

REQUEST FOR PROPOSALS

EXCESS/REINSURANCE BROKER SERVICES

Addendum #2 – Answers to Questions

August 9, 2021

Does APEI have any current relationships with wholesalers or other intermediaries that they would prefer to maintain?

Yes. For the last several years, we have worked with CRC San Francisco for placement of property coverage with domestic US carriers, and with Willis Towers Watson London for the London carriers. We would prefer to maintain those relationships going forward. Please discuss in your proposal whether you are willing and able to work with CRC and/or WTW London for our account, and, if not, how you will help us to maintain relationships with our carriers.

Is APEI hoping to duplicate the services that you have been receiving from Willis in the new brokerage contract?

Not necessarily. The new brokerage contract will, of course, need to provide for the services required to place APEI's excess, reinsurance, pass-through, and other miscellaneous coverages with the insurance market. Other services (such as loss control) are not essential, though are desirable. We recognize that different brokers and firms have different resources and expertise, and may be able to offer a different menu of services than we are currently receiving. We are open to other approaches.

Can you provide a copy of the agreement/policy for the lead Property carrier?

Our carriers' property policies are designed to follow the APEI form, and each incorporates the APEI Manuscript All Risk Policy Form as the bulk of the policy language. Any carrier-specific endorsements are minimal. A copy of the APEI property policy is attached to this addendum.

Can you provide an annual statement?

APEI's fiscal year 2019/20 annual report can be found on our website at:

<https://akpei.com/helpful-links/#1591210749668-0f314dc6-0e31> The annual financial statement is included within that report. The 2020/21 report will be available in late September.

What has the historical broker fee been over the past 5 years, or in the previous agreement with Willis Pooling?

Over the last five years, APEI's fee with Willis has ranged from \$150,000 to \$160,000 a year, with small supplemental amounts owed in years when we exceeded our 80 allotted hours of loss control services.

How are the current placements structured – are they purely reinsurance placements, excess placements, or a combination of both??

The property and WC coverage is placed on an excess basis, and the liability is written as reinsurance.

Do exhibits (resumes, etc.) count towards the 20-page maximum requirement, or can they be included outside of the 20-page requirement?

Exhibits, including resumes, may be included outside of the 20-page requirement.

Attachment

APEI Manuscript All Risk Property Form

**ALASKA PUBLIC ENTITY INSURANCE
MANUSCRIPT ALL RISK PROPERTY FORM**

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ALASKA PUBLIC ENTITY INSURANCE MANUSCRIPT ALL RISK PROPERTY FORM

For purposes of this Manuscript All Risk Property Form, “Insurer” represents Alaska Public Entity Insurance (APEI), a joint insurance arrangement organized under Alaska Statute 21.76 and various excess insurance companies as set forth in the declarations page.

Subject to the terms, conditions, definitions, exclusions, limitations, and provisions contained herein, the Named Insured as set forth in the declarations page (hereinafter referred to as the Insured) is provided coverage for the perils stated in this policy.

1. TERMS OF INSURANCE

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

2. LIMITS OF LIABILITY

Insurer’s maximum Limit of Liability in a single occurrence shall not exceed the following limits:

- A. \$200,000,000 for any one occurrence.
- B. With respect to the peril of earthquake, \$75,000,000 for any one occurrence and annual aggregate shared by members listed on Endorsement 6.
- C. With respect to the peril of flood, \$75,000,000 for any one occurrence and annual aggregate shared by all members listed on Endorsement 6.

The following limits of liability are sublimits of liability. The following sublimits of liability apply per occurrence unless otherwise stated. Further, these sublimits of liability are considered to be part of, and are not in addition to, the occurrence limit of liability as defined in section 10 below.

