If the insurer issuing this insurance becomes insolvent, the Oregon Insurance Guaranty Association has no obligation to pay claims under this insurance.

Pennsylvania:

The insurer which has issued this insurance is not licensed by the Pennsylvania Insurance Department and is subject to limited regulation. This insurance is NOT covered by the Pennsylvania Insurance Guaranty Association.

Rhode Island:

NOTICE

THIS INSURANCE CONTRACT HAS BEEN PLACED WITH AN INSURER NOT LICENSED TO DO BUSINESS IN THE STATE OF RHODE ISLAND BUT APPROVED AS A SURPLUS LINES INSURER. THE INSURER IS NOT A MEMBER OF THE RHODE ISLAND INSURERS INSOLVENCY FUND. SHOULD THE

INSURER BECOME INSOLVENT, THE PROTECTION AND BENEFITS OF THE RHODE ISLAND INSURERS INSOLVENCY FUND ARE NOT AVAILABLE.

South Carolina:

This company has been approved by the director or his designee of the South Carolina Department of Insurance to write business in this State as an eligible surplus lines insurer, but it is not afforded guaranty fund protection.

South Dakota:

This insurance contract is issued by a nonadmitted insurer which is not licensed by nor under the jurisdiction of the South Dakota Insurance Director.

Tennessee:

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued and delivered as a surplus line coverage pursuant to the Tennessee insurance statutes.

Texas:

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued and delivered as surplus line coverage under the Texas insurance statutes. The Texas Department of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage, and the insure is not a member of the property and casualty insurance guaranty association created under Chapter 462, Insurance Code. Chapter 225, Insurance Code, requires payment of a 4.85 percent tax on gross premium.

TEXAS COMPLAINTS NOTICE

IMPORTANT NOTICE	AVISO IMPORTANTE
To obtain information or make a complaint:	Para obtener informacion o para someter una queja:
You may call Chubb's toll-free telephone number for information or to make a complaint at:	Usted puede llamar al número de teléfono gratuito de Chubb para obtener información o para presentar una queja al:
1-800-362-4822	1-800-362-4822
You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:	Usted puede comunicarse con el Departamento de Seguros de Texas para obtener información sobre compañías, coberturas, derechos, o quejas al:
1-800-252-3439	1-800-252-3439
You may write the Texas Department of Insurance:	Usted puede escribir al Departamento de Seguros de Texas a:
P. O. Box 149104 Austin, TX 78714-9104 Fax: (512) 490-1007	P.O. Box 149104

Web: <http://www.tdi.state.tx.us>
E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

Austin, TX 78714-9104
Fax: (512) 490-1007
Sitio web: www.tdi.texas.gov
E-mail: ConsumerProtection@tdi.texas.gov

DISPUTAS POR PRIMAS DE SEGUROS O RECLAMACIONES:

Si tiene una disputa relacionada con su prima de seguro o con una reclamación, usted debe comunicarse con (el agente) (la compañía) (el agente o la compañía) primero. Si la disputa no es resuelta, puede comunicarse con el Departamento de Seguros de Texas.

ADJUNTE ESTE AVISO A SU POLIZA:

Este aviso es solamente para propósitos informativos y no se convierte en parte o en condición del document adjunto.

Utah:

The insurer issuing this policy does not hold a certificate of authority to do business in this state and thus is not fully subject to regulation by the Utah insurance commissioner. This policy receives no protection from any of the guaranty associations created under Title 31A, Chapter 28.”

Vermont:

The company issuing this policy has not been licensed by the state of Vermont and the rates charged have not been approved by the commissioner of insurance. Any default on the part of the insurer is not covered by the Vermont Insurance Guaranty Association.”

Virginia:

The insurance policy that you have applied for has been placed with or is being obtained from an insurer approved by the State Corporation Commission for issuance of surplus lines insurance in this Commonwealth, but not licensed or regulated by the State Corporation Commission of the Commonwealth of Virginia. Therefore, you, the policyholder, and persons filing a claim against you are not protected under the Virginia Property and Casualty Insurance Guarantee Association Act (&38.2-1600 ET SEQ.) against default of the company due to insolvency. In the event of insurance company insolvency, you may be unable to collect any amount owed to you by the company regardless of the terms of this insurance policy and you may have to pay for any claims made against you.”

Washington:

This contract is registered and delivered as a surplus line coverage under the insurance code of the state of Washington, enacted in 1947. It is not issued by a company regulated by the Washington state insurance commissioner and is not protected by any Washington state guaranty fund law.

West Virginia:

This company is not licensed to do business in West Virginia and is not subject to the West Virginia Insurance Guaranty Act.

Notice

1. An insurer that is not licensed in this state is issuing the insurance policy that you have applied to purchase. These companies are called 'nonadmitted' or 'surplus lines' insurers.
2. The insurer is not subject to the financial solvency regulation and enforcement that applies to licensed insurers in this state.
3. These insurers generally do not participate in insurance guaranty funds created by state law. These guaranty funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.
4. Some states maintain lists of approved or eligible surplus lines insurers and surplus lines brokers may use only insurers on the lists. Some states issue orders that particular surplus lines insurers cannot be used.
5. For additional information about the above matters and about the insurer, you should ask questions of your insurance agent or surplus lines licensee. You may also contact your insurance commission consumer help line.

Wisconsin:

This insurance contract is with an insurer which has not obtained a certificate of authority to transact regular insurance business in the state of Wisconsin, and is issued and delivered as a surplus line coverage pursuant to s. 618.41 of the Wisconsin Statutes. Section 618.43(1), Wisconsin Statutes, requires payment by the policyholder of 3% tax on gross premium.”

Wyoming:

This insurance contract is issued pursuant to the Wyoming Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Wyoming Insurance Department.

SCHEDULE OF FORMS AND ENDORSEMENTS

Named Insured Children's Learning Adventure USA, LLC
Policy Period 02/01/20 – 02/01/21

<u>Form/Endorsement</u>	<u>Description</u>	<u>Pages</u>
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U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") ADVISORY NOTICE TO POLICYHOLDERS

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.

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MANUSCRIPT ALL RISKS FORM

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COMMERCIAL PROPERTY POLICY DECLARATIONS

ITEM 1: POLICY NUMBER:

Starr Surplus Lines Insurance Company – SLSTPTY11261020

RENEWAL OF:

Starr Surplus Lines Insurance Company – SLSTPTY11139019

ITEM 2: FIRST NAMED INSURED:

Children's Learning Adventure USA, LLC

ADDRESS:

14631 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85254

ITEM 3: TERM OF INSURANCE:

From: February 1, 2020 To: February 1, 2021
at 12:01 A.M. Standard Time at the address of the named insured shown above

ITEM 4: LIMIT OF LIABILITY:

\$25,000,000 any one occurrence excess of policy deductibles

ITEM 5: PREMIUM:

\$328,715

ITEM 6: SUB-LIMITS OF LIABILITY:

Sub-limits of Liability stated below are subject to and not in addition to the Policy Limit shown above. These Sub-limits of Liability and the specified limits of liability contained in the forms, endorsements and extensions attached, if any, are per Occurrence unless otherwise indicated.

\$25,000,000	Annual Aggregate as respects Earth Movement, except;
NOT COVERED	Annual Aggregate as respects Earth Movement in California, Hawaii, Alaska, Pacific Northwest and New Madrid.
\$10,000,000	Annual Aggregate as respects Flood, including Storm Surge (all coverage's combined), except;
\$10,000,000	Annual Aggregate as respects including Storm Surge (all coverage's combined) Flood, including storm surge in flood hazard areas identified on the Flood Insurance Rate Map are identified as moderate flood hazard areas, labeled Zone B or Zone X (shaded) are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2-percent-annual-chance (or 500) flood.

\$1,000,000	Annual Aggregate as respects including Storm Surge (all coverage's combined) Flood, including storm surge at locations wholly or partially within Special Hazard Flood Areas A, A1-A30, AE, AH, AO, AR, A99, AOVEL, V, V1-V30 and VE as defined by the Federal Emergency Management Agency (FEMA).
\$25,000,00	Per Occurrence for the peril of Named Storm (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone, Tropical Storm or Tropical Depression), regardless of the number of Coverages, Locations or Perils involved including but not limited to, all Flood including 100 Year Flood Zones, (however caused) wind, wind gusts, tornados, cyclones, hail or rain). In the event covered Loss or Damage by Flood arises out of a Named Storm, the maximum amount the Company will pay per Occurrence for all such Loss or Damage by Flood shall be the Sublimits of Liability for Flood. However, if Flood is not covered, the maximum amount the Company will pay per Occurrence for all such Loss or Damage by Named Storm shall exclude Loss or Damage by Flood.
\$5,000,000 or 25% of the loss payable, whichever is greater.	Debris Removal.
\$2,500,000	Accounts Receivable.
365 Days	Contingent Time Element.
30 Days	Interruption by Civil or Military Authority.
30 Days	Ingress / Egress.
90 Days	Extended Period of Indemnity.
90 Days	Ordinary Payroll
INCLUDED	Demolition and Increased Cost of Construction – Paragraph 1.
\$5,000,000	Demolition and Increased Cost of Construction – Paragraph 2.
\$5,000,000	Demolition and Increased Cost of Construction – Paragraph 3.
\$1,000,000	Electronic Data and Media.
\$2,500,000	Errors and Omissions.
\$2,500,000	Extra Expense.
\$100,000	Fine Arts (Maximum \$10,000 per item).
\$500,000	Fire Brigade Charges and Extinguishing Expenses.
\$1,000,000	Leasehold Improvements and Betterments.
\$1,000,000	Leasehold Interest.
\$100,000	Annual aggregate as respects Limited Pollution Coverage.
\$1,000,000	Miscellaneous Unnamed Locations
\$5,000,000	Newly Acquired Property.
\$100,000	Professional Fees.
\$1,000,000	Off Premises Property.
\$2,500,000	Service Interruption.
\$500,000	Transit
\$1,000,000	Valuable Papers and Records.
\$500,000	Rental Value.
\$1,000,000	Royalties.
\$100,000	Soft Costs.
\$1,000,000	Attraction Property
\$2,500,000	Course of Construction
\$500,000	Defense Costs

\$250,000	Mold Ensuing from an Insured Cause of Loss
\$100,000	Trees, Shrubs, and Plants
\$250,000	Wind-Driven Rain
Boiler and Machinery	
\$2,500,000	Expediting Expense
\$100,000	Hazardous Substances, Annual Aggregate
\$100,000	Ammonia Contamination
\$100,000	Water Damage
\$2,500,000	Off Premises Service Interruption
\$100,000	Consequential Damage

MANUSCRIPT ALL RISKS FORM

SECTION I – COVERAGES

A. TERMS OF INSURANCE

In consideration of the premium charged, the policy attaches and covers losses occurring during the Policy Period, as stated in ITEM 3 of the Declarations, at the location of property insured.

B. LIMITS OF LIABILITY

This Company's maximum liability in any one occurrence as a result of all covered loss or damage regardless of the number of locations, coverages or perils insured under this Policy shall not exceed the Limit of Liability as stated in ITEM 4 of the Declarations.

C. SUBLIMITS OF LIABILITY

As stated in ITEM 6 of the Declarations, are within, and do not increase, the Limits of Liability stated in ITEM 4 of the Declarations.

The maximum Sublimit amount collectible under this Policy shall be the Sublimit applicable for all loss or damage resulting from a Covered Cause of Loss, regardless of any other sublimit involved in this Policy.

D. DEDUCTIBLES

1. All loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of \$25,000 except:

- a. With respect to water damage losses: \$50,000

2. Earth Movement:

The following sum(s) shall be deducted from any adjusted loss due to Earth Movement:

- a. With respect to locations wholly or partially within the states and/or zones of California, Hawaii, Alaska, Puerto Rico, Pacific Northwest and New Madrid the deductible shall be NOT COVERED% of the Total Insurable Values at the time of loss or damage at each location involved in the loss or damage, subject to a minimum of \$NOT COVERED for any one occurrence;
 - b. With respect to any other Earth Movement the deductible shall be the greater of \$100,000 or the deductible amount in Item D. 1 above for any one occurrence;

3. Flood:

The following sum(s) shall be deducted from any adjusted loss due to Flood;

- a. With respect to locations wholly or partially within Special Flood Hazard Areas A, A1-A30, AE, AH, AO, AR, A99, AOVEL, V, V1-V30 and VE, as defined by the Federal Emergency Management Agency (FEMA) the deductible shall be NOT APPLICABLE% of Total Insurable Values at the time of the loss at each location involved in the loss or damage, subject to a per building/structure minimum of \$500,000 for Building and/or \$500,000 for Contents any one occurrence, plus \$100,000 minimum any one occurrence for all business interruption / time element coverages;
- b. With respect to locations wholly or partially within Zone B or Zone X (shaded), the deductible shall be \$250,000 any one occurrence;
- c. With respect to any other flood loss, the deductible shall be NOT APPLICABLE% of the Total Insurable Values at the time of loss at each location involved in the loss, subject to a minimum \$100,000 any one occurrence.

4. Windstorm and Hail:

The following sum(s) shall be deducted from any adjusted loss due to Windstorm and Hail:

- a. With respect to any other Windstorm and Hail loss, the deductible shall be 3% of the Total Insurable Values at the time of loss at each location involved in the loss, subject to a minimum \$100,000 any one occurrence
- b. 3% of the TIV at the time of the loss at each unit involved in the loss arising out of a Named Storm (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone, Tropical Storm or Tropical Depression), regardless of the number of Coverages, Locations or Perils involved (including but not limited to, all Flood, wind, wind gusts, storm surges, tornados, cyclones, hail or rain) and subject to a minimum deductible of \$250,000 any one occurrence.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
 - (2) Personal property within each building or structure if that personal property sustains loss or damage;
 - (3) Personal property in the open that sustains loss or damage.
 - (4) The Time Element values impacted by the direct loss or damage to said property that sustains loss or damage.
5. If two or more deductible amounts in this policy apply to a single occurrence, the total to be deducted shall not exceed the largest deductible applicable; however, Property Damage and Time Element deductibles shall apply separately.

WAITING PERIOD:

24 Hours – Service Interruption, then above Deductible applies.

E. LOSS PAYEE

Loss, if any, shall be adjusted with and payable to the First Named Insured or their order, unless endorsed otherwise hereon. Receipt of payment by the Insured or Loss Payee as provided under this policy shall constitute a release in full of all liability under this policy with respect to such loss. In the event that the Company makes a partial payment or payments of loss, release in full of all liability shall occur upon final payment with respect to such loss.

F. TERRITORY

This policy covers Insured locations within the 50 states comprising the United States of America, its territories and possessions and the District of Columbia.

SECTION II – COVERED CAUSES OF LOSS

A. PERILS INSURED AGAINST

This policy insures against all risks of direct physical loss of or damage to property described herein including general average, salvage and all other similar charges on shipments covered hereunder, if any, except as hereinafter excluded.

B. PERILS EXCLUDED

This policy does not insure against loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

1. any loss or damage resulting from, or arising out of, fraudulent or dishonest or criminal act or acts committed by the Insured or any of the Insured's employees or others to whom the property may be delivered or entrusted;
2. inventory shortage or unexplained disappearance;
3. voluntary parting with title or possession of any property, including voluntary parting which is the result of larceny, false pretenses or any other similar act;
4. any loss or damage resulting from defective design or specifications, faulty materials or faulty workmanship, installation or construction. But, if loss or damage from a covered peril herein results, to covered property, from such defective design or specifications, faulty material or faulty workmanship, installation or construction, then this policy will cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
5. electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated. But if loss or damage from a "specified covered peril" results, to covered property, from such electrical injury or disturbance, then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage; this exclusion shall not apply to Electronic Data Processing Systems and Valuable Papers.
6. mechanical or machinery breakdown, disassociation or derangement including rupture or bursting caused by centrifugal force; nor rupture, bursting or operation of pressure relief devices. But if loss or damage from a covered peril results then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage; This exclusion shall not apply to Electronic Data Processing Systems and Valuable Papers.

7. explosion, bulging, rupture, cracking or bursting of steam boilers, steam pipes, steam turbines or steam engines, flywheels or gas turbines, fired and unfired pressure vessels, owned leased or operated by the Insured. But if loss or damage from a "specified covered peril" results, to covered property, from such explosion, bulging, rupture, cracking or bursting then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
8. loss or damage caused by, arising out of, contributed to, or resulting from:
 - a. moth, vermin, termites or other insects;
 - b. inherent vice, latent defect, rust, corrosion, erosion, wet or dry rot;
 - c. dampness of atmosphere, smog or extremes in temperature, marring, scratching, change in color, texture or finish, contamination by pollutants or any other foreign matter;
 - d. fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;
 - i. fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;
 - ii. mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
 - iii. spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms.
- But, if loss or damage from a "specified covered peril" herein results to covered property, then this policy will cover such ensuing loss or damage not otherwise excepted or excluded from coverage
9. errors in processing or manufacturing of the Insured's products. But if loss or damage from a "specified covered peril" results, to covered property, from such errors in processing or manufacturing then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
10. wear, tear, or deterioration. But if loss or damage from a "specified covered peril" results, to covered property, from such wear, tear and deterioration then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
11. settling, shrinkage, bulging or expansion of buildings, foundations or walls, floors, or ceilings. But if loss or damage from a "specified covered peril" results, to covered property, from such settling, shrinkage, bulging or expansion then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
12. Loss of market; loss of use, indirect or remote loss or damage;
13. delay with respects to property in transit;
14. against nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by the peril(s) Insured against in this policy; except

- a. if fire ensues, liability is specifically assumed for direct loss by such ensuing fire but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination;
- b. the Company shall be liable for loss or damage caused by sudden and accidental radioactive contamination including resultant radiation damage from material used or stored or from processes conducted on an Insured premises provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the Insured premises.

15. War

- a. war, hostile or warlike action in time of peace or war, whether or not declared, including action in hindering, combating or defending against an actual, impending or expected attack:
 - i. by government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval or air forces; or
 - ii. by military, naval or air forces; or
 - iii. by an agent of any such government, power, authority or force.
- b. any weapon of war employing atomic fission or radioactive force whether in time of peace or war, whether or not its discharge was accidental;
- c. insurrection, rebellion, revolution, civil war, usurped power, or action taken by government authority in hindering, combating, or defending against such an occurrence, seizure or destruction;
- d. hijacking or any unlawful seizure or wrongful exercise or control of any mode of transportation, including but not limited to aircraft, watercraft, truck(s), train(s) or automobile(s),

Such loss or damage is excluded regardless of any other cause, event or intervention that contributes concurrently or in any sequence to the loss or damage.

- 16. Confiscation, expropriation, nationalization, commandeering, requisition or destruction of or damage to property by order of the Government de jure or de facto or any public, municipal or local authority of the country or area in which the property is situated; seizure or destruction under quarantine or customs regulation, however, this exclusion shall not apply to destruction by order of public authority at the time of and for the purpose of preventing the spread of fire, provided such fire did not originate from any perils herein specifically excluded.

17. Loss or damage caused by or resulting from:

- a. Earth Movement, unless specified in the Sublimits of Liability, and then only for such specified amount;
- b. Flood, unless specified in the Sublimits of Liability, and then only for such specified amount;
- c. any and all loss from any other cause when occurring concurrently or sequentially with Earth Movement or Flood except Fire, Explosion or leakage from fire protective systems or devices. The limit of insurance hereunder for such Fire Explosion or leakage from fire

protective systems or devices shall be the amount of insurance covering the property or the residual value of the property if the Fire Explosion or leakage from fire protective systems or devices is preceded by Earth Movement damage or Flood, whichever is the lesser amount;

18. Loss or damage caused by or resulting from Earth Movement and Flood as respects Newly Acquired Property or Miscellaneous Unnamed Locations.
19. Any loss or damage caused by, resulting from, contributed to or made worse by actual alleged or threatened release, discharge escape or dispersal of "CONTAMINANTS" or "POLLUTANTS", all whether direct, indirect, proximate or remote or in whole or in part caused by contributed to or aggravated by any physical damage insured by this policy.

Nevertheless, if fire, not otherwise excepted or excluded from coverage, arises directly or indirectly from seepage or contamination or pollution, any loss or damage insured under this policy arising directly from that fire is insured, subject to the provisions of this policy.

"CONTAMINANTS" and "POLLUTANTS" means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste which after its release can cause or threaten damage to human health or human welfare or causes or threatens damage, deterioration, loss of value, marketability or loss of use to property insured hereunder, including, but not limited to, bacteria, fungi, virus, or hazardous substances as listed in the Federal Water, Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act or as designated by the U. S. Environmental Protection Agency. Waste includes materials to be recycled, reconditioned or reclaimed.

This exclusion shall not apply when loss or damage is directly caused by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm, hail, vandalism, malicious mischief. But, this Company shall not be liable for more than the amount stated in the Declarations as a result of such ensuing loss or damage.

This exclusion shall also not apply when loss or damage is directly caused by leakage or accidental discharge from automatic fire protection systems.

20. This policy does not cover:
- a. The removal of asbestos, dioxin or polychlorinated biphenols (hereinafter all referred to as "Materials") from any good, product or structure. However, if asbestos is damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, or leakage or accidental discharge from an automatic fire protection system, the cost of removal shall be covered herein. The coverage afforded by this extension does not apply to the costs of investigation or defense of any loss or damage, or any costs for loss of use expense, fine or penalty or for any expense or claim or suit related to any of the above.
 - b. Demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating such Materials.
 - c. Any governmental direction or request declaring that such Materials present in, or part of, or utilized on any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.
21. Notwithstanding any of the provisions of this policy, the Company shall not be liable for loss, damage, costs, expenses, fines or penalties incurred or sustained by or imposed on

the Insured at the order of any Government Agency, Court or other Authority arising from any cause whatsoever.

22. This policy does not cover:

- a. Damage or Consequential Loss directly or indirectly caused by, consisting of, or arising from, the failure of any computer, data processing equipment, media microchip, operating systems, microprocessors (computer chip), integrated circuit or similar device, or any computer software, whether the property of the Insured or not, and whether occurring before, during or after the year 2000 that results from the inability to:
 - i. correctly recognize any date as its true calendar date;
 - ii. capture, save, or retain, and/or correctly manipulate, interpret or process any data or information or command or instruction as a result of treating any date other than its true calendar date; and/or
 - iii. capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer software, being a command which causes the loss of data or the inability to capture, save, retain or correctly process such data on or after any date.
- b. the repair or modification of any part of an electronic data processing system or its related equipment, to correct deficiencies or features of logic or operation.
- c. Damage or Consequential Loss arising from the failure, inadequacy, or malfunction of any advice, consultation, design, evaluation, inspection, installation, maintenance, repair or supervision done by the Insured or for the Insured or by or for others to determine, rectify or test, any potential or actual failure, malfunction or inadequacy described in (1) above.

Such Damage or Consequential Loss described in (a), (b) or (c) above, is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This shall not exclude subsequent Damage or Consequential Loss, not otherwise excluded, which itself results from peril or perils covered under this policy;

23. This policy does not cover: Damage or Consequential loss directly or indirectly caused by, consisting of, or arising from:

- a. Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility,
- b. Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set,
- c. Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing liability or failure of the Insured to conduct business.

This shall not exclude subsequent damage or Consequential loss, not otherwise excluded, which itself results from one or more of the following perils: Fire, Lightning, Earthquake, Explosion, Falling Aircraft, Flood, Smoke, Vehicle Impact, Windstorm or Tempest.

Such Damage or Consequential loss described in (a), (b), or (c) above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

24. This policy does not insure against any loss, damage, cost or expense caused by or resulting from any of the following, regardless of any other cause or event contributing concurrently or in any sequence thereto:
- a. The unlawful possession, use, release, discharge, dispersal or disposal of any chemical, bacteriological, viral, radioactive or similar agents or material regardless of who is responsible for the act, whether or not the act is certified as an act of terrorism pursuant to the federal Terrorism Risk Insurance Act, and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto; or
 - b. The unlawful possession, use, release, discharge, detonation, dispersal or disposal of any device or material capable of producing a nuclear reaction or the spread of radioactivity, regardless of who is responsible for the act, whether or not the act is certified as an act of terrorism pursuant to the federal Terrorism Risk Insurance Act, and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.

SECTION III – INSURED PROPERTY

A. PROPERTY INSURED AGAINST

Except as hereinafter excluded, this policy covers:

1. REAL AND/OR PERSONAL PROPERTY

- a. The interest of the Insured in all Real and/or Personal Property, including improvements and betterments and alterations owned or used by the Insured, as stated in the Schedule and/or Declarations attached to and forming a part of this policy, or hereinafter constructed, erected, installed, or acquired.

In the event of loss or damage, the Company agrees to accept and consider the Insured as sole and unconditional owner of improvements and betterments, unless otherwise stated by contract or lease agreement.

- b. The interest of the Insured in Real and Personal Property of others in the Insured's care, custody, or control.
- c. Personal Property of the Insured's officers and employees while on premises of the Insured, for which values have been declared and for which a sublimit is indicated in the Schedule of Limits and Sublimits.
- d. Contractors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by written contract. However, such interest will not extend to any Time Element coverage provided by this policy.

B. PROPERTY EXCLUDED

This policy does not cover the following:

- 1. Money; coins, currency, bullion, notes, securities, stamps, food stamps, letters of credit, telephone cards, tickets, accounts, bills, deeds, evidence of debt;

2. Land; land values; soil; water, including ground water, surface water, process water and drinking water; growing crops; drying crops; standing timber; landscaping; lawns; trees; plants; shrubs and animals except animals held for research and then only for the perils of fire, wind, hail, aircraft, riot or civil commotion, vehicle, explosion and smoke;
3. Cost of excavations, filling, back filling and grading;
4. Underground pipes, flues and drains;
5. Wells; brick, stone or concrete foundations or footings of any kind; pilings below the surface of the ground; piers, wharves or docks; pavements, sidewalks or roadways; retaining walls that are not part of a covered building;
6. Watercraft; aircraft; satellites; spacecraft; any type of motor vehicles licensed for highway use, when not on the Insured's premises; railroad rolling stock;
7. Waterborne shipments to and from Hawaii or Alaska;
8. Export shipments after loading on board an overseas vessel or after ocean marine insurance attaches, whichever occurs first; and import shipments until they have been discharged from the overseas vessel or until the ocean marine insurance terminates, whichever occurs last;
9. Furs, fur garments and garment containing fur, jewels, jewelry, watches, pearls, precious and semi-precious stones, bullion, gold, silver, platinum, other precious metals and alloys;
10. Property sold on installment, conditional sale, trust agreement or other deferred payment plan, after delivery to customers, whether or not the insured retains title to such property;
11. Shipments by mail and/or parcel post;
12. Owned Power transmission and feeder lines and their supporting structures, located beyond 1,000 feet from the Insureds premises;
13. Contraband or property in the course of illegal transportation or trade.
14. Dams, dikes, bridges, tunnels, reservoirs and canals.
15. Property located offshore.
16. Underground mines or mining shafts, any mining equipment or mining property located below the surface of the ground.
17. Unmined minerals, coal or ore; Crude oil, natural gas or other minerals prior to the initial recovery above ground.

SECTION IV – VALUATION

Except as otherwise provided in this Paragraph, adjustment of loss or damage under this Policy shall be valued at the cost to repair or replace (whichever is less) at the time and place of the loss with materials of like kind and quality, without deduction for depreciation and obsolescence. The Insured may elect to rebuild on another site, provided that, such rebuilding does not increase the amount of loss or damage that would otherwise be payable to rebuild at the same site. Property that is not repaired or replaced within two (2) years after the date of loss (unless such requirement is waived by the Company in writing) will be valued at Actual Cash Value at the time and place of the loss.

Unless otherwise endorsed hereon, the property, as described below, will be valued as follows:

- A. Stock in process will be valued at the cost of raw materials and labor expended plus the proper proportion of overhead charges.
- B. Finished goods manufactured by the Insured will be valued at the regular cash selling price at the location where the loss occurs, less all discounts and charges to which the merchandise would have been subject had no loss occurred.
- C. Raw materials, supplies and other merchandise not manufactured by the Insured will be valued at the replacement cost.
- D. Valuable Papers and Records will be valued at the cost to replace or restore the property with like kind and quality including the cost to research, gather and assemble information. If not replaced, the Company will only pay the blank value of the papers or records.
- E. Electronic Data and Media will be valued at the cost to replace or restore the property with like kind and quality including the cost to research, gather and assemble information. If not replaced, the Company will only pay the value of the blank media.
- F. Jigs and fixtures, dies, small tools, patterns, employees' personal property and personal property of third parties, the replacement cost if replacement cost values have been reported to the Company and if actually replaced; otherwise the actual cash value with proper deduction for depreciation and obsolescence; [but not to exceed the cost to repair or replace the property with material of like kind and quality/.
- G. Leasehold improvements and betterments will be valued as follows;
 - 1. If repaired or replaced at the expense of the Insured within two (2) years after the date of the loss, the cost to repair or replace the damaged improvements and betterments;
 - 2. If not repaired or replaced within two (2) years after the date of the loss, a proportion of the Insured's original cost:

The Company will determine the proportionate value as follows:

 - a. Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
 - b. Divide the amount determined in Subparagraph a. above by the number of days from the installation of improvements to the expiration of the lease.

If the Insured's lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure; or
 - 3. Nothing if others pay for repairs or replacement.
- H. Fine Arts will be valued as the lesser of:
 - 1. The Agreed Value on file with the Company, or
 - 2. The cost to repair or replace the fine art, or
 - 3. The appraised value which will be determined as of the time of the loss.
- I. Accounts Receivable will be valued at the amount owed the Insured which the Insured is unable to collect from customers, and shall include:

1. Any collection expenses over and above the normal collection costs;
2. Interest charges on any loan to offset impaired collections pending repayment of such sums that cannot be collected; and
3. Other reasonable and necessary expenses incurred by the Insured to recreate Accounts Receivable Records.

Unearned interest and service charges on deferred payment accounts and normal credit losses on bad debts shall be deducted in determining the recovery hereunder.

After payment of loss by the Company, all amounts recovered by the Insured on Accounts Receivable for which the Insured has been paid will belong to and will be paid to the Company by the Insured up to the total amount of loss paid by this Company. All recoveries in excess of such amounts will belong to the Insured.

In the event it is possible to reconstruct the Insured's Accounts Receivable Records after they have been physically lost or damaged, so that no shortage in collection of Accounts Receivable is sustained, the Company shall only be liable for the costs of the material and the time required to reconstruct such records, with the exercise of due diligence and dispatch, but only to the extent that such amounts are not covered by any other insurance.

- J. **Property for Sale:** If, at the time of the loss, any real property is being offered for sale, the loss or damage to such property will be valued at the lesser of:

1. The cost to repair or replace the damaged property, or
2. The price at which the property is offered for sale less the market value of the Land.

- K. **Property in Transit:** In case of loss, the basis of adjustment shall be:

1. Property shipped to or for the account of the Insured shall be valued at the actual invoice to the Insured, together with such costs and charges as may have accrued and become legally due on such property;
2. Property which has been sold by the Insured and has been shipped to or for account of the purchaser (if covered hereunder) is valued at the amount of the Insured's selling invoice, including prepaid or advanced freight;
3. Property of others not under invoice shall be valued at the actual market value at the point of destination on the date of the Occurrence, less any charges saved which would have become due and payable upon delivery at destination; or
4. Property of the Insured not under invoice shall be valued in accordance with the valuation provisions of this Policy applying at the location from which such property is being transported, less any charges saved which would have become due and payable upon delivery at such destination.

- L. **Contractor's equipment** shall be valued at actual cash value, unless an agreed value applies.

- M. **For all other property:** At replacement cost if actually replaced; otherwise, the actual cash value with proper deduction for depreciation and obsolescence, but not to exceed the cost to repair or replace the property with material of like kind and quality.

With respect to Subparagraph A. through M., inclusive, unless otherwise specifically stated, the Company will compute the valuations at the time and place of the loss.

SECTION V – TIME ELEMENT COVERAGE

This Policy is extended to cover the actual loss sustained by the Insured during the Period of Interruption directly resulting from a Covered Cause of Loss to Insured Property.

A. **ACTUAL LOSS SUSTAINED:** In the event the Insured is prevented from producing goods or from continuing its business operations or services and is unable:

1. To make up lost production within a reasonable period of time (not to be limited to the period during which production is interrupted), or
2. To continue business operations or services,

all through the use of any property or service owned or controlled by the Insured, or obtainable from other sources, whether the property or service is at an Insured Location or through working extra time or overtime at any other substitute location(s), including any other location(s) acquired for the purpose, then the Company shall be liable, subject to all other conditions of this Policy not inconsistent herewith for the actual loss sustained of the following during the Period of Interruption:

1. **GROSS EARNINGS** less all charges and expenses which do not necessarily continue during the interruption of production or suspension of business operations or services. For the purpose of this coverage, **GROSS EARNINGS** means:
 - a. For manufacturing operations: The net sales value of production less the cost of all raw stock, materials and supplies utilized in such production; or
 - b. For mercantile or non-manufacturing operations: The total net sales less cost of merchandise sold, materials and supplies consumed in the operations or services rendered by the Insured;
 - c. Plus all other earnings derived from the operation of the business.

In determining net sales, in the event of loss hereunder, for mercantile or non-manufacturing operations, any amount recovered under Property Damage policies for loss or damage to or destruction of merchandise shall be included as though the merchandise had been sold to the Insured's regular customers.

In determining the amount of loss payable under this coverage, due consideration shall be given to the experience of the business before the Period of Interruption and the probable experience thereafter had no loss occurred, and to the continuation of only those normal charges and expenses that would have existed had no interruption of production or suspension of business operations or services occurred.

There is no coverage for any portion of the Insured's Ordinary Payroll expense unless a specified number of days for Ordinary Payroll is shown in the Declarations. In such case, the Company will pay Ordinary Payroll for that number of days only. Ordinary Payroll means the entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other essential employees.

2. **EXPENSE TO REDUCE LOSS:** Expenses, over and above normal operating expenses, necessarily incurred by the Insured in making up lost production or in reducing loss otherwise payable under this coverage are covered hereunder, but in no event shall such expenses exceed the amount by which the loss under this policy is thereby reduced.

B. PERIOD OF INTERRUPTION: In determining the amount payable under this coverage, the Period of Interruption shall be:

1. The period from the time of physical loss or damage insured against by this Policy to the time when, with the exercise of due diligence and dispatch, either:
 - a. normal operations resume, or
 - b. physically damaged buildings and equipment could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to such loss or damage,

whichever is less. Such period of time shall not be cut short by the expiration or earlier termination date of the Policy.

2. In addition, if applicable, such time as may be required with the exercise of due diligence and dispatch:
 - a. To restore stock in process to the same state of manufacture in which it stood at the time of the initial interruption of production or suspension of business operations or services; or
 - b. To replace physically damaged or destroyed mercantile stock necessary to resume operations.
 - c. To replace raw materials and supplies in order to continue operations.

However, the inability to procure destroyed mercantile stock or suitable raw materials and supplies to replace similar stock or materials and supplies physically damaged or destroyed shall not increase the Period of Interruption.

3. For Property under construction: The time period between the anticipated date of substantial completion had no covered loss occurred and the actual date of completion. In calculating the amount of loss, due consideration will be given to the actual experience of the business compiled after substantial completion and start-up.

The Period of Interruption does not include any additional time:

1. Required for restaffing or retraining employees, or
2. Due to the Insured's inability to resume operations for reasons other than those enumerated in B.2.a. through B.2.c., inclusive, above, or
3. Required for making change(s) to the buildings, structures, or equipment for any reason except as provided in the Demolition and Increased Cost of Construction coverage, if such coverage is provided by this Policy.

C. ADDITIONAL TIME ELEMENT COVERAGES

1. **EXTRA EXPENSE:** This Policy is extended to cover the loss sustained by the Insured for Extra Expense during the Period of Interruption resulting from direct physical loss or damage from a Covered Cause of Loss to Insured Property utilized by the Insured. Extra Expense means:

- a. The reasonable and necessary extra expense incurred to temporarily continue as nearly normal as practicable the conduct of the Insured's business over and above the total cost that would normally be incurred to conduct the business during the same period had no loss or damage occurred; and
- b. The reasonable and necessary extras costs of temporarily using property or facilities of the Insured or others.

The Insured agrees to use any suitable property or service owned or controlled by the Insured or obtainable from other sources in reducing the Gross Earnings loss and Extra Expense incurred under this Policy.

- 2. **RENTAL VALUE:** As respects Insured Property held for rental to others, this Policy is extended to cover the loss sustained during the Period of Interruption but not exceeding the reduction in Rental Value less charges and expenses which do not necessarily continue.

Rental Value means the sum of:

- a. The total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured including taxes, rent based on percentage of sales, and other charges paid by tenants in respect of the leased premises; and
- b. The amount of all charges which, by the terms of a written lease, are the legal obligation of the tenant(s) and which would otherwise be obligations of the Insured; and
- c. The fair rental value of any portion of such property which is occupied by the Insured.

Due consideration will be given to the historic rental expenses prior to the loss and the probable expenses thereafter.

- 3. **ROYALTIES:** This Policy is extended to cover loss of income sustained by the Insured under a royalty, licensing fee, or commission agreement between the Insured and another party during the Period of Interruption arising out of direct physical loss or damage by a Covered Cause of Loss during the term of this Policy to real or personal property of a type insured against of such other party, within the territorial limits of this Policy.
- 4. **SOFT COSTS:** For Property under Construction, this Policy is extended to cover Soft Costs incurred by the Insured during Period of Interruption (described in Paragraph B. above). Such Soft Costs must be attributable to the loss.

The Company will pay reasonable and necessary Soft Costs over and above those costs which would have been incurred by the Insured during the Period of Interruption had no loss occurred. Soft Costs means:

- a. The amount of actual interim or construction financing interest, including loan fees and other one time charges incurred to negotiate a new construction loan and/or extend the existing one;
- b. Realty taxes and ground rent if any;
- c. Advertising and promotional expenses;
- d. Cost of additional commissions;

- e. Architects, surveyors, legal, consulting engineers, or other fees not otherwise covered under this Policy;
 - f. Project administration expense, but not including development fees;
 - g. Insurance premiums; and
 - h. Finder's fee refunds.
5. **CONTINGENT TIME ELEMENT:** If direct physical loss or damage to the real or personal property of a direct supplier or direct customer of the Insured is damaged by a Covered Cause of Loss under this Policy, and such damage:
- a. wholly or partially prevents any direct supplier to the Insured from supplying their goods and/or services to the Insured, or
 - b. wholly or partially prevents any direct customer of the Insured from accepting the Insured's goods and/or services;

then this Policy is extended to cover the actual loss sustained by the Insured during the Period of Interruption with respect to such real or personal property. The property of the supplier or customer which sustains loss or damage must be of the type of property which would be Insured Property under this Policy.

This coverage applies to the Insured's direct suppliers or direct customers located in countries specified in the COVERAGE TERRITORY provision of this Policy.

6. **INTERRUPTION BY CIVIL OR MILITARY AUTHORITY:** This Policy is extended to cover the actual loss sustained during the period of time when access to the Insured's real or personal property is prohibited by a written order of civil or military authority, provided that, such order is a direct result of a Covered Cause of Loss to real property of a type insured against, within one (1) mile of an Insured location. Such period of time begins with the effective date of the order of civil or military authority and ends no later than the number of days shown in the Declarations. In no event will the Company pay more than the Sublimit shown in the Declarations for this Additional Time Element Coverage.
7. **INGRESS & EGRESS:** This Policy is extended to cover the actual loss sustained during the period of time when ingress to or egress from the Insured's real or personal property is prohibited as a direct result of a Covered Cause of Loss to real property of a type insured against, within one (1) mile of an Insured location. Such period of time begins on the date that ingress to or egress from real or personal property is prohibited and ends no later than the number of days shown in the Declarations. In no event will the Company pay more than the Sublimit shown in Declarations for this Additional Time Element Coverage.
8. **EXTENDED PERIOD OF INDEMNITY** Coverage is provided for such additional length of time as is required to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
- a. the date on which the liability of the Company for loss or damage would otherwise terminate; or
 - b. the earliest date on which either normal operations resume, or repair, replacement, or rebuilding of the property that has been damaged is actually completed;

but in no event for a period of time exceeding the number of days specified in the Sublimits of Liability section starting with later of a. or b. above. This Extended Period of Indemnity does not apply to any Additional Time Element Coverages.

With respect to Additional Time Element Coverages 6. and 7, if a Covered Cause of Loss results in coverage under both Additional Time Element Coverages, the Company will only pay for loss under one of the two Additional Time Element Coverages, whichever the First Named Insured selects.

D. ADDITIONAL EXCLUSIONS: Section V – Time Element Coverage does not cover:

1. **IDLE PERIODS** - Any loss during any period in which goods would not have been produced, or business operations or services would not have been maintained, for any reason other than physical loss or damage from a Covered Cause of Loss to which this coverage applies;
2. **REMOTE LOSS** –
 - a. Any increase in loss due to the suspension, cancellation, or lapse of any lease, contract, license or order,
 - b. Any loss due to fines or damages for breach of contract or for late or non-completion of orders or penalties of whatever nature, or
 - c. Any increase in loss due to interference at the Insured's premises by strikers or other persons with rebuilding, repairing, or replacing the property damaged or destroyed, or with the resumption or continuation of business, or with the re-occupancy of the premises,

Nor shall the Company be liable for any other consequential or remote loss, other than as specifically provided in this Section V;

3. **FINISHED PRODUCTS** - Any loss resulting from loss or damage to finished products manufactured by the Insured nor for the time required for their reproduction;
4. **TRANSIT** - Any loss resulting from loss or damage to property in transit.

SECTION VI – ADDITIONAL COVERAGES

The following additional coverages are subject to the terms and conditions of this Policy, including, the deductibles and sublimits of liability corresponding to each such additional coverage shown in Section I. These sublimits are part of, and not in addition to sublimits and limits of liability of this Policy, including, but not limited to, the Earth Movement, Flood, or Named Storm Sublimits of Liability provided herein, if applicable.

- A. **ACCOUNTS RECEIVABLE:** This Policy covers any shortage in the collection of Accounts Receivable directly resulting from direct physical loss or damage insured by this Policy to Accounts Receivable Records.

The Company shall be liable for:

1. Any collection expenses over and above the normal collection costs.
2. Interest charges on any loan to offset impaired collections pending repayment of such sums that cannot be collected.

3. Other reasonable and necessary expenses incurred by the Insured to recreate Accounts Receivable Records.

Unearned interest and service charges on deferred payment accounts and normal credit losses on bad debts shall be deducted in determining the recovery hereunder.

All amounts recovered by the Insured on Accounts Receivable outstanding at the time of such loss or damage shall belong and be paid to the Company by the Insured up to a total not exceeding the amount of loss paid hereunder, but all recoveries exceeding that amount shall be for and belong to the Insured.

In the event it is possible to reconstruct the Insured's Accounts Receivable Records after they have been physically lost or damaged, so that no shortage in collection of Accounts Receivable is sustained, the Company shall be liable only for the cost of blank Accounts Receivable Records and the time required, with the exercise of due diligence and dispatch, to reestablish and/or reconstruct such Accounts Receivable Records, but only so far as not covered by any other insurance.

This extension of coverage does not apply to loss due to:

1. Bookkeeping, accounting or billing errors and omissions; and
 2. Alteration, falsification, manipulation, concealment, destruction, or disposal of Accounts Receivable Records committed to conceal the wrong giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.
- B. **DEBRIS REMOVAL:** This Policy covers the necessary and reasonable expense of removal from the Insured Locations of debris of Insured Property remaining as a result of direct physical loss or damage insured against under this Policy when the Insured gives written notice of such direct physical loss or damage to the Company, no later than 180 days after the loss. There is no liability for the expense of removing contaminated or polluted uninsured property, nor the Pollutant or Contaminant therein or thereon, whether or not the contamination results from an insured event.
- C. **DEMOLITION AND INCREASED COST OF CONSTRUCTION:** In the event of direct physical loss or damage under this Policy that causes the enforcement of any law, ordinance, governmental directive or standard in effect at the time of loss or damage regulating the construction, repair, use, or occupancy of the property, the Company shall pay:
1. the loss in value of the undamaged portion of the building(s) or structure (s) as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building or structure;
 2. the cost to demolish and clear the site of undamaged parts of the same building(s) or structures, as a consequence of enforcement of an ordinance or law that requires demolition of such undamaged property;
 3. the increased cost of repair or reconstruction of the damaged and undamaged property on the same or another site, limited to the cost that would have been incurred in order to comply with the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property on the same site. However, this Company shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;

The Company shall not be liable for any cost of demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating any form of contamination or pollution.

- D. **ELECTRONIC DATA AND MEDIA:** This Policy is extended to cover direct physical loss or damage to Electronic Data and Media.
- E. **ERRORS OR OMISSIONS:** This Policy is extended to cover direct physical loss or damage at Locations within the Coverage Territory that are owned, leased or operated by the Insured, if such loss or damage is not payable under this Policy solely due to;
1. Any error or unintentional omission in the description of the address of the property whether made at the inception of the policy period or subsequent thereto; or
 2. Failure through any error or unintentional omission to:
 - a. Include any Location of the Insured at the inception of the Policy; or
 - b. Report any newly acquired property before the period of automatic coverage provided under this Policy for Newly acquired property expires.

With respect to Subparagraphs 1. and 2. above, this Errors or Omissions Additional Coverage does not function to allow the Insured or its representative to correct any value shown in the Statement of Values.

This Policy covers such direct 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.

There is no coverage under this Paragraph for loss or damage which is covered under Newly Acquired Property or Miscellaneous Unnamed Locations provisions of this Policy.

- F. **FINE ARTS:** This Policy is extended to cover direct physical loss or damage to fine arts. However, no coverage is provided for:
1. Breakage of art, glass, windows, statuary, marble, glassware, porcelain, bric-a-brac, or similar fragile articles, unless such breakage is caused by a Defined Peril; or
 2. Physical loss or damage as a result of restoring, repairing, or retouching processes.
- G. **FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES:** This Policy covers the following expenses resulting from a Covered Cause of Loss:
1. Fire brigade charges and any extinguishing expenses which the Insured incurs;
 2. Loss and disposal of fire extinguishing materials expended.

There is no coverage for any costs incurred as a result of a false alarm.

- H. **LEASEHOLD IMPROVEMENTS & BETTERMENTS:** This Policy is extended to cover the value of undamaged tenant's improvements and betterments when the Insured's lease is cancelled by the lessor; acting under a valid condition of the lease due to direct physical loss or damage to building or personal property caused by or resulting from a Covered Cause of Loss at an Insured

Location. No sublimit of liability applies to this additional coverage, but in no event, will the Company be liable for an amount in excess of the applicable sublimit of liability specified for the Leasehold Interest, if any.

- I. **LEASEHOLD INTEREST:** If Insured Property is: (1) rendered wholly or partially untenable by a Covered Cause of Loss during the Policy period and (2) the Insured's lease is canceled by a party, other than the Named Insured, or an entity with any common ownership of the Named Insured, in accordance with the conditions of the lease or as a result of a statutory requirement of the appropriate jurisdiction in which the damaged or destroyed Insured Property is located, then this Policy is extended to cover The Interest of the Insured as Lessee or The Interest of the Insured as Lessor, whichever is applicable, but only for the first three months succeeding the date of the loss and the Net Lease Interest shall be paid for the remaining months of the unexpired lease.

Recovery under this additional coverage shall be the pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

1. The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
2. Improvements and betterments to real property which are not covered under any other section of this Policy; and
3. The amount of advance rental paid by the Insured and not recoverable under the terms of the lease.

Definitions: The following terms, wherever used in this section shall mean:

1. The Interest of the Insured as Lessee is defined as:
 - a. the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and
 - b. the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this Policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
2. The Interest of the Insured as Lessor is defined as the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this Policy.
3. Net Lease Interest is defined as that sum, which placed at 6% interest compounded annually will be equivalent to The Interest of the Insured as Lessee or Lessor.

The Company shall not be liable for any increase of loss which may be occasioned by the suspension, lapse or cancellation of any license or by the Named Insured exercising any option to cancel the lease. Furthermore, the Named Insured shall use due diligence including all things reasonably practicable to diminish loss under this additional coverage.

- J. **LIMITED POLLUTION COVERAGE:** This Policy is extended to cover the reasonable and necessary additional expense incurred to remove, dispose of, or clean-up the actual, but not merely the suspected presence of Pollutants or Contaminants from Land or water at an Insured Location when such Land or water is contaminated or polluted due to a Covered Cause of Loss.

There will be no coverage unless such expenses are reported to the Company within 180 days of the date of direct physical loss or damage.

K. **NEWLY ACQUIRED PROPERTY:** This Policy covers real or personal property of the type insured under this Policy that is rented, leased, or purchased by the Insured after the inception date of this Policy. Coverage under this additional coverage ceases at the earlier of the following dates:

1. Ninety (90) days from the date of acquisition or lease of such property or such other number of days shown in Section I for Newly Acquired Property, if applicable, or
2. When the newly acquired location is bound by the Company; or
3. The Company notifies the Insured that it will not bind the newly acquired location.

There is no coverage for any property that is partially or wholly insured under any other insurance.

There is no coverage under this Paragraph for loss or damage which is covered under the Error or Omissions or Miscellaneous Unnamed Locations provisions of this Policy.

L. **PAIRS OR SETS:** If two or more components or parts are necessary for a whole or complete product, then this Policy covers reduction in value of insured components or parts of products due to direct physical loss or damage insured against by this Policy to the other insured components or parts of such products, provided that the insured surrenders the undamaged components or parts to the Company.

No sublimit of liability applies to this additional coverage.

M. **PROFESSIONAL FEES:** This Policy is extended to covered reasonable and necessary Claim Preparation Costs incurred by the Insured at the request of the Company for the purpose of determining the extent or amount of insured loss or damage as a result of a Covered Cause of Loss under this Policy, provided that, the Insured obtains the prior written approval of the Company for the vendor to be engaged by the Insured.

Claim Preparation Costs means:

1. The cost of taking inventory and the cost of gathering and preparing other data to substantiate the extent or amount of loss or damage; and
2. The cost of services provided by accountants, contractors, and engineers solely for purpose of determining the extent or amount of loss.

Claim Preparation Costs does not mean and does not include:

1. Legal fees, charges, and expenses;
2. Fees and costs of a public claims adjuster, claim consultant, insurance broker or agent, or any person acting for or on behalf of a public claim adjuster, claim consultant, or insurance broker or agent;
3. Costs associated with negotiation or presentation of any claim or part of a claim that the Company has advised the Insured is disputed or denied;
4. Costs associated with establishing that any claim or part of a claim is covered by the Policy; or

5. Costs which represent overhead or operating expense of any Insured, including salaries of such Insured's employees.

N. **OFF PREMISES PROPERTY:** This Policy covers direct physical loss of damage to personal property of the Insured by a Covered Cause of Loss at any Location within the Coverage Territory when removed from the Insured Locations for the purpose of being repaired or serviced, excluding:

1. Personal property insured under another Policy or floater;
2. Personal property excluded under this Policy; or
3. Personal property removed from the Insured Locations for normal storage or processing or preparation for sale or delivery.

O. **SERVICE INTERRUPTION:** This Policy is extended to cover the loss or damage to Insured Property and/or Time Element Coverage resulting from direct physical loss or damage from a Covered Cause of Loss to: (1) incoming electrical, gas, water, and telecommunication equipment and outgoing sewer or (2) electrical, telecommunication, fuel, water, steam, refrigeration, or other service transmission lines, all situated within 5 miles of an Insured Location.

There shall be no loss payable under this Additional Coverage unless the interruption exceeds the qualifying period shown in Section I. In such case, the loss shall be measured from date and time of the loss and then applicable deductibles shall apply. With respect to any Time Element Coverage provided herein, the Period of Interruption ends when: (1) incoming electrical, gas, water, and telecommunication equipment and outgoing sewer or (2) electrical, telecommunication, fuel, water, steam, refrigeration, or other service transmission lines is restored.

The sublimit of liability applies to all loss or damage to Insured Property and Time Element Coverage combined arising out of one Service Interruption. None of the Additional Time Element Coverages set forth in Section V. Paragraph C apply to the Time Element Coverage provided herein.

P. **TRANSIT:** This Policy is extended to cover personal property, not otherwise excluded by this Policy, while such property is in transit.

It is agreed that coverage under this extension shall include the following:

1. Personal property shipped to customers on F.O.B., C & F, or similar terms. The Insured's contingent interest in such shipments is admitted.
2. The interest of the Insured in, and legal liability for personal property of others in the actual or constructive custody of the Insured.
3. Personal property of others sold by the Insured which the Insured has agreed prior to loss to insure during course of delivery.

It is agreed that the following additional exclusions apply to coverage as provided under this additional coverage;

1. Samples in the custody of salespersons or selling agents.
2. Property insured under import or export ocean cargo policies.

3. Waterborne shipments via the Panama Canal or waterborne to and from the United States territories or possessions, Alaska, Puerto Rico, and Hawaii.
4. Shipments made by air unless via regularly scheduled airlines.
5. Property shipped by mail.
6. Property of others, including the Insured's legal liability therefore, hauled on vehicles owned, leased, or operated by the Insured when acting as a common or contract carrier as defined by the Interstate Commerce Commission Regulations or other state regulatory agencies.
7. Any transporting vehicle or conveyance.

This additional coverage attaches from the time the property leaves the original point of shipment for the commencement of transit and covers thereafter continuously in the due course of transit within the Coverage Territory until delivered at destination.

Coverage on export shipments not insured under ocean cargo policies does not extend beyond the time when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies does not attach until after discharge from overseas vessels or aircraft.

This additional coverage does not cover or apply to delay, loss of market, or any Time Element coverage.

Permission is granted to the Insured without prejudice to this insurance to accept the ordinary bills of lading used by carriers, including released and/or undervalued bills of lading and/or shipping or messenger receipts. The Insured may waive subrogation against railroads under sidetrack agreements, but the Insured shall not enter into any special agreement with carriers releasing them from their common law or statutory liability.

- Q. VALUABLE PAPERS AND RECORDS: This Policy is extended to cover Valuable Papers and Records.

SECTION VII – CONDITIONS

- A. ABANDONMENT: There can be no abandonment to the Company of any property.
- B. ADJUSTMENT OF LOSSES and FIRST NAMED INSURED CLAUSE: Loss or damage shall be adjusted with and payable to the First Named Insured, subject to any certificates of insurance on file with the Company which require payment to a loss payee or mortgagee.

If this Policy insures more than one entity, the First Named Insured is authorized to act on behalf of all other Insureds with respect to their rights, obligations, and duties under this Policy. Payment of loss or return premium under this Policy to the First Named Insured shall satisfy the Company's obligations with respect to all Insureds.

- C. APPRAISAL: If the Company and the Insured disagree on the value of the property or 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 within 60 days after receipt of proof of loss. The two appraisers will select an umpire. If the appraisers cannot agree on an umpire within 30 days, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the replacement cost and actual cash value of the property and 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:

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

If there is an appraisal, it is without prejudice to the Company's rights under the terms and conditions of the Policy and the Company's right to deny the claim.

- D. **ASSIGNED ADJUSTER:** It is hereby agreed that the following shall be designated as the Claims Adjuster for all claims under this policy unless otherwise agreed to at time of loss by the Insured and the Company.

Adjuster Name: TBD
Adjusting Firm

- E. **ASSIGNMENT:** The Insured may not be assign this Policy without the Company's prior written consent.
- F. **BRANDS AND LABELS:** If branded or labeled merchandise covered by this Policy is physically damaged and the Company elects to take all or any part of such merchandise at the value established by the terms of this Policy, the Insured may, at their own expense, stamp "SALVAGE" on the merchandise or its containers, or may remove or obliterate the brands or labels, if such stamp, removal or obliteration will not physically damage the merchandise, but the Insured must re-label the merchandise or containers in compliance with the requirements of law.

G. **CANCELLATION:**

1. This Policy can be canceled by the First Named Insured by providing the Company with:
 - a. An advanced written request for cancellation stating when the cancellation shall be effective, and
 - b. The original Policy or a lost policyholder release signed by the First Named Insured or its legal representative.
2. This Policy may be canceled by the Company by giving to the Insured at least thirty (30) days written notice of cancellation or in the case of non-payment of premium, at least ten (10) days' written notice of cancellation. Such notice may be accompanied with the unearned premium, or if not included, the Company shall return the unearned premium upon demand by the First Named Insured.
3. The cancellation will be effective even if we have not made or offered a refund. If notice is mailed, proof of mailing will be sufficient proof of notice.
4. If this Policy is canceled, the Company will send the First Named Insured any premium refund due. If the Company cancels, the refund will be pro rata. If the First Named Insured cancels, earned premium will be calculated in accordance with the customary short-rate table and procedure, subject to the Minimum Earned Premium shown on the Declarations. The cancellation will be effective even if the Company has not made or offered a refund.

- H. **CONTROL OF DAMAGED MERCHANDISE:** This Policy gives control of physically damaged property as follows:

1. The Insured will have full rights to the possession and control of damaged property in the event of insured physical damage to such property provided proper testing is done to show which property is physically damaged.

2. The Insured using reasonable judgment will decide if the physically damaged property can be reprocessed or sold.
 3. Property so judged by the Insured to be unfit for reprocessing or selling will not be sold or disposed of except by the Insured, or with the Insured's consent.
 4. Any salvage proceeds received will go to the:
 - a. Company at the time of loss settlement; or
 - b. Insured if received prior to loss settlement and such proceeds will reduce the amount of loss payable accordingly.
- I. CURRENCY: Any amount of money specified in the Policy, including Limits of Liability, Deductibles and Premiums shall be considered to be in the currency of the United States of America.
- J. INSPECTION AND AUDIT: The Company, at all reasonable times during this Policy period, shall be permitted but not obligated to inspect the property insured by this Policy. Neither the Company's right to make inspections nor the making thereof nor any report thereon shall constitute any undertaking by the Company, on behalf of or for the benefit of the Insured or others, to determine or warrant that such property is safe or healthful or that they comply with any law, rule or regulation.
- The Company may also examine and audit the Insured's books and records at any reasonable time during the Policy period and within one year after the Policy termination, as long as such examination and audit relate to the subject matter of this Policy.
- K. MISREPRESENTATION AND FRAUD: This entire Policy shall be void if, whether before or after a loss, the Insured has willfully concealed or misrepresented any material fact or circumstance concerning this insurance or the subject thereof, or the interest of the Insured therein, or in case of any fraud, or false swearing by the Insured relating thereto.
- L. OTHER INSURANCE/EXCESS INSURANCE/UNDERLYING INSURANCE: In the event there is other insurance covering loss or damage insured under this Policy, then this Policy shall apply only as excess and in no event as contributory insurance (unless this Policy is specifically written to be contributory insurance), and then only after all other insurance has been exhausted, whether or not such insurance is collectible. Permission is granted for the Insured to purchase Excess Insurance over the limits provided by this Policy, and underlying insurance on all or any part of the deductibles of this Policy.
- M. PROTECTION AND PRESERVATION OF PROPERTY: In case of actual or imminent physical loss or damage by a Covered Cause of Loss, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of Insured Property hereunder shall be added to the total physical loss or damage otherwise recoverable under this Policy and be subject to the applicable deductible, sublimit of liability and the Policy Limit.
- N. REINSTATEMENT OF LIMITS: Except for any Covered Cause of Loss which is subject to an annual aggregate limit, payment of a claim will not reduce the amount payable under this Policy for any subsequent covered loss.
- O. REQUIREMENTS IN CASE OF LOSS: The Insured shall:
1. Give immediate written notice of any loss or damage to the Company,

2. Promptly contact the applicable authority having jurisdiction in the event a law has been broken, and promptly file a written report with such authority,
3. Protect the property from further loss or damage,
4. Separate the damaged and undamaged personal property,
5. Maintain such property in the best possible order, and
6. Furnish a complete inventory of the lost, destroyed, damaged and undamaged property, showing in detail quantities, costs, actual cash value and amount of loss claimed,
7. Furnish all other documents or insurance policies that the Company may reasonably require,
8. Allow the Company to access and inspect any of the damaged or undamaged property, and
9. Submit to examination under oath at such times as may be reasonably required about any matter relating to this insurance or any claim;

Within ninety (90) days after the loss, unless such time is extended in writing by the Company, the Insured shall provide the Company with a proof of loss, signed and sworn to by the Insured, stating the knowledge and belief of the Insured as to the following:

1. The time and origin of the loss,
2. The interest of the Insured and of all others in the property,
3. The value of each item thereof determined in accordance with the Valuation Provisions of this Policy and the amount of loss thereto and all encumbrances thereon,
4. All other contracts of insurance, whether collectible or not, covering any of said property, and
5. Any changes in the title, use, occupation, location, possession or exposures of said property subsequent to the issuance of this Policy, by whom and for what purpose any building herein described and the several parts thereof were occupied at the time of loss whether or not it then stood on leased ground.

- P. REVIEW OF VALUES: The Insured shall provide this Company at Policy inception and each subsequent anniversary date of this Policy, a Statement of Values which consists of the current 100% Property and Time Element values for all Insured Locations.

Such values shall be reported separately for each Location, with separate figures shown for each type of coverage at each Location. The property values shall be shown on a Replacement Basis for property which is covered on a Repair or Replacement Basis and on an Actual Cash Value basis for other property. The value of stock and supplies to be included in the property values shall be in accordance with the Valuation clause contained in this Policy and shall be based on the approximate average of the stock and supplies on hand during the twelve months immediately preceding the annual review of values. Time Element values (if applicable) shall be forwarded in accordance with the terms of the applicable Time Element provisions.

Upon inception the Annual Premium shall be due and payable to the Company. Receipt of said values by this Company shall be considered as authorization by the Insured for premiums under this Policy to be calculated.

The premium for this Policy is based upon the Statement of Values on file with the Company, or attached to this Policy.

Q. SALVAGE AND RECOVERIES: All salvages, recoveries, and payments, excluding proceeds from subrogation and underlying insurance recovered or received prior to a loss settlement under this Policy, shall reduce the loss accordingly.

R. SETTLEMENT OF CLAIMS: The amount of loss for which the Company may be liable shall be payable within sixty (60) days after proof of loss, as herein required, is received and accepted by the Company and ascertainment of the amount of loss is made either by agreement between the First Named Insured and the Company or an amount is determined by binding Appraisal in accordance with the provisions of this Policy.

The Company shall have the option to take all, or any part of the property at the agreed or appraised value, or to repair, rebuild or replace the property physically lost or damaged with other of like kind and quality, within a reasonable time, on giving notice of its intention so to do within sixty (60) days after receipt of the proof of loss herein required.

S. SUBROGATION: The Company may require from the Insured an assignment of all right of recovery against any party for loss to the extent that payment therefore is made by the Company, but the Company shall not acquire any rights of recovery which the Insured has expressly waived in writing prior to loss nor shall such waiver in writing affect the Insured's rights under this Policy.

Any recovery as a result of subrogation proceedings arising out of an Occurrence, after expenses incurred in such subrogation proceedings are deducted, shall accrue to the Insured in the proportion that the deductible amount and/or any provable uninsured loss amount bears to the entire provable loss amount.

The Insured will cooperate with the Company and, upon the Company's request and expense will:

1. Attend hearings and trials;
2. Assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses, and conducting suits.

T. SUIT AGAINST COMPANY: No suit, action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless the Insured shall have fully complied with all the requirements of this Policy, nor unless the same be commenced within twelve (12) months next after the date of the loss, provided however, that if under the laws of the jurisdiction in which the property is located such time limitation is invalid, then any such claims shall be void unless such action, suit or proceedings is commenced within the shortest limit of time permitted by the laws of such jurisdiction.

U. VACANCY

The Insured has permission to cease operations or remain vacant or unoccupied provided fire protection, watch and alarm services are maintained, and written notice is given to the "company" prior to the sixtieth (60th) consecutive day of cessation of operations, vacancy or unoccupancy. The Insured's building is considered vacant or unoccupied when it does not contain enough covered Property to conduct customary business operations, but it shall not include any time when customary activities are suspended due to circumstances that are usual to the described occupancy.

In the event the Insured fails to comply with the foregoing, all coverage otherwise provided under this policy is null and void at such locations.

- V. **TERRITORIAL LIMITATIONS:** Payment of loss under this Policy shall only be made in full compliance with all United States of America economic or trade sanction laws or regulations, including, but not limited to, sanctions, laws and regulations administered and enforced by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").
- W. **TITLES OF PARAGRAPHS:** The titles of the various paragraphs of this form (and of endorsements included in this Policy) are solely for reference and shall not in any way affect the provisions to which they relate.
- X. **TRADE OR ECONOMIC SANCTIONS:** This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance, including, but not limited to, the payment of claims. All other terms and conditions of policy remain unchanged.

SECTION VIII – POLICY DEFINITIONS

- A. **Aircraft or Vehicle Impact** means only physical contact of an aircraft, spacecraft, self-propelled missile, or objects falling therefrom, or vehicle or an object thrown up by a vehicle.
- B. **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.
- C. **Defined Peril** means Fire, Lightning, Explosion, Windstorm or Hail, Smoke, Aircraft or Vehicle Impact, Riot Strike or Civil Commotion, Vandalism and Malicious Mischief, or Leakage From Fire Protection Equipment.
- D. **Earth Movement** means any natural or manmade:
1. Earthquake, including any earth sinking, rising or shifting related to such event;
 2. Landslide, including any earth sinking, rising or shifting related to such event;
 3. Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;
 4. Earth sinking rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface
 5. Shocks, tremors, mudslide, mud flow, rock falls, volcanic eruption, sinkhole, collapse, tsunami, subsidence or any other Earth Movement.
- E. **Earth Movement Counties:** As referenced in this Policy, designated Earthquake Zones shall be defined as all Locations situated within the States or Counties as specified below;
1. **Pacific Northwest Earthquake Zone Counties:**

Oregon:

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

Washington:

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

British Columbia (includes Vancouver Island):

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

2. New Madrid Earthquake Zone Counties:

Arkansas:

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:

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:

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

Kentucky:

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:

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:

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:

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

- F. Electronic Data and Media means data, messages, information, coding, programs, instructions or any other software stored on electronic, electromechanical, electromagnetic data processing or electronically controlled production equipment and distributed by means of a computer network or is produced in a format for use with a computer.
- G. Fine Arts means 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 other than antique, precious stones, precious metals, watercraft, aircraft, money and securities.

Fine Arts does not mean and does not include any item which would qualify as Valuable Papers and Records.

- H. Flood means, whether natural or manmade, Flood waters, surface water, waves, tide or tidal water, overflow or rupture of a dam, levy, dike, or other surface containment structure, storm surge, the rising, overflowing or breaking of boundaries of natural or manmade bodies of water, or the spray from any of the foregoing, all whether driven by wind or not. Tsunami shall not be considered flood.
- I. Fungus, Mold(S), Mildew, Spores Or Yeast:

Fungus includes, but is not limited to, any of the plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rusts, mildews, smuts and mushrooms;

Mold includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);

Spore means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms,

- J. Land means land except land for which values are reported and premiums are charged hereunder, such as dikes, levees, and other surface containment structures. Surface containment structures are not land to a depth of six inches below such surface containment structures.
- K. Leakage From Fire Protection Equipment means direct physical loss or damage from:
1. Water or other substances discharged from within any part of the Fire Protection Equipment for the Insured Location or for any adjoining Locations;
 2. Collapse or fall of tanks forming a part of the Fire Protection Equipment or the component parts or supports of such tanks.

The term Fire Protection Equipment includes tanks, water mains, hydrants, or valves, and any other equipment whether used solely for fire protection or jointly for fire protection and for other purposes, but does not include;

1. Branch piping from a joint system where such branches are used entirely for purposes other than fire protection;
 2. Any underground water mains or appurtenances located outside of the Insured Location and forming a part of the public water distribution system;
 3. Any pond or reservoir in which the water is impounded by a dam.
- L. Location means the location as specified in the Statement of Values, but if not so specified, location means any 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 shall render such separation inoperative for the purpose of this definition.
- M. Miscellaneous Unnamed Location(s) means a location that has not been included in the Statement of Values on file with the Company and has not been reported to the Company as may be required in the Policy provisions elsewhere.

There is no coverage under this Paragraph for loss or damage which is covered under the Error or Omissions or Newly Acquired Property provisions of this Policy.

- N. Occurrence means any one loss, disaster, casualty, incident or series of losses, disasters, casualties or incidents, not otherwise excluded by this Policy and arising out of a single event or originating cause and includes all resultant or concomitant insured losses. The occurrence must occur during the policy period.

If more than one event for Windstorm & Hail, Named Storm, Riot Strike Or Civil Commotion, Vandalism & Malicious Mischief, Earth Movement or Flood covered by this Policy occurs within any period of seventy-two (72) hours during the term of this Policy, such covered events shall be deemed to be a single Occurrence. When filing proof of loss, the Insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the time when the first loss occurs to the Insured Property.

- O. Pollutants or Contaminants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste, which after its release can cause or threaten damage to human health or human welfare or causes or threatens damage, deterioration, loss of value, marketability or loss of use to property insured hereunder, including, but not limited to, bacteria, virus, or hazardous substances as listed in the Federal Water, Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, and Toxic Substances Control Act or as designated by the U. S. Environmental Protection Agency. Waste includes materials to be recycled, reconditioned or reclaimed.
- P. Riot, Strike or Civil Commotion means riot and civil commotion including;
1. Acts of striking employees while occupying the Insured Location; and
 2. Pilferage or looting occurring at the time and place of a riot or civil commotion.
- Q. Smoke means loss or damage ensuing from a sudden and accidental release of Smoke. The peril of Smoke does not include loss or damage caused by Smoke from agricultural smudging or industrial operations.
- R. Valuable Papers and Records means documents that are written, printed, or otherwise inscribed. These include:

1. Books, manuscripts, abstracts, maps and drawings; film and other photographically produced records, such as slides and microfilm;
2. Legal and financial agreements such as deeds and mortgages;
3. Addressograph plates; and
4. Any electrically produced data such as printouts, punched cards, tapes or discs.

Valuable Papers and Records does not mean money and securities and converted data, programs or instructions used in data processing operations, including the materials on which the data is stored.

- S. Vandalism and Malicious Mischief means willful and malicious damage to, or destruction of, Insured Property. Vandalism and Malicious Mischief does not include loss or damage caused by or resulting from theft, except for real property loss or damage caused by the breaking or exiting of burglars.
- T. Windstorm or Hail: Direct action of wind or by the direct action of hail, whether accompanied by wind or not, but no liability is assumed under this peril for:
 1. Loss or damage caused by or resulting from frost or cold weather, ice (other than hail), snow or sleet, whether driven by wind or not;
 2. Loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain, snow, or dust, whether driven by wind or not, unless the building or structure first sustains wind or hail damage to its roof or walls through which the rain, snow, sand or dust enters;
 3. Loss or damage caused when weight of snow, rainwater, ice or sleet is a contributing factor to the fall or collapse of a building or structure or any part thereof.
- U. Tier One Windstorm Counties: As referenced in this Policy, designated Tier One Windstorm Zones shall be defined as all Locations situated within the States, Counties or Parishes as specified below;

Alabama:	Baldwin, Mobile;
Florida:	Entire State of Florida;
Georgia:	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh;
Hawaii:	Entire State of Hawaii;
Louisiana:	Assumption, Cameron, Iberia, Jefferson, Lafourche, Orleans, Plaquemines, St. Mary, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Tammany, Terrebonne, Vermilion;
Mississippi:	Hancock, Harrison, Jackson;
North Carolina:	Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Craven, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington;
South Carolina:	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper;

Texas: Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Victoria, Willacy;

Virginia: Accomack, Chesapeake, Essex, Gloucester, Hampton, Isle of Wight, James City, King George, Lancaster, Mathews, Middlesex, Newport News, Norfolk, Northampton, Northumberland, Poquoson, Portsmouth, Richmond, Stafford, Suffolk, Surry, Virginia Beach, Westmoreland, Williamsburg, York.

ASBESTOS EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 1
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This Policy does not insure against:

- (1) asbestos material removal, unless the asbestos itself is damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, windstorm or hail, vandalism, malicious mischief, leakage or accidental discharge from automatic fire protective systems;
- (2) demolition or increased cost of reconstruction, repair, debris removal or loss of use of necessitated by the enforcement of any law or ordinance regulating asbestos material; or
- (3) any governmental direction or request declaring that asbestos material present in or part of or utilized on any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

AUTHORITIES ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 2
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This Policy does not insure against:

It is hereby understood and agreed that with respect to the property section only:

Except as specifically stated in this policy or endorsement attached thereto, the company shall not be liable for loss, damage, costs, expenses, fines, or penalties incurred, sustained by or imposed on the Insured at the order of any Government Agency, Court, or other Authority arising from any cause whatsoever.

However, if any time element coverage is afforded by this policy or endorsements thereto, the coverage is extended to include any increase in the actual loss sustained by the Insured, resulting directly from an interruption of business covered hereunder, during the length of time not exceeding two(2) consecutive weeks, when as a direct result of damage to or destruction of covered property by the peril(s) insured against, access to the premises or commencement of repairs is delayed at the order of any Government Agency, Court, or other Authority.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

BIOLOGICAL, CHEMICAL OR NUCLEAR EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 3
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

BIOLOGICAL, CHEMICAL, OR NUCLEAR EXCLUSION ENDORSEMENT

The following exclusion is added to this policy; supersedes any term, provision or endorsement to the contrary in this policy; and applies notwithstanding such term, provision or endorsement:

- **BIOLOGICAL, CHEMICAL OR NUCLEAR EXCLUSION**

This policy does not insure against any loss, damage, cost or expense caused by or resulting from any of the following, regardless of any other cause or event contributing concurrently or in any sequence thereto:

1. The unlawful possession, use, release, discharge, dispersal or disposal of any chemical, bacteriological, viral, radioactive or similar agents or material regardless of who is responsible for the act, whether or not the act is certified as an act of terrorism pursuant to the federal Terrorism Risk Insurance Act, and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto; or
2. The unlawful possession, use, release, discharge, detonation, dispersal or disposal of any device or material capable of producing a nuclear reaction or the spread of radioactivity, regardless of who is responsible for the act, whether or not the act is certified as an act of terrorism pursuant to the federal Terrorism Risk Insurance Act, and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.

All other terms and conditions remain unchanged.

DATA DISTORTION/CORRUPTION EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 4
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

It is noted and agreed this policy is hereby amended as follows:

The Insurer will not pay for Damage or Consequential loss directly or indirectly caused by, consisting of, or arising from:

- (A) Any functioning or malfunctioning of the Internet or similar facility, or of any intranet or private network or similar facility,
- (B) Any corruption, destruction, distortion, erasure or other loss or damage to data, software or any kind of programming or instruction set,
- (C) Loss of use or functionality whether partial or entire of data, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic, and any ensuing inability or failure of the Insured to conduct business.

This endorsement shall not exclude subsequent Damage or Consequential loss, not otherwise excluded, which itself results from a Defined Peril not otherwise excluded. Defined Peril shall mean: Fire, Lightning, Earthquake, Explosion, Falling Aircraft, Flood, Smoke, Vehicle Impact, Windstorm or Tempest, Accidental Breakdown of an Object including Mechanical and Electrical Breakdown.

This Endorsement shall not act to increase or broaden coverage afforded by this policy.

Such Damage or Consequential Loss described in A, B, or C above, is excluded regardless of any other cause that contributed concurrently or in any other sequence.

In consequence of all the foregoing the Annual Premium remains unaltered.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

MILLENNIUM EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 5
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

The policy is hereby amended as follows:

- A. The Insurer will not pay for Damage or Consequential Loss directly or indirectly caused by, consisting of, or arising from, the failure of any computer, data processing equipment or media microchip, operating systems, microprocessor (computer chip), integrated circuit or similar device, or any computer software, whether the property of the Insured or not, and whether occurring before, during or after the year 2000 that results from the inability to:
1. correctly recognize any date as its true calendar date;
 2. capture, save, or retain and/or correctly manipulate, interpret or process any data or information or command or instruction as a result of treating any date other than its true calendar date; and/or
 3. capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer software, being a command which causes the loss of data or the inability to capture, save, retain or correctly process such data on or after any date.
- B. It is further understood that the Insurer will not pay for the repair or modification of any part of an electronic data processing system or its related equipment, to correct deficiencies or features of logic or operation.
- C. It is further understood that the Insurer will not pay for Damage or Consequential Loss arising from the failure, inadequacy, or malfunction of any advice, consultation, design evaluation, inspection installation, maintenance, repair or supervision done by the Insured or for the Insured or by or for others to determine, rectify or test, any potential or actual failure, malfunction or inadequacy described in A. above.

Such damage or Consequential Loss described in A, B, or C above, is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This endorsement shall not exclude subsequent Damage or Consequential Loss, not otherwise excluded, which itself results from a Defined Peril. Defined Peril shall mean: fire, lightning, explosion aircraft or vehicle impact, falling objects, windstorm, hail, tornado, hurricane, cyclone, riot, strike, civil commotion, vandalism, malicious mischief, earthquake, volcano, tsunami, freeze or weight of snow.

Nothing herein contained shall be held to vary, alter, waive or change any of the terms, limits or conditions of the policy, except as herein above set forth.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

MOLD EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 6
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This policy does not insure any loss, damage or expense consisting of, caused by, contributed to, or aggravated by mold, moss, mildew, fungi, spores, bacterial infestation or any similar organism, wet or dry rot and extremes of temperature or humidity, whether directly or indirectly the result of a covered peril. This includes, but is not limited to, the cost for investigation, testing, remediation services, extra expense or business interruption. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

If loss otherwise covered by this policy occurs and the cost of removal of debris is increased due to the presence of rust, mold, moss, fungus, bacterial infestation, wet or dry rot and extremes of temperature or humidity, this policy will only be liable for the costs of debris removal which would have been incurred had no such factors been present in, on, or about the covered property to be removed.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

OCCURRENCE LIMIT OF LIABILITY ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 7
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

It is agreed that the following special terms and conditions apply to this policy:

1. The limit of liability or Amount of Insurance shown on the face of this policy, or endorsed on this policy, is the total limit of the Company's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved.

The term "occurrence" shall mean, any one loss, disaster, casualty, or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or losses from the perils of tornado, cyclone, hurricane, windstorm, hail, flood, earthquake, volcanic eruption, riot, riot attending a strike, civil commotion, vandalism and malicious mischief, or terrorism, one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the Insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which may not be earlier than the time when the first loss to covered property occurs.

2. The premium for this policy is based upon the Statement of Values provided to the Insurer(s) by or on behalf of the Insured and kept on file by the Insurer(s). In the event of loss under the policy, the liability of the Insurer(s) shall be limited to the least of the following:
 - a.) The actual adjusted amount of loss, less applicable deductible(s);
 - b.) As respects each location insured by this policy, 100 percent of the total combined stated values for all categories of covered property (e.g. building, contents), and other covered exposures (e.g. business income, extra expense, rental loss), shown for that location on the latest statement of values or other documentation on file with the insurer.
 - c.) Any other Limit of Liability or Sublimit of Insurance or Amount of Insurance specifically stated in this policy to apply to any particular insured loss or coverage or location.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

POLITICAL RISK EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 8
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

Loss of property due to Political Risks is hereby excluded. Political Risks are defined as follows:

“Confiscation, expropriation, nationalization, commandeering, requisition or destruction of or damage to property by order of the Government de jure or de facto or any public, municipal or local authority of the country or area in which the property is situated; seizure or destruction under quarantine or customs regulation”

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

RADIOACTIVE CONTAMINATION EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 9
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This policy does not cover any loss or damage arising directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination however such nuclear reaction, nuclear radiation or radioactive contamination may have been caused NEVERTHELESS if Fire is an insured peril and a Fire arises directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination any loss or damage arising directly from that Fire shall (subject to the provisions of this policy) be covered EXCLUDING however all loss or damage caused by nuclear reaction, nuclear radiation or radioactive contamination arising directly or indirectly from that Fire.

*Note - If Fire is not an insured peril under this policy the words from "NEVERTHELESS" to the end of the clause do not apply and should be disregarded.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

SERVICE OF PROCESS CLAUSE ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 10
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

In the event of failure of the Insurer to pay any amount claimed to be due hereunder, the Insurer, at the request of the Insured, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Insurer's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon counsel at:

**Legal Department
Starr Surplus Insurance Company
399 Park Avenue
New York, NY 10022**

or his or her representative, and that in any suit instituted against the Insurer upon this policy, the Insurer will abide by the final decision of such court or of any appellate court in the event of an appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefore, the Insurer hereby designates the Superintendent, Commissioner or Director of Insurance, or other officer specified for that purpose in the statute, or his or her successors in office, as its true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of the Insured or any beneficiary hereunder arising out of this policy of insurance and hereby designates the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

All other terms and conditions of this policy remain unchanged.

TRADE OR ECONOMIC SANCTIONS ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 11
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This insurance does not apply to the extent that trade or economic sanctions or other laws or regulations prohibit us from providing insurance, including, but not limited to, the payment of claims. All other terms and conditions of policy remain unchanged.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

TERRORISM EXCLUSION
(FOR CERTIFIED ACTS OF TERRORISM UNDER THE
TERRORISM RISK INSURANCE ACT, AS AMENDED)

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 12
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This Policy excludes loss, damage, cost or expense, arising directly or indirectly as a result of a "certified act of terrorism" as defined by the Terrorism Risk Insurance Act of 2002, as amended ("the Act"), and any revisions or amendments thereto, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For purposes of this endorsement and in compliance with the Act, "certified act of terrorism" shall mean an act that is certified by the Secretary of the Treasury in consultation with the Secretary of Homeland Security and the Attorney General of the United States, to be an act of terrorism pursuant to the Act. The criteria contained in that Act for a "certified act of terrorism" include the following:

1. The act resulted in aggregate losses in excess of \$5 million; and
2. 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.

However, if an act of terrorism results in a fire and the direct physical loss or damage to property insured hereunder located in any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the United States Virgin Islands and any territory or possession of the United States, that, either pursuant to the Standard Fire Policy or otherwise, prohibits exclusions for acts of terrorism that result in fire, this Company will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage to property insured hereunder and may be limited, in accordance with the Standard Fire Policy to the lesser of the actual cash value of the property at the time of the loss, or the amount which it would cost to repair or replace the property, without allowance for any increased cost of repair or replacement by reason of any ordinance or law, and without any compensation for business interruption, extra expense to continue business activities, or any other coverage for loss or damage other than direct physical loss or damage to the property insured hereunder.

With respect to fire resulting from any one or more acts of terrorism, this Company will not pay any amounts for which this Company is not responsible under the terms of the Act (including subsequent Congressional action pursuant to the Act) due to the application of Section 103 of the Act or any clause that results in a cap on our liability for payments for terrorism losses.

THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS 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 CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, COVERAGE MAY BE REDUCED.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

TOTAL TERRORISM EXCLUSION

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 13
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.

This Endorsement only applies in the United States of America and its Territories and Possessions.

Notwithstanding any provision to the contrary within this Policy or any endorsement thereto, it is agreed that this Policy excludes loss, damage, cost, or expense of whatsoever nature directly or indirectly caused by, resulting from, or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this endorsement, an "act of terrorism" means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost, or expense of whatsoever nature directly or indirectly caused by, resulting from, or in connection with any action taken in controlling, preventing, suppressing, or in any way relating to any act of terrorism.

However, if an act of terrorism results in a fire and the direct physical loss or damage to property insured hereunder located in any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, American Samoa, Guam, each of the United States Virgin Islands and any territory or possession of the United States, that, either pursuant to the Standard Fire Policy or otherwise, prohibits exclusions for acts of terrorism that result in fire, this Company will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage to property insured hereunder and may be limited, in accordance with the Standard Fire Policy to the lesser of the actual cash value of the property at the time of the loss, or the amount which it would cost to repair or replace the property, without allowance for any increased cost of repair or replacement by reason of any ordinance or law, and without any compensation for business interruption, extra expense to continue business activities, or any other coverage for loss or damage other than direct physical loss or damage to the property insured hereunder.

With respect to fire resulting from any one or more "certified acts of terrorism" as defined under the Federal Terrorism Risk Insurance Act of 2002, as amended ("the Act"), this Company will not pay any amounts for which this Company is not responsible under the terms of the Act (including subsequent Congressional action pursuant to the Act) due to the application of Section 103 of the Act or any clause that results in a cap on our liability for payments for terrorism losses.

THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS 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 CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, COVERAGE MAY BE REDUCED.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED.

WAR AND TERRORISM EXCLUSION ENDORSEMENT – NMA 2918

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 14
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

This endorsement applies outside the United States and its Territories and Possessions.

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;

- (1) war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
- (2) any act of terrorism.

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to (1) and/or (2) above.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Assured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

Form #NMA2918

BOILER AND MACHINERY ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 15
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

1. **INSURING AGREEMENT**

Subject to all the provisions stated herein the Company shall be liable for:

- (a) direct physical loss to property of the Insured and to property of others in the care, custody or control of the Insured;
- (b) the loss and expense resulting from the necessary interruption of business; if a Business Interruption Section is attached and which provisions hereby apply;
- (c) extra expense; if a Business Interruption Section is attached and which provisions hereby apply and

all as resulting from an Accident to an Object.

When used in this Endorsement, the following definitions shall apply:

"Object" shall mean any boiler, fired or unfired pressure vessel, refrigerating or air conditioning system, piping and its accessory equipment, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

"Accident" shall mean a sudden and accidental breakdown of an Object or a part thereof which manifests itself at the time of its occurrence by physical damage that necessitates repair or replacement of the Object or part thereof.

2. **LIMIT OF LIABILITY**

Liability under this Endorsement arising out of any One Accident is limited to \$Included.

If an initial Accident causes other Accidents, all will be considered "One Accident". All Accidents at any one location which manifest themselves at the same time and are the result of the same cause will be considered "One Accident."

3. **DEDUCTIBLES**

As respects Property, from the total amount of payment for loss and expense from an Accident to an Object, there shall first be deducted \$As stated in the Declarations, but in the event of payment for loss and expense from Mechanical Breakdown and payment for loss and expense from other insured loss under the policy arising out of a single occurrence, the deductible amount shall be the amount shown herein, or the deductible amount shown elsewhere in the policy, whichever is greater.

4. **CONDITIONS**

With respect to Objects insured by the provision of this Endorsement, the following conditions shall apply:

BOILER AND MACHINERY ENDORSEMENT

a. Inspection

The Company shall be permitted but not obligated to inspect, at all reasonable times, any Object. Neither the Company's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the Insured or others, to determine or warrant that the Object is safe or healthful.

b. Suspension

Upon the discovery of a dangerous condition with respect to any Object, any representative of the Company may immediately suspend the insurance with respect to an Accident to said Object by written notice mailed or delivered to the Insured at the address of the Insured, or at the Location of the Object. Insurance so suspended may be reinstated by the Company, but only by an Endorsement issued to form a part of this policy. The Insured will be allowed the unearned portion of the premium paid for the suspended insurance, pro rata, for the period of suspension.

5. SUBLIMITS OF COVERAGE

a. Expediting Expenses Coverage

This policy is extended to cover the reasonable extra cost to make temporary repair, expedite permanent repairs and expedite permanent replacement of property covered by this Endorsement, including overtime and the extra cost of express or other rapid means of transportation when loss to such property results from damage as insured against by this Endorsement, all subject to a limit of \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

b. Hazardous Substances Coverage

It is agreed that, if, as a result of an Accident, any property is damaged, contaminated, or polluted by a substance declared by a governmental agency to be hazardous to health, the Company shall be liable under the policy for the additional expenses incurred for cleanup, repair or replacement, or disposal of that damaged, contaminated or polluted property. The Company's total liability for additional expenses shall not exceed \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

As used here, "additional expenses" shall mean expenses incurred beyond those for which the Company would have been liable if no substance hazardous to health had been involved in the Accident.

c. Ammonia Contamination Coverage

The Company's liability for loss, including salvage expense, with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, resulting from any One Accident to one or more Objects shall not exceed \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

d. Water Damage Coverage

The Company's liability for loss, including salvage expense, on property damaged by water, resulting from any One Accident shall not exceed \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

BOILER AND MACHINERY ENDORSEMENT

e. Off Premises Service Interruption

This policy is extended to cover the necessary interruption of business conducted by the Insured which results from service interruption caused as a result of an Accident to an Object, as defined above, whether or not such Object is located on the premises of the Insured, which is:

- a. owned by the public utility company or other company contracted by the Insured to supply steam, gas, water, electricity or refrigeration to the Insured, and
- b. used to supply said services directly to the Insured,

provided the duration of such interruption is in excess of forty-eight (48) hours. However, as respects such Object, the Company shall not be liable under this endorsement for payment of any loss resulting from or arising out of an Accident caused by flood, earthquake, fire, lightning, sprinkler leakage, windstorm, hail, aircraft, vehicles, smoke, explosion, civil authority, riot, civil commotion, vandalism or molten material.

This Company's liability for loss from Off Premises Service Interruption from any One Accident shall not exceed \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

f. Consequential Damage

This policy is extended to cover loss to property of the Insured and loss to property of others for which the Insured shall become legally obligated to pay when such loss is due to spoilage from lack of power, light, heat, steam, or refrigeration resulting solely from an Accident to an Object, subject to a limit of \$As stated in the Declarations. This limit is part of and not in addition to the Limit of Liability.

6. EXCLUSIONS

A. The following losses are not insured under this Endorsement:

- 1) Breakdown of any structure or foundation (other than a bedplate of a machine) supporting an Object or any part thereof, not caused by an Accident to the Object;
- 2) Breakdown of any boiler setting, insulating or refractory material not caused by an Accident to the Object;
- 3) Breakdown of well casings, penstocks or draft tubes;
- 4) Breakdown of any elevator, crane, hoist, power shovel, dragline, or conveyor, but not excluding any pressure vessel or electrical equipment used with such a machine;
- 5) Breakdown of Objects manufactured or held by the Insured for sale to others;
- 6) Breakdown of catalyst not caused by an Accident to the Object containing such catalyst or any other insured Objects;
- 7) Breakdown of any oven, stove or furnace;

BOILER AND MACHINERY ENDORSEMENT

- 8) Breakdown of any sewer piping, any underground gas piping, any piping forming a part of a sprinkler system or any water piping other than:
 - (a) feed water piping between any boiler and its feed pumps or injectors,
 - (b) boiler condensate return piping, or
 - (c) water piping forming a part of a refrigerating or air conditioning system used for cooling, humidifying or space heating purposes;
- 9) Breakdown of an Object until such time as said Object has been installed and completely tested on the premises of the Insured. For the purposes of this insurance, "completely tested" shall mean that said Object has operated on the Insured's premises in the capacity for which it was designed as part of the Insured's normal production process or processes. Notwithstanding the above coverage under this Agreement shall apply to any newly installed Object having a fair market value of \$1,000,000. or less and to any spare or replacement Object or having parts thereof;
- 10) An Accident to any Object while it is being maintained or altered if said Accident is a direct result of said maintenance or alterations. However, if an Accident otherwise insured hereunder subsequently ensues, then the Company shall be liable for such Accident. Any opening, closing or transporting of an Object shall not be considered a part of any maintenance or alterations;
- 11) An Accident to any Object utilizing sulfur dioxide or hydrogen sulfide gas as respects:
 - (a) loss or damage resulting from corrosion anywhere following said Accident,
 - (b) loss or damage to catalyst caused by steam or water contacting or permeating the said catalyst following said Accident, and
 - (c) payment under any Business Interruption or Extra Expense Endorsement forming a part of this policy, for any time during which the resumption of business is in anyway curtailed, delayed or prevented because of loss or damage of the kinds referred to in the preceding Sections (a) and (b);
- 12) Breakdown of any vacuum tube or gas tube; and
- 13) Breakdown of any electronic computer or electronic data processing equipment, unless used to operate one or more insured "objects".
- 14) Any increase in loss caused by or resulting from the enforcement of any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction or installation. As used here, increase in loss also includes expenses incurred beyond those for which we would have paid if no substance declared to be hazardous to health by a governmental agency had been involved in the "accident".

BOILER AND MACHINERY ENDORSEMENT

- 15) Loss caused by or resulting from:
- a. War, including undeclared or civil war;
 - b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
 - c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

B. As respects this Endorsement, Accident shall not include loss:

- 1) From depletion, deterioration, corrosion or erosion, wear and tear, leakage at any valve, fitting, shaft seal, gland packing, joint or connection; the functioning of any safety or protective device; nor shall Accident mean the breakdown of any Object while it is undergoing hydrostatic, pneumatic, gas pressure, or insulation breakdown tests, or is being dried out;
- 2) From fire concomitant with or following an Accident or from the use of water or other means to extinguish fire (as respects any electrical machine or apparatus or gas turbine), this section is changed to read: "from fire outside said electrical machine or apparatus or gas turbine concomitant with or following an Accident or from the use of water or other means to extinguish fire";
- 3) From an Accident caused directly or indirectly by fire or from the use of water or other means to extinguish fire;
- 4) From a combustion explosion outside the Object concomitant with or following an Accident;
- 5) From an Accident caused directly or indirectly by a combustion explosion outside the Object;
- 6) As a respects any boiler of the chemical recovery type, from an explosion within the furnace of any such boiler or within the passages from the furnace to the atmosphere whether or not such explosion (a) is contributed to or aggravated by an Accident to any part of said boiler that contains steam or water, or (b) is caused in whole or in part, directly or indirectly, by an Accident to any Object or part thereof;
- 7)
 - (a) From an Accident caused directly or indirectly by nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or
 - (b) From nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, caused directly or indirectly by, contributed to or aggravated by an Accident;

nor shall the Company be liable for any loss covered in whole or in part by a contract of insurance, carried by the Insured, which also covers any hazard or peril of nuclear reaction or nuclear radiation.

BOILER AND MACHINERY ENDORSEMENT

- C. Notwithstanding any provisions in the policy or its other Endorsements to the contrary, the Company assumes no liability under this Endorsement for any loss:
- 1) From an Accident caused directly or indirectly by earth movement, including but not limited to earthquake, landslide, mudslide, subsidence or volcanic eruption; or
 - 2) From the explosion of accumulated gases or unconsumed fuel within the fire box, combustion chamber, any fired vessel or within the flues which conduct the gases of combustion therefrom;
 - 3) From flood, unless an Accident ensues and the Company shall then be liable under this Endorsement only for loss from such ensuing Accident; and
 - 4) From explosion of an Object other than:
 - (a) any steam boiler, steam piping, steam turbine, gas turbine, steam engine, or
 - (b) any machine or electrical apparatus when such loss is caused by centrifugal force or mechanical breakdown.
- D. With respect to an Accident to an Object, liability for loss to any catalyst shall not exceed the Actual Cash Value thereof at the time of said loss.

CERTIFICATES OF INSURANCE ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 16
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED UNDER THE FOLLOWING:

The following provisions are added to this policy and supersede and replace any conflicting provision in this Policy (including in any other endorsement hereto):

Any Certificate of Insurance issued in connection with this Policy, whether by or on behalf of the Company or an Insured, shall be issued solely as a matter of convenience or information of the addressee(s) or holder(s) of such certificate of insurance. A Certificate of Insurance does not confer any rights upon any person or entity, nor alter any term or condition of this Policy. Additional Named Insureds may only be added to this policy by an endorsement.

All other terms and conditions remain unchanged.

MINIMUM EARNED PREMIUM ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 17
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

In the event this policy is cancelled prior to expiration, the minimum earned premium shall not be less than 15% of the annual premium due at inception.

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

GENERAL CHANGE ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 18
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

Named Insured
Children's Learning Adventure USA, LLC
DBA: Children's Learning Adventure Child Care Centers
Children's Learning Adventure of Arizona, LLC
Children's Learning Adventure of Texas LLC
CLA Leasing LLC
CLA Laveen, LLC
CLA Maricopa, LLC
CLA Butherus, LLC
CLA Parker, LLC
CLA Willow Bend, LLC
CLA Fall Creek, LLC
T.T. #6669, LLC
T.T. #6670, LLC
CLA Pearland, LLC
Children's Learning Adventure of Nevada, LLC
CLA Tuscan Lakes, LLC
CLA Cinco, LLC
CLA Woodlands, LLC
CLA Keller, LLC
CLA Milton, LLC
Children's Learning Adventures of Georgia, LLC
CLA Tulsa LLC
CLA Copperfield LLC
CLA Gleannloch, LLC
Children's Learning Center, SPE
CLA Riverstone, LLC
Children's Learning Adventure of Oklahoma, LLC
CLA EPR SPE, LLC
CLA Properties SPE, LLC
CLA Real Estate I, LLC
Children's Learning Adventure Licensing, LLC
Children's Learning Adventure of Colorado, LLC
Children's Learning Adventure EE, LLC
CLA Austin Trails, LLC
CLA Cypress, LLC

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

MORTGAGEE/LOSS PAYABLE ENDORSEMENT

Named Insured Children's Learning Adventure USA LLC	Endorsement Number 19
Policy Period 02/01/20 – 02/01/21	Effective Date of Endorsement 02/01/20

It is hereby understood and agreed that **As per on file with the company** is mortgagee (or trustee) as their interest may appear.

Loss or damage, if any, under this Policy, shall be payable to the mortgagee (or trustee) as interest may appear, and this insurance, as to the interest of the mortgagee (or trustee) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the within described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this Policy; provided, that in case the mortgagor or owner shall neglect to pay any premium due under this Policy, the mortgagee (or trustee) shall, on demand, pay the same.

Further, the mortgagee (or trustee) shall notify this Company of any change of ownership or occupancy or increase of hazard which shall come to the knowledge of said mortgagee (or trustee) and, unless permitted by this policy, it shall be noted thereon and the mortgagee (or trustee) shall, on demand, pay the premium for such increased hazard for the term of the use thereof; otherwise this Policy shall be null and void.

This Company reserves the right to cancel this Policy at any time as provided by its terms, but in such case this Policy shall continue in force for the benefit only of the mortgagee (or trustee) for Thirty (30) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease, and this Company shall have the right, on like notice, to cancel this agreement.

Whenever this Company shall pay the mortgagee (or trustee) any sum for loss or damage under this Policy and shall claim that, as to the mortgagor or owner, no liability therefor existed, this Company shall, to the extent of such payment, be thereupon legally subrogated to all the rights of the party to whom such payment shall be made, under all securities held as collateral to the mortgage debt, or may, at its option, pay to the mortgagee (or trustee) the whole principal due or to grow due on the mortgage with interest, and shall thereupon receive a full assignment and transfer of the mortgage and of all such other securities; but no subrogation shall impair the right of the mortgagee (or trustee) to recover the full amount of said mortgagee's (or trustee's) claim.

Nothing herein contained shall be held to vary, alter, waive or change any of the terms, limits or conditions of the policy, except as herein above set forth.



A Member of Starr Companies

TO OUR BROKERS/AGENTS

IMPORTANT NOTICE - TO BE KEPT WITH POLICY

WHAT TO DO WHEN A LOSS OCCURS

1. Report as soon as practicable, every incident, loss or damage (LOSS NOTICES) which may become a claim to:

StarrPoolClaims@starrcompanies.com

2. Starr Specialty Lines Insurance Agency, LLC claims **CANNOT** be processed through any other facility and must be reported as indicated above.
3. Adjusters can **ONLY** be assigned by Starr Specialty Lines Insurance Agency, LLC Property Claims Department.