

SPECIMEN MODEL WORDING. THIS FORM PROVIDES NO COVERAGE
UNLESS ADOPTED AND ISSUED BY A LICENSED INSURER.

BUILDING AND PERSONAL PROPERTY COVERAGE FORM MENLO REFERENCE FORM

Menlo Form MENLO-CP-01 is an original document authored by Menlo Insurance Services. It corresponds to coverage commonly written on form CP 00 10, which is referenced for identification only.

Various provisions in this form restrict coverage. Read the entire form carefully to determine rights, duties, and what is and is not covered. Throughout this form, the words “you” and “your” refer to the named insured shown in the declarations of the issuing policy, and the words “we”, “us”, and “our” refer to the insurer that adopts and issues this form. Other words and phrases that appear in quotation marks have the meanings given in the Definitions section at the end of this form.

A. Insuring Agreement

We will pay for physical loss or physical damage that property described in Section B. sustains at the “described premises”, or within the distances Section B. states, if a “covered peril” causes the loss or damage. Our promise is subject to every provision of this form and of the policy to which it is attached.

Payment under this form is conditioned on all of the following:

1. the property must be physically lost or physically damaged; a decline in market value, desirability, or usefulness without physical injury to the property is not loss or damage under this form;
2. the property must fall within a category described in Section B. for which the Declarations show a Limit of Insurance, and must not be listed in Section C.;
3. the loss or damage must commence during the policy period stated in the Declarations; and
4. the loss or damage must result from a “covered peril”.

The perils insured against, together with their exclusions and limitations, are stated in the perils schedule attached to the policy. This form governs which property is insured, in what amounts, on what valuation basis, and on what conditions.

B. Property We Cover

We cover the following categories of property. A category applies only if a Limit of Insurance for that category is shown in the Declarations for the “described premises”.

1. **Building.** We cover the “building”, meaning the structure identified in the Declarations, including:
 - a. completed additions to the structure;
 - b. fixtures, including outdoor fixtures such as installed lighting, flagpoles, and awnings attached to the structure;
 - c. machinery and equipment that is permanently installed in or on the structure, meaning installed without an intention of later removal;
 - d. personal property that you own and that you use to maintain or service the structure, its “described premises”, or both, including:
 - (1) fire-extinguishing and fire-suppression equipment;
 - (2) outdoor furniture;
 - (3) floor coverings; and
 - (4) appliances used for cooking, dishwashing, laundering, refrigerating, or ventilating; and
 - e. if no other insurance covers them:

- (1) additions under construction, and alterations and repairs to the structure; and
- (2) construction materials, equipment, supplies, and temporary structures, located on the “described premises” or within 100 feet of it, that are used for those additions, alterations, or repairs.

2. Business Personal Property. We cover “business personal property”, meaning personal property located in or on the “building”, or located within the “coverage radius” while in the open or in a vehicle, consisting of:

- a. furniture and fixtures, including trade fixtures that you would be entitled to remove on vacating a leased space;
- b. machinery and equipment that is not permanently installed;
- c. “stock”;
- d. all other personal property that you own and use in your business;
- e. the value of labor, materials, or services that you have furnished or arranged on personal property of others, such as work you have performed on goods a customer entrusted to you;
- f. your use interest as a tenant in “improvements and betterments”; and
- g. personal property leased to you, if a written contract obligates you to insure it, unless that property is covered under Section B.3.

3. Property Of Others In Your Care. We cover personal property that belongs to others while:

- a. you hold it in your care, custody, or control; and
- b. it is located in or on the “building”, or located within the “coverage radius” while in the open or in a vehicle.

We will pay under this category only for physical loss or physical damage to the property itself. We will not pay the owner for loss of use of the property. Any payment we make under this category is for the account of the property’s owner, and we may adjust the loss with, and pay, that owner directly. Our payment to the

owner satisfies your claim against us for that property.

C. Property We Do Not Cover

This insurance does not apply to the following property, even if the property would otherwise fall within a category described in Section B., except to the extent a provision of Section D. or Section E. expressly covers it:

- 1. accounts, bills, currency, deeds, evidences of debt, food stamps and other similar scrip, money, notes, or securities; lottery tickets that you hold for sale are “stock”, not securities, for purposes of this form;
- 2. animals, unless:
 - a. they are owned by others and you board them; or
 - b. you own them, they are “stock”, and they are inside a building;
- 3. automobiles that you hold for sale;
- 4. vehicles or self-propelled machines, including aircraft and watercraft, that hold a license for road use or that operate chiefly away from the “described premises”; this item 4. does not remove coverage for:
 - a. vehicles or self-propelled machines that you manufacture, process, or warehouse;
 - b. vehicles or self-propelled machines, other than automobiles, that you hold for sale;
 - c. rowboats or canoes while out of the water at the “described premises”; or
 - d. trailers, to the limited extent Section E.6. covers them;
- 5. land, including the land under covered property; growing crops; water; or lawns, except lawns that form part of a vegetated roof;
- 6. the foundation of a building, structure, boiler, or machine, if the foundation lies below the lowest basement floor or, in the absence of a basement, below ground level;
- 7. the cost of excavating, grading, backfilling, or filling;
- 8. pilings, piers, wharves, docks, or bulkheads;
- 9. retaining walls that are not part of the “building”;
- 10. underground pipes, flues, or drains;

- 11. bridges, walks, roadways, patios, or other paved surfaces;
- 12. personal property while airborne or waterborne;
- 13. contraband, and property being transported or traded illegally;
- 14. property insured under another policy or coverage form, of this or any other insurer, that describes the property more specifically; but we will pay the amount by which a covered loss exceeds the amount payable under that other insurance;
- 15. the following property while outside of buildings:
 - a. grain, hay, straw, or other crops; and
 - b. fences; satellite dishes and other antennas for radio or television, with their lead-in wiring, masts, or towers; and trees, shrubs, or plants, except any that are “stock” or that form part of a vegetated roof; but Section E.5. covers this item 15.b. property to the limited extent stated there;
- 16. “electronic data”, except as Section D.6. provides; this item 16. does not apply to:
 - a. your “stock” of prepackaged software; or
 - b. “electronic data” built into the “building” that runs or controls its heating, ventilation, air conditioning, elevator, lighting, or security system; and
- 17. the cost to research, replace, or restore the information on “valuable records”, including the cost to reconstruct that information from other sources, except as Section E.3. provides.

D. Supplemental Coverages

The supplemental coverages in this Section D. apply automatically at each “described premises”. Each states whether it pays within the applicable Limit of Insurance or as an added amount above it. The coinsurance condition in Section H. does not apply to payments under this Section D.

1. Debris Removal.

- a. We will pay your expense of removing debris of covered property, and debris of other property at the “described premises” that paragraph 1.b. below does not exclude, if:

- (1) a “covered peril” that occurs during the policy period causes the debris; and
 - (2) you report the expense to us in writing not later than 180 days after the date of the loss or damage.
- b. We will not pay under this supplemental coverage to:
- (1) remove debris of property that this insurance does not cover, other than debris of property described in the lead-in of paragraph 1.a. above;
 - (2) remove debris of property that your landlord owns or leases, unless a written contract obligates you to insure that property and this form in fact covers it;
 - (3) replace, restore, or remove land or water that has been polluted;
 - (4) extract “pollutants” from land or water; or
 - (5) clear the grounds of the “described premises” of mud or earth deposits.
- c. Subject to paragraph 1.d. below, our payment under this supplemental coverage is limited to 25 percent of the combined total of the Deductible and the amount we pay for the physical loss or physical damage itself, and our total payment for the physical loss or physical damage plus debris removal will not exceed the applicable Limit of Insurance.
- d. We will pay not more than an added \$25,000 at each “described premises” for debris removal expense, as an amount above the applicable Limit of Insurance, but only to the extent that:
- (1) the actual debris removal expense exceeds the 25 percent measure in paragraph 1.c. above; or
 - (2) the sum of the actual debris removal expense plus the amount we pay for the physical loss or physical damage itself exceeds the applicable Limit of Insurance.

An example of paragraphs 1.c. and 1.d. working together: assume a \$150,000 Limit of Insurance, a \$1,000 Deductible, a fire loss for which we pay \$99,000, and a debris removal expense of \$30,000. Paragraph 1.c. permits 25 percent of \$100,000, which is \$25,000. Paragraph 1.d. then pays the remaining \$5,000. Our total payment is \$129,000 plus nothing further, because the additional \$25,000 allowance was not exhausted.

A second example, in which the Limit of Insurance is exhausted: assume the same \$150,000 Limit of Insurance and \$1,000 Deductible, a fire loss adjusted at \$150,500 for which we pay \$149,500, and a debris removal expense of \$40,000. Because the direct damage payment alone nearly reaches the Limit of Insurance, paragraph 1.c. permits only \$500 of debris removal expense within the Limit of Insurance. Paragraph 1.d. then pays a further \$25,000, its full amount. Our total payment is \$175,000, and the remaining \$14,500 of debris removal expense is yours to bear, unless a higher additional allowance is shown in the Declarations.

e. If debris of property that this insurance does not cover is deposited on the “described premises” by a “covered peril”, and no covered property at that “described premises” sustains physical loss or physical damage in the same “occurrence”, we will pay up to \$5,000 at each “described premises” for your expense to remove that debris, and paragraphs 1.c. and 1.d. do not apply to that payment.

2. Property Moved To Safety. If you move covered property away from the “described premises” to protect it against physical loss or physical damage by a “covered peril”, we will pay for any physical loss or physical damage that property sustains:

- a. while it is being moved, and while it is temporarily stored at another location; but
- b. only if the loss or damage occurs before the 31st day after the property is first moved.

Coverage under this supplemental coverage is not limited to the peril from which the property was moved. Payments under this supplemental coverage are part of, and do not increase, the applicable Limit of Insurance.

- 3. Fire Department Service Charges.** If a fire department is called to save or protect covered property from a “covered peril”, we will pay up to \$1,000 at each “described premises” for charges that the fire department imposes:
- a. under a written agreement you entered into before the loss; or
 - b. under an ordinance or other local law.

This payment adds to the applicable Limit of Insurance, and no Deductible applies to it.

- 4. Pollutant Extraction.** We will pay your expense of extracting “pollutants” at the “described premises” from land or water, if:
- a. a “covered peril” that occurs during the policy period causes the “pollutants” to be discharged, dispersed, or released, or to escape, seep, or migrate; and
 - b. you report the expense to us in writing not later than 180 days after the date of the loss or damage.

We will not pay under this supplemental coverage to monitor, test for, or assess the presence, concentration, or effects of “pollutants”, except for testing performed in the course of the extraction itself. The most we will pay under this supplemental coverage is \$10,000 for the total of all such expenses at each “described premises” arising out of “covered perils” that occur in each separate 12-month period of this policy. This payment adds to the applicable Limit of Insurance.

- 5. Code-Driven Repair Costs.**
- a. If a “building” insured on a “replacement cost” basis sustains physical loss or physical damage from a “covered peril”, we will pay the increased cost you actually incur to repair or rebuild the damaged portions of that “building”, if the increase results from the enforcement of a building, zoning, or land use ordinance or law that:

- (1) is in force on the date of the loss or damage;
 - (2) sets minimum standards for construction or repair; and
 - (3) regulates the damaged portions being repaired or rebuilt.
- b. We will not pay under this supplemental coverage:
- (1) any cost attributable to an ordinance or law that you were required to comply with before the loss or damage, if you had failed to comply;
 - (2) any cost of demolishing or clearing undamaged portions of the “building”, or the value of those undamaged portions;
 - (3) any cost attributable to the presence, treatment, removal, or assessment of “pollutants”, mold, fungus, wet rot, or dry rot; or
 - (4) any amount until the repair or rebuilding is actually completed, at the “described premises” or at another location, with reasonable speed.
- c. The most we will pay under this supplemental coverage at each “described premises” is the lesser of \$10,000 or 5 percent of the Limit of Insurance that applies to the “building”. This payment adds to the applicable Limit of Insurance.

6. Electronic Data Restoration.

- a. We will pay your cost to replace or restore “electronic data” that is destroyed or corrupted by:
- (1) a “specified peril”; or
 - (2) a computer virus or other harmful code or instruction designed to damage, destroy, or disrupt “electronic data” or computer operations, introduced into or enacted on your computer system or a network to which it is connected.
- b. Paragraph 6.a.(2) above does not apply to destruction or corruption caused by anyone with authorized access to your computer system, including your employees and any

entity you retain to design, operate, maintain, or repair that system or to work on your “electronic data”.

- c. To the extent destroyed or corrupted “electronic data” is not replaced or restored, we value the loss at the cost of blank media of comparable kind and quality.
- d. The most we will pay under this supplemental coverage is \$2,500 for all loss or damage combined in each policy year, however many “occurrences” or premises are involved. This payment adds to the applicable Limit of Insurance.

E. Coverage Extensions

If the Declarations show a “coinsurance” percentage of 80 percent or more for the “described premises”, you may extend the insurance as this Section E. provides. Each extension is additional insurance unless the extension states otherwise. The coinsurance condition in Section H. does not apply to payments under this Section E.

1. Newly Acquired Or Newly Constructed Property.

- a. If a Limit of Insurance for “building” is shown in the Declarations, you may extend that insurance to:
- (1) new structures in the course of construction on the “described premises”; and
 - (2) buildings you acquire at premises other than the “described premises”, if you intend to use the acquired building for a purpose similar to the use of the “building”, or as a warehouse.

The most we will pay under this paragraph 1.a. is \$250,000 at each building.

- b. If a Limit of Insurance for “business personal property” is shown in the Declarations, you may extend that insurance to personal property described in Section B.2.:
- (1) at any premises you newly acquire, other than at fairs, trade shows, or exhibitions; and

- (2) in newly constructed or newly acquired structures at the “described premises”.

The most we will pay under this paragraph 1.b. is \$100,000 at each building. This paragraph 1.b. does not extend to others’ personal property that you hold for the purpose of performing installation work, or as part of your manufacturing or wholesaling activities.

- c. Coverage under this extension ends on the earliest of:
 - (1) the date this policy expires;
 - (2) the 30th day after you acquire the property or begin the construction; and
 - (3) the date you report the new values to us.

We will charge additional premium for the reported values from the date you acquire the property or begin the construction.

2. Personal Effects And Property Of Others.

You may extend the insurance that applies to “business personal property” to cover:

- a. personal effects owned by you or by your officers, partners, members, managers, or employees; this paragraph 2.a. does not cover theft or loss of use; and
- b. others’ personal property that you hold in your care, custody, or control; payment under this paragraph 2.b. is for the account of the property’s owner.

The most we will pay under this extension is \$2,500 at each “described premises”.

- 3. **Valuable Records Restoration.** You may extend the insurance that applies to “business personal property” to cover your cost to research, replace, or restore the lost information on “valuable records” for which duplicates do not exist, if a “specified peril” causes the loss. The most we will pay under this extension is \$2,500 at each “described premises”.

4. Property Away From The Described Premises.

- a. You may extend the insurance that this form provides to covered property, other than “stock” if the Declarations state that this extension does not apply to “stock”, while it is:
 - (1) temporarily at a location you do not own, lease, or operate;
 - (2) in storage at a location you lease, if the lease began after the beginning of the current policy period; or
 - (3) at a fair, trade show, or exhibition.
- b. This extension does not apply to property:
 - (1) while in or on a vehicle; or
 - (2) while your salespersons hold it, unless the property is at a fair, trade show, or exhibition.
- c. The most we will pay under this extension is \$10,000.

5. Outdoor Property.

You may extend the insurance that this form provides to cover the following property while outside of buildings at the “described premises”: fences; satellite dishes and other antennas for radio or television; and trees, shrubs, and plants, except any that are “stock” or that form part of a vegetated roof; including your expense of removing their debris; but only against loss or damage caused by:

- a. fire;
- b. lightning;
- c. explosion;
- d. riot or civil commotion; or
- e. aircraft.

The most we will pay under this extension is \$1,000 in any one “occurrence”, and not more than \$250 on any single tree, shrub, or plant, in each case including debris removal expense, however many items that “occurrence” damages and whatever their types.

6. Trailers You Do Not Own.

- a. You may extend the insurance that applies to “business personal property” to cover a trailer that you do not own, but only if:
 - (1) the trailer is used in your business;

- (2) the trailer is in your care, custody, or control at the “described premises”; and
 - (3) you have a contractual responsibility to pay for physical loss or physical damage to the trailer.
- b. This extension does not cover a trailer:
- (1) while attached to a motor vehicle; or
 - (2) during hitching to, or unhitching from, a motor vehicle, including any period in which the trailer is accidentally detached from the motor vehicle.
- c. The most we will pay under this extension is \$5,000, unless a higher amount is shown in the Declarations. The insurance under this extension is excess over any other insurance covering the trailer, and the Other Insurance condition of the policy does not alter this sentence.

7. Property In Portable Storage Units.

- a. You may extend the insurance that applies to “business personal property” to cover that property while it is temporarily kept within the “coverage radius” in a portable storage unit, or in a detached trailer used for storage.
- b. Coverage under this extension:
- (1) ends on the 90th day after the “business personal property” is first placed in the storage unit; and
 - (2) does not apply at all if the storage unit itself has sat for more than 90 consecutive days at the “described premises”, counting days before the property was placed in it.
- c. The most we will pay under this extension is \$10,000, unless a higher amount is shown in the Declarations. Payments under this extension are part of, and do not increase, the Limit of Insurance for “business personal property”. This extension does not cover the storage unit itself.

F. Limits Of Insurance

- 1. In any one “occurrence”, we will not pay more for loss or damage than the applicable Limit of Insurance that the Declarations show.
- 2. For outdoor signs, whether attached to the “building” or freestanding, we will not pay more than \$2,500 on any one sign in any single “occurrence”. This paragraph 2. applies despite paragraph 1.
- 3. If one “occurrence” damages two or more items of covered property that carry separate Limits of Insurance, we apply each item’s Limit of Insurance separately to the loss or damage that item sustains.
- 4. Payments under Section D.3. (Fire Department Service Charges), Section D.4. (Pollutant Extraction), Section D.5. (Code-Driven Repair Costs), and Section D.6. (Electronic Data Restoration) add to the applicable Limit of Insurance. Payments under Section D.1. (Debris Removal) add to the applicable Limit of Insurance only as paragraph D.1.d. provides. Payments under Section D.2. (Property Moved To Safety) and Section E.7. (Property In Portable Storage Units) are within, and do not increase, the applicable Limit of Insurance.

G. Deductible

- 1. In any one “occurrence”, we will first reduce the amount of the adjusted loss or damage by the Deductible shown in the Declarations, applying the coinsurance condition in Section H., if it applies, before the reduction. We will then pay the remainder, up to the applicable Limit of Insurance. We will pay nothing if the adjusted amount of the loss or damage does not exceed the Deductible.
- 2. Only one Deductible applies to each “occurrence”, however many items, categories, or premises are involved. If the “occurrence” involves two or more items of covered property that carry separate Limits of Insurance, we subtract the Deductible once, from the total of the adjusted losses, before applying the separate Limits of Insurance.
- 3. An example of paragraphs 1. and 2. and of Section F.3. working together: assume a \$1,000 Deductible, a \$300,000 Limit of Insurance on Building One, and a \$200,000 Limit of

Insurance on Building Two. A windstorm causes an adjusted loss of \$250,000 to Building One and \$220,000 to Building Two in one "occurrence". We subtract the \$1,000 Deductible from the Building One loss and pay \$249,000 for Building One, which is within its Limit of Insurance. We pay \$200,000 for Building Two, because its loss exceeds its Limit of Insurance and the Deductible has already been fully absorbed. Our total payment is \$449,000.

H. Coinsurance

If the Declarations show a "coinsurance" percentage for an item of covered property, the following condition applies to that item and is a condition of full payment.

1. We will not pay the full amount of a loss if the Limit of Insurance for the property is less than the value of that property on the date of loss, determined under Section K., multiplied by the "coinsurance" percentage. Instead, we determine our payment as follows:
 - a. multiply the value of the covered property on the date of loss by the "coinsurance" percentage that the Declarations show;
 - b. divide the Limit of Insurance for the property by the result of step a.;
 - c. multiply the amount of the loss, before the Deductible, by the result of step b.; and
 - d. subtract the Deductible from the result of step c.

We will pay the lesser of the result of step d. and the Limit of Insurance. You bear the remainder of the loss.

2. First example, insurance meeting the condition: the value of the "building" on the date of loss is \$500,000; the "coinsurance" percentage is 80 percent; the Limit of Insurance is \$400,000; the Deductible is \$2,500; and the loss is \$80,000. Step a. yields \$400,000. Step b. yields 1.00, because \$400,000 divided by \$400,000 is 1.00. Step c. yields \$80,000. Step d. yields \$77,500. We pay \$77,500, and no coinsurance penalty applies.
3. Second example, insurance not meeting the condition: the same "building", "coinsurance"

percentage, Deductible, and \$80,000 loss, but a Limit of Insurance of \$300,000. Step a. yields \$400,000. Step b. yields 0.75. Step c. yields \$60,000. Step d. yields \$57,500. We pay \$57,500, and you bear the remaining \$22,500 of the loss.

4. If one "occurrence" damages two or more items of covered property that carry separate Limits of Insurance and separate "coinsurance" percentages, we apply this condition separately to each item.
5. This condition is tested on the date of loss, using values on that date and the valuation basis that Section K. prescribes. It is not tested at inception. Section O.1. states an optional provision that suspends this condition.

I. Your Duties After Loss Or Damage

You must perform each of the following duties after covered property sustains, or appears to have sustained, physical loss or physical damage. Each duty is a condition of payment. We have no obligation to pay if your failure to perform a duty prejudices our ability to investigate, adjust, or defend the claim.

1. Notify the police whenever a law may have been violated, including in every case of theft, attempted theft, arson, or vandalism.
2. Give us prompt notice of the loss or damage, and include a description of the property involved.
3. As soon as possible, tell us how, when, and where the loss or damage happened.
4. Take all reasonable steps to protect the covered property against further damage, and keep records of your expenses for emergency and temporary repairs. We will consider those expenses in the settlement of the claim, but they do not increase the applicable Limit of Insurance. Further damage that results from a peril that is not a "covered peril" is not covered. If feasible, set the damaged property aside, in reasonable order, for our examination.
5. At our request, give us complete inventories of both the damaged and the undamaged property, stating quantities, costs, values, and the amount of loss claimed.
6. As often as we reasonably require:

- a. permit us to inspect the property and the premises, and to examine your books and records proving the loss;
 - b. permit us to take samples of damaged and of undamaged property for testing and analysis; and
 - c. permit us to make copies of your books and records.
7. Send us a signed, sworn proof of loss containing the information we request to investigate the claim, not later than 60 days after our request. We will supply the necessary forms.
 8. Cooperate with us as we investigate and settle the claim.
 9. At our request, submit to examination under oath, at reasonable times and places we designate, on any matter relating to this insurance or the claim, and sign the transcript of your answers. If more than one person is examined, we may require each examination to occur outside the presence of the others.

J. Loss Adjustment And Payment

1. **Abandonment.** You must not abandon property to us. We have no obligation to accept abandoned property, and our adjustment of a loss is not an acceptance.
2. **Appraisal.** If you and we agree that coverage applies but disagree on the value of the property or the amount of loss, either of you or we may make a written demand for an appraisal of the loss. In that event:
 - a. each party will select a competent and impartial appraiser, and will notify the other party of the selection not later than 20 days after the demand;
 - b. the two appraisers will select an umpire; if the appraisers cannot agree on an umpire not later than 15 days after both are selected, either party may ask a court in the state where the "described premises" is located to select the umpire;
 - c. the appraisers will separately state the value of the property and the amount of loss; if they disagree, they will submit their differences to the umpire, and agreement of

any two of the three binds both parties as to value and amount;

- d. each party will pay its own appraiser, and the parties will share the umpire's fee and the other expenses of the appraisal equally; and
- e. an appraisal determines value and amount only; we retain every right to deny or contest coverage after an appraisal.

3. Loss Payment.

- a. If we accept coverage for a loss, we may, at our option:
 - (1) pay the property's value, determined under Section K.;
 - (2) pay what it costs to repair or replace the property, subject to paragraph 3.d. below;
 - (3) take all or part of the property at the value you and we agree on or an appraisal fixes; or
 - (4) repair, rebuild, or replace the property with property of comparable kind and quality, subject to paragraph 3.d. below.
- b. We will give you notice of the option we elect not later than 30 days after we receive your signed, sworn proof of loss.
- c. We will pay the loss not later than 30 days after we receive your signed, sworn proof of loss, if you have complied with every term of this form and:
 - (1) you and we have reached agreement on the amount of the loss; or
 - (2) an appraisal award under paragraph 2. above has fixed the amount.
- d. If we elect to repair, rebuild, or replace, or to pay the cost of repair or replacement, our payment does not include any increased cost attributable to the enforcement of an ordinance or law that regulates the construction, repair, or use of property, except as Section D.5. provides.
- e. We will not pay you more than your financial interest in the covered property.

4. **Shared Walls.** If the “building” includes a wall that it shares with an adjoining building, and that wall sustains covered loss or damage:
 - a. we will pay your proportion of the loss to the shared wall, measured by your ownership interest in it;
 - b. if you elect to repair or rebuild the “building”, and the adjoining building’s owner declines to contribute toward restoring the shared wall, we will pay the full value of the covered loss to that wall, within the applicable Limit of Insurance; and
 - c. if we pay under paragraph 4.b. above, your rights against the adjoining owner for that owner’s share of the wall transfer to us, up to the amount we paid, and Section J.6. applies to those rights.
5. **Recovered Property.** If you or we recover property after we have paid for its loss, the recovering party must give the other prompt notice. You may then choose to take the recovered property back. If you take it back, you must return to us the amount we paid for that property, and we will pay the reasonable costs of recovering the property and of repairing covered damage to it, subject to the applicable Limit of Insurance. If you do not take it back, the recovered property becomes ours.
6. **Other Recovery Rights.** If you have rights to recover all or part of a payment we make under this form from another person or organization, those rights transfer to us, up to the amount we paid. You must do nothing after loss to impair those rights, and you must help us enforce them at our request. You may waive those rights in writing before a loss occurs; you must not waive them after a loss occurs.

K. Valuation

We determine the value of covered property as follows, in each case on the date of loss.

1. **General Rule.** Except as paragraphs 2. through 5. below or an option under Section O. provides, we value covered property at its “actual cash value”.
2. **Small Building Losses.** If the Declarations show a “coinsurance” percentage of 80 percent or more, the Limit of Insurance on the “building”

satisfies that percentage on the date of loss, and the repair or replacement cost of the damaged “building” property does not exceed \$2,500, we value that property at its repair or replacement cost, without deduction for depreciation. This paragraph 2. does not apply to the following property, which we value at “actual cash value” even in a small loss:

- a. awnings and floor coverings;
 - b. appliances for cooking, dishwashing, laundering, refrigerating, or ventilating; and
 - c. outdoor equipment and outdoor furniture.
3. **Sold Stock.** We value “stock” that you have sold but not yet delivered at its selling price, less any discounts you allowed and any expenses you avoided because of the loss.
 4. **Glass.** We value glass at the cost of safety glazing material, if an ordinance or law requires that material.
 5. **Tenant Improvements.** We value your use interest in “improvements and betterments” as follows:
 - a. at “actual cash value”, if you repair or replace the “improvements and betterments” promptly and at your own expense;
 - b. if you do not repair or replace promptly, at a proportion of your original cost, computed by multiplying your original cost by the days remaining from the date of loss to your lease’s expiration, then dividing by the days from installation of the “improvements and betterments” to that expiration, counting any renewal option you hold as extending the expiration date; and
 - c. at nothing, if someone other than you pays for the repair or replacement.

L. Vacancy

1. When A Building Is Vacant.

- a. If this policy is issued to you as a tenant, and the Declarations describe your leased unit, the “building” for purposes of this Section L. is the unit or suite you lease, and it is “vacant” if it holds too little “business personal property” for you to conduct your customary business activities;

- b. If this policy is issued to you as an owner or as a general lessee of a building, the “building” for purposes of this Section L. is the entire structure, and it is “vacant” unless at least 31 percent of its total square footage is:
 - (1) rented to a lessee or sublessee and used by that lessee or sublessee to conduct its customary business activities;
 - (2) used by you to conduct your customary business activities; or
 - (3) a combination of paragraphs 1.b.(1) and 1.b.(2); and
- c. a structure under construction or renovation is not “vacant”.

2. Consequences Of Vacancy. If, when the loss or damage occurs, the “building” where it occurs has stood “vacant” for more than 60 consecutive days immediately beforehand:

- a. we will not pay at all for loss or damage caused by any of the following:
 - (1) theft or attempted theft;
 - (2) vandalism;
 - (3) breakage of building glass;
 - (4) water damage; or
 - (5) discharge or leakage from an automatic sprinkler system, unless you had protected the system against freezing; and
- b. we will reduce, by 15 percent, any payment we would otherwise make for a “covered peril” not listed in paragraph 2.a.

The 60 days are counted backward from the date the loss or damage occurs, not from the date you discover it.

M. Rights Of A Secured Lender

This Section M. applies to each holder of a mortgage, deed of trust, or comparable security interest in covered “building” property that is named in the Declarations as a secured lender, in the order of precedence shown.

- 1. We will pay covered loss or damage to “building” property to you and to each named

secured lender as their interests appear.

- 2. A named secured lender has the right to receive payment for covered loss or damage even if it has begun foreclosure or a similar action on the “building” property.
- 3. If we deny your claim because of your acts, or because you have failed to comply with the terms of this form or the policy, the named secured lender retains the right to receive payment for otherwise covered loss or damage to “building” property if the lender:
 - a. pays, on our demand, any premium due under the policy that you have failed to pay;
 - b. sends us a signed, sworn proof of loss not later than 60 days after our notice to the lender that you have failed to do so; and
 - c. has notified us of any change in ownership or occupancy of, or any substantial increase in the hazard at, the “described premises” of which the lender has knowledge.

All of the terms of this form and the policy then apply directly to the lender.

- 4. If we pay a named secured lender for loss or damage after denying your claim:
 - a. the lender’s rights under the mortgage or other security instrument transfer to us, up to the amount we paid, and the lender keeps its right to be paid in full on its claim; or
 - b. at our option, we may pay the lender the whole principal on the secured debt, plus accrued interest, in which event the lender must assign the debt and the security instrument to us and you will then owe your remaining debt to us.
- 5. If we cancel this policy, we will give the named secured lender written notice of cancellation:
 - a. at least 10 days before the cancellation takes effect, if the cancellation is for nonpayment of premium; or
 - b. at least 30 days before the cancellation takes effect, if the cancellation is for any other reason.
- 6. If we elect not to renew this policy, we will give the named secured lender written notice at least

10 days before the expiration date.

where the “described premises” is located requires.

N. General Conditions

1. Other Insurance.

- a. If other insurance that covers the same loss or damage is written on terms, conditions, and provisions identical to this insurance, we will pay only our proportion of the covered loss or damage, computed as the ratio of the applicable Limit of Insurance under this form to the combined limits of all that insurance, whether or not the other insurance is collectible.
- b. If other insurance that covers the same loss or damage is written on terms, conditions, or provisions different from this insurance, we will pay only the amount of covered loss or damage that exceeds the total amount payable under all that other insurance, whether or not you can collect it. Our payment under this paragraph 1.b. remains subject to the applicable Limit of Insurance.

2. Overlapping Coverages In This Policy. If two or more coverages of this policy respond to one loss, our total payment will not exceed the actual amount of that loss.

3. No Benefit To Bailee. This insurance does not benefit any person or organization, other than you, that holds covered property for storage, moving, repair, or any other bailment purpose, and it does not release any bailee from liability for the property.

4. Policy Period And Territory. This insurance applies only to loss or damage that:

- a. commences during the policy period stated in the Declarations; and
- b. occurs within the United States of America and its territories and possessions, within Puerto Rico, or within Canada.

5. Legal Action Against Us. No one may sue us under this insurance unless:

- a. every term of this form and of the policy has been fully complied with; and
- b. the action is brought not later than two years after the date on which the physical loss or physical damage occurred, or within any longer period that the law of the state

6. Concealment Or Fraud. This insurance is void as to you and any other insured if, whether before or after a loss, you or any other insured has:

- a. intentionally concealed or misrepresented a material fact about this insurance, the covered property, your interest in it, or a claim; or
- b. committed fraud or made a material false statement relating to any of the matters listed in paragraph 6.a.

7. Acts Beyond Your Control.

- a. An act or neglect of a person who is not acting under your direction or control does not affect this insurance.
- b. A breach of a condition of this insurance at one “described premises” does not affect coverage at any other “described premises” where the breach does not exist at the time of loss or damage.

8. Broadened Replacement Wording. If, during the policy period or within 45 days before it begins, we adopt a revision of this form that would broaden the coverage it provides without an additional premium, the broadened coverage applies to this insurance from the date we adopt the revision.

9. Your Interest And Others’ Interests. We will adjust each loss with you and, except as Sections B.3., E.2.b., and M. provide, we will pay each loss to you. Our payments are limited to the interests described in this form; no payment creates rights in any person or organization beyond those this form states.

O. Optional Coverages

Each optional coverage in this Section O. applies only to the item of covered property for which the Declarations show that the option is in effect.

1. Agreed Value.

- a. The coinsurance condition in Section H. does not apply to covered property for which an Agreed Value is shown in the Declarations, for loss or damage that

occurs on or after the effective date of this option and before the option expires under paragraph 1.c. below.

- b. In place of the coinsurance condition, we will pay no greater share of a loss to that property than the share its Limit of Insurance represents of the Agreed Value shown for it. If the Limit of Insurance equals or exceeds the Agreed Value, this paragraph 1.b. does not reduce our payment.
- c. This option expires on the earlier of:
 - (1) the expiration date of this policy; and
 - (2) the expiration date the Declarations show for the Agreed Value option.

When this option expires, the coinsurance condition in Section H. is reinstated automatically, without notice to you.

2. Inflation Guard.

- a. The Limit of Insurance for property to which this option applies increases automatically by the annual percentage the Declarations show for it.
- b. The amount of the increase on any date is computed as follows:
 - (1) multiply the Limit of Insurance on the most recent of the policy inception date, the policy anniversary date, and any date the Limit of Insurance was last changed at your request, by that annual percentage, expressed as a decimal; and
 - (2) multiply the result of step (1) by the number of days since that most recent date, divided by 365.
- c. An example: the Limit of Insurance at inception is \$100,000, the annual percentage is 8 percent, and a loss occurs 146 days into the policy period. The increase is \$100,000 multiplied by 0.08 multiplied by 146 divided by 365, which is \$3,200, so the Limit of Insurance on the date of loss is \$103,200.

3. Replacement Cost Valuation.

- a. For property to which this option applies, we value covered property at “replacement

cost”, without deduction for depreciation, in place of the “actual cash value” rule of Section K.1. The other rules of Section K. continue to apply.

- b. This option does not apply to:
 - (1) property of others, except as paragraph 3.c. below provides;
 - (2) works of art, antiques, and rare articles, including bric-a-brac, bronzes, etchings, marbles, pictures, porcelains, and statuary;
 - (3) household contents of a residence; or
 - (4) “stock”, unless the Declarations show that this option includes “stock”.
- c. If a written contract in effect at the time of loss obligates you to insure leased personal property of others on a replacement basis, we value that property at “replacement cost”, and paragraph 3.b.(1) above does not apply to it. Our payment for that property will not exceed the amount for which you are contractually liable, and we will not pay for any loss of use sustained by the property’s owner.
- d. You may first make a claim for loss or damage on an “actual cash value” basis and later make a claim for the additional amount this option provides, if you notify us of your intent to do so not later than 180 days after the date of the loss or damage.
- e. We will not pay on a “replacement cost” basis:
 - (1) until you actually repair or replace the lost or damaged property; and
 - (2) unless the repair or replacement proceeds with reasonable speed after the loss or damage.
- f. Our payment under this option is the smallest of the following amounts:
 - (1) the applicable Limit of Insurance;
 - (2) the “replacement cost” of the property, computed as if replacement occurred on the original site; and
 - (3) the amount you actually spend to repair or replace the property.

Our payment under this option does not include any increased cost attributable to the enforcement of an ordinance or law that regulates the construction, repair, or use of property, except as Section D.5. provides.

P. Definitions

Wherever a term appears in this form in double quotation marks, it has the meaning stated below.

1. "Actual cash value" means the cost to repair or replace property with material of comparable kind and quality, reduced by depreciation for age, physical condition, wear, and obsolescence, unless applicable state law prescribes a different measure, in which case that measure applies.
2. "Building" means the structure identified in the Declarations, together with the property described in Section B.1.
3. "Business personal property" means the property described in Section B.2., in the locations Section B.2. states.
4. "Coinsurance" means the insurance-to-value condition stated in Section H.
5. "Coverage radius" means the area extending 100 feet outward from the "building" or 100 feet outward from the "described premises", whichever area is larger.
6. "Covered peril" means a cause of loss that the perils schedule attached to this policy insures against and that no exclusion or limitation of that schedule or of this form removes from coverage.
7. "Described premises" means the location or locations identified in the Declarations by address or legal description.
8. "Electronic data" means facts, information, and computer programs held on, created on, used on, or sent to or from computer software or electronic storage media of any kind, including systems software, applications, disks, tapes, drives, memory cells, and other devices that store or process data for electronically controlled equipment; a computer program for this purpose is a set of coded instructions that directs a computer or a connected device in receiving, processing, storing, retrieving, or transmitting data.
9. "Improvements and betterments" means fixtures, alterations, installations, or additions that form part of a building you occupy but do not own, that were made or acquired at your expense, and that you cannot legally remove.
10. "Occurrence" means one loss event, embracing repeated or continued exposure to essentially the same general conditions, however many items of property, categories of coverage, or premises are involved.
11. "Pollutants" means any irritant or contaminant, whether solid, liquid, gaseous, or thermal, including chemicals, acids, alkalis, soot, smoke, fumes, vapor, and waste; waste for this purpose includes materials held for recycling, reconditioning, or reclamation.
12. "Replacement cost" means the cost to repair or replace property with other property of comparable material and quality that is used for the same purpose, without deduction for depreciation.
13. "Specified peril" means any of the following causes of loss: fire; lightning; windstorm or hail; explosion; smoke; riot or civil commotion; aircraft or vehicles; vandalism; volcanic action; leakage from fire-extinguishing equipment; sinkhole collapse, meaning the abrupt settling or caving in of land into subterranean voids that water has created by dissolving limestone or dolomite, but not the cost of filling a sinkhole or loss from land sinking into man-made cavities; falling objects, but not loss to personal property in the open, and not loss to a building's interior unless the falling object first breaches the building's exterior; weight of snow, ice, or sleet; and water damage, meaning an abrupt or accidental escape of water or steam directly caused by the cracking or breaking apart of a plumbing, heating, air conditioning, or comparable system or appliance, other than a sump system with its related equipment and parts, if the system or appliance is located on the "described premises" and holds water or steam.
14. "Stock" means raw materials, goods in process, finished goods, and merchandise, whether held for sale or in storage, together with the packing and shipping supplies used with them.

- 15. "Vacant" has the meaning stated in Section L.1. for the type of interest you hold.
- 16. "Valuable records" means written, printed, or otherwise inscribed documents and records, and electronic or magnetic media on which information is recorded, including books of account, manuscripts, card index systems, deeds, drawings, films, maps, and abstracts, but "valuable records" does not mean money or securities.

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