- A. \$5,000,000 Accounts Receivable
- B. \$1,000,000 Asbestos - Annual Aggregate
- C. \$5,000,000 Business Interruption/Rental Value
- D. \$10,000,000 Course of Construction
- E. \$10,000,000 Demolition and Increased Cost of Construction; however, the full policy Limit of Liability applies to the undamaged portion of the building
- F. \$1,000,000 Errors & Omissions
- G. \$1,000,000 Expediting Expenses
- H. 180 Days Extended Period of Indemnity

I.	\$10,000,000	Extra Expense
J.	\$2,500,000	Fences, Radio or Television Antennas and Signs
K.	\$5,000,000	Fine Arts
L.	\$1,000,000	Harvested Crops
M.	\$250,000	Lawns, trees, plants, shrubs, decorative bark, decorative rocks, and any other similar property typical to an outdoor garden subject to a \$1,000 limit any one item, and including golf course greens and tees
N.	\$500,000	Loss Adjustment Expense
O.	\$100,000	Miscellaneous Unreported Location
P.	\$10,000,000	Mobile Equipment and Vehicles
Q.	\$1,000,000	Mold - Per Occurrence
R.	\$5,000,000	Newly Acquired Property
S.	180 Days	Ordinary Payroll
T.	\$250,000	Personal Property of Officers, Employees, and Students
U.	\$250,000	Pollutant Clean Up and Removal
V.	\$1,000,000	Pollution - Annual Aggregate
W.	\$1,000,000	Property of Others
X.	\$1,000,000	Radioactive Contamination
Y.	\$250,000	Service Charges
Z.	\$1,000,000	Service Interruption
AA.	\$1,000,000	Spoilage
BB.	\$5,000,000	Transit
CC.	\$5,000,000	Valuable Papers
DD.	\$1,000,000	Water Damage Tear Out/Replace

3. LOSS PAYEE

Loss, if any, shall be adjusted with and payable to the 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 Insurer makes a partial payment or payments of loss, release in full of all liability shall occur upon final payment with respect to such loss.

4. TERRITORY

This policy covers property located within the 50 states comprising the United States of America, the District of Columbia, and Canada.

5. COVERAGE

Except as hereinafter excluded, for loss caused by direct physical loss or damage by any of the perils covered herein during the term of this policy to Real and/or Personal Property as covered herein, this policy covers:

A. REAL AND/OR PERSONAL PROPERTY

- (1) The interest of the Insured in all Real and/or Personal Property as reported and on file with the Insurer, including improvements and betterments and alterations owned or used by the Insured, or hereinafter constructed, erected, installed, or acquired, including such property while in the course of construction, erection, installation, or assembly.
 - (a) "Real Property" includes but is not limited to buildings, docks, piers, other structures, and machinery and permanent fixtures attached to and constituting part of structure.
 - (b) "Personal property" means any property (other than real property) belonging to the Insured or others. Personal property does not include Mobile Equipment separately scheduled on the statement of values.
 - (c) Course of Construction coverage will end when any of the following first occurs:
 1. The policy expires;
 2. 30 Days after construction commences unless the project is reported to APEI.

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

- (2) The interest of the Insured in Real and Personal Property of others while in the Insured's care, custody or control, and the Insured's liability imposed by law or assumed by contract, whether written or oral, for such property.
- (3) Personal Property of the Insured's officers, employees, and students while on premises of the Insured.
- (4) Contractors' and all subcontractors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, while on insured premises.
- (5) Newly acquired property which may be purchased, leased, built, erected or otherwise at risk (except property which is specifically excluded) during the term of this insurance. Newly acquired property coverage shall end when any of the following first occurs:

- (a) The policy expires;
- (b) 90 Days after the property is acquired or leased; or
- (c) The values are reported to APEI; at which time they will be insured as owned property

B. BUSINESS INTERRUPTION

Business Interruption, meaning loss resulting from necessary interruption of business conducted by the Insured caused by direct physical loss, damage, or destruction by any of the perils covered herein during the term of this policy to Real and/or Personal Property as described in the previous paragraphs.

If such loss occurs during the term of this policy, it shall be adjusted on the basis of the actual loss sustained by the Insured, during the period of restoration, consisting of the net profit (or loss) which is thereby prevented from being earned and all charges and expenses, including ordinary payroll, but only to the extent that they must necessarily continue during the interruption of business, and only to the extent to which they would have been incurred had no loss occurred.

Ordinary Payroll is defined to be the entire payroll expenses for all employees of the Insured except officers, Executives, and department managers.

- (1) **RESUMPTION OF OPERATIONS:** It is a condition of this insurance that if the Insured could reduce the loss resulting from the interruption of business,
 - (a) by a complete or partial resumption of operations, or
 - (b) by making use of other available stock, merchandise, or location,such reduction will be taken into account in arriving at the amount of loss hereunder, but only to the extent that the Business Interruption loss under this policy is thereby reduced.
- (2) **EXPENSE TO REDUCE LOSS:** This policy also covers such expenses as are necessarily incurred for the purpose of reducing any Business Interruption loss under this policy, provided such coverage shall not exceed the amount by which the Business Interruption loss covered under this policy is thereby reduced.
- (3) **EXPERIENCE OF BUSINESS:** In determining the amount of net profit (or loss), charges and expenses covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the experience of the Insured's business before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

C. EXTENDED PERIOD OF INDEMNITY

The actual loss sustained by the Insured resulting directly from the interruption of business, as covered by this policy for such additional length of time as would be required with the

exercise of due diligence and dispatch to restore the Insured's business to the condition that would have existed had no loss occurred.

D. EXPEDITING EXPENSES

The reasonable and necessary extra cost of expediting the repair of damaged insured property that has sustained direct physical loss or damage, resulting from a peril insured against, including overtime, the extra cost of express or other rapid means of transportation, and charges paid for priority delivery from manufacturers and suppliers.

E. EXTRA EXPENSE

Extra Expense, meaning the excess cost necessarily incurred to continue the operation of the Insured's business or facility that would not have been incurred had there been no direct physical loss or damage caused by any of the perils covered herein during the term of this policy to Real and/or Personal Property as described in the previous paragraphs.

F. RENTAL VALUE

Rental Value, meaning loss sustained by the Insured resulting directly from the untenability, during the period of restoration, caused by direct physical loss, damage, or destruction by any of the perils covered herein during the term of this policy to Real and/or Personal Property as described in the previous paragraphs, but not exceeding the reduction in rental value less charges and expenses which do not continue during the period of untenability. This coverage applies only if the property is rented to a third party by the Insured, or the property was reasonably expected to be rented to a third party by the Insured in the future, and is based on fair rental value.

For the purpose of this insurance, "Rental Value" is defined as the sum of:

- (1) the total anticipated gross rental income from tenant occupancy of the described property as furnished and equipped by the Insured, and
- (2) the amount of all continuing charges which are the legal obligation of the tenant(s) and which, because of the loss, become obligations of the Insured.
 - (a) **EXPENSE TO REDUCE LOSS:** This policy also covers such expenses as are necessarily incurred for the purpose of reducing any Rental Value loss covered under this policy. Such coverage, however, shall not exceed the amount by which the loss under this policy is thereby reduced.
 - (b) **EXPERIENCE OF THE BUSINESS:** In determining the amount of Rental Value covered hereunder for the purpose of ascertaining the amount of loss sustained, due consideration shall be given to the rental experience before the date of damage or destruction and to the probable experience thereafter had no loss occurred.

G. ADDITIONAL PROVISIONS APPLICABLE TO BUSINESS INTERRUPTION, EXTRA EXPENSE, AND RENTAL VALUE COVERAGE

(1) PERIOD OF RESTORATION:

“Period of restoration” means the period of time that:

- (a) Begins with the date of direct physical loss or damage by any of the perils covered herein, at the described premises; and
 - (b) Ends on the date when the property at the described premises should be repaired, rebuilt, or replaced with reasonable speed and similar quality.
- (2) SPECIAL EXCLUSIONS: This policy does not insure against any increase of loss which may be occasioned by the suspension, lapse, or cancellation of any lease, license, contract, or order, nor for any increase of loss due to delays in 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 caused by interference at the Insured’s premises by strikes or other persons nor for any increase of loss which may be occasioned by loss or damage to property in transit away from the Insured’s premises.
- (3) EXTENSION OF COVERAGE: This policy, subject to all of its provisions and without increasing the Limit of Liability as stated in Section 2, Limits of Liability, also provides coverage for interruption of business conducted by the Insured resulting from loss or damage, by the perils insured against, during the term of this policy, to:
- (a) public utility plants, transformers or switching stations, substations furnishing heat, light, power, water, telephone, or gas to the Insured’s premises, and located within five (5) miles of such premises;
 - (b) any property of a type insured hereunder thereby preventing ingress to or egress from the Insured’s premises, for a period not exceeding four (4) weeks;
 - (c) any property of a type insured hereunder when access to the premises is prohibited by order of civil or military authority, for a period not exceeding four (4) weeks.

H. VALUABLE PAPERS AND RECORDS

“Valuable papers and records” shall mean written, printed or otherwise inscribed documents and records, including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, micro inscribed documents, manuscripts, and media, but not including Electronic Data Processing Data or Electronic Data Processing Programs, or money and/or securities.

The term “securities” shall mean all negotiable and non-negotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens, and tickets, but does not include money.

I. ACCOUNTS RECEIVABLE TO INCLUDE

- (1) All sums due the Insured, provided the Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable.
- (2) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- (3) Collection expense in excess of normal collection cost and made necessary because of such loss or damage.
- (4) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

When there is proof that a loss of records of Accounts Receivable has occurred, but the Insured cannot accurately establish the total amount of Accounts Receivable outstanding as of the date of such loss, such amount shall be computed as follows:

The monthly average of accounts receivable during the last available twelve months, together with collection expenses in excess of normal collection costs and made necessary because of such loss or damage and reasonable expenses incurred in reestablishing records of accounts receivable following such loss or damage shall be adjusted in accordance with the percentage increased or decreased in the twelve-month average of monthly gross revenues which may have occurred in the interim.

The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred. Due consideration shall also be given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records, not lost or damaged, or otherwise established or collected by the Insured an amount to allow for probable bad debts which would normally have been uncollectible by the Insured.

J. ELECTRONIC DATA PROCESSING EQUIPMENT, MEDIA, DATA, AND PROGRAMS

- (1) “Electronic Data Processing Equipment” shall mean electronic data processing systems, including keyboards, display screens, terminals, printers, and related peripheral equipment;

- (2) "Electronic Data Processing Media" shall mean magnetic tapes, compact discs, diskettes, disk packs, cards or other standardized data recording materials which can be read by electronic data processing equipment;
- (3) "Electronic Data Processing Data" shall mean information, instructions or programs that are recorded on your media, including original source material used to enter data;
- (4) "Electronic Data Processing Programs" shall mean software that are purchased or written specifically to be used with electronic data processing equipment.

This coverage "J" applies only to defined perils per exclusions R and S in Section 8, Perils Excluded.

K. PROPERTY IN TRANSIT

"Property in transit" shall mean shipments within and between the territorial limits of this policy including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter, while awaiting and during loading and unloading and in temporary storage, including temporary storage on any conveyance intended for use for any outbound or inbound shipment, including during unavoidable deviation and delay, until safely delivered into the place of final destination.

This insurance is extended to cover loss or damage to property:

- (1) sold and shipped by the Insured under the terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;
- (2) occasioned by the acceptance by the Insured, its agents, or its customers, of fraudulent bills of lading, shipping and delivery orders, or similar documents.

The Insured may waive right(s) of recovery against private and contract carriers and accept bills of lading or receipts from carriers, bailees, warehousemen, or processors limiting their ability, but this Transit insurance shall not inure to the benefit of any carrier, bailee, warehousemen, or processor.

With respect to shipments made under F.O.B. point of origin or similar terms, this Insurer agrees to waive its rights of subrogation against consignees at the option of the Insured.

The Insured is not to be prejudiced by any agreements exempting lightermen from liability.

Seaworthiness of any vessel or craft is admitted between the Insurer and the Insured.

L. DEMOLITION AND INCREASED COST OF CONSTRUCTION

Costs related to the enforcement of any law or ordinance which is in force at the time of the direct physical loss, damage, or destruction regulating the construction or repair of the damaged facilities, including:

- (1) the cost of demolishing the undamaged facility including the cost of clearing the site;
- (2) the value of such undamaged part of the facility which must be demolished;
- (3) the increased cost of repair or reconstruction of the damaged facility on the same or another site, limited to the minimum requirements of such law or ordinance regulating the repair or reconstruction of the damaged property and the cost thereof on the same site. However, the Insurer shall not be liable for any increased cost of construction loss unless the damaged facility is actually rebuilt or replaced in a reasonable period of time;
- (4) any increase in the business interruption, extra expense or rental value loss arising out of the additional time required to comply with such law or ordinance. This increase will be based upon the difference between the additional time required to comply with the law or ordinance and the time it would have taken to replace the property with materials of like kind and quality, absent such law or ordinance.

M. SERVICE CHARGES

Service charges and expenses of any Fire Department, Police, or Rescue Squad incurred by the Insured because of an occurrence of a peril insured by the Policy.

N. SERVICE INTERRUPTION

Direct physical loss, damage, or destruction of insured property resulting from direct physical loss, damage, or destruction, by a peril insured by this Policy, of property of a supplier of fuel, electricity, steam, water, gas, refrigeration, sewerage, or telecommunications, including poles, towers, and transmission and distribution lines within five miles of Insured premises.

O. WATER DAMAGE - TEAR OUT/REPLACE

If loss or damage caused by or resulting from covered water, other liquid, powder, or molten material damage loss occurs, the Insurer will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

P. DEBRIS REMOVAL

The expense to remove debris of insured property that has been damaged or destroyed.

Q. POLLUTANT CLEANUP AND REMOVAL

The expense to:

- (1) Extract contaminants or pollutants from the debris; or
- (2) Extract contaminants or pollutants from land or water; or
- (3) Remove, restore, or replace contaminated or polluted land or water; or
- (4) Remove or transport any property or debris to a site for storage or decontamination required because the property or debris is affected by pollutants or contaminants, whether or not such removal, transport, or decontamination is required by law or regulation.

It is a condition precedent to recover under this extension that the Insurer shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder and that the Insured shall give written notice to the Insurer of intent to claim for cost of removal of debris or cost to clean up not later than 180 days after the date of such physical loss or damage.

6. PROPERTY EXCLUDED

This policy does not cover the following:

- A. Watercraft over 27 feet.
- B. Aircraft.
- C. Motor vehicles licensed for highway use when not on the Insured's premises.
- D. Currency, money, notes, and securities.
- E. Land or land values; however, this exclusion shall not apply to the cost of reclaiming, restoring, or repairing land improvements. Land improvements as described herein are defined as any alteration to the natural condition of the land by grading, landscaping, earthen dikes, or dams, as well as additions to land such as pavements, roadways, or similar works.
- F. Water, standing timber, and growing crops.
- G. Shipments by mail.
- H. Animals, unless for experimental or research purposes.
- I. Precious metals, precious stones, jewelry, watches, silverware, furs, and articles trimmed with fur.
- J. Power or transmission lines.

- K. Roads, sidewalks, boardwalks, or pavements unless listed on the statement of values.
- L. Property below the surface of the ground including but not limited to tanks, pipes, hoses, or drains, unless included on the statement of values.
- M. Property in due course of ocean marine transit, but this exclusion shall not apply to coastwise shipments to and from the continental USA, Canada, and Alaska.
- N. Property sold by the Insured under conditional sale, trust agreement, installment plan, or another deferred payment plan.

7. PERILS INSURED AGAINST

This policy insures against all risks of direct physical loss 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.

8. PERILS EXCLUDED

This policy does not insure against loss or damage caused directly or indirectly from the following or resulting from:

- A. Inherent vice, gradual deterioration, rot, rust, insects, vermin, and changes in temperature and humidity, or ordinary wear and tear, unless a peril not otherwise excluded ensues and then this policy covers for loss or damage caused by the ensuing peril.
- B. Actual, alleged or threatened release, discharge, escape or dispersal of Contaminants or Pollutants, all whether direct or 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 is not excluded from this policy and a fire 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 or 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, 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, earthquake, or flood. This exclusion shall also not apply

when loss or damage is directly caused by leakage or accidental discharge from automatic fire protective systems.

- C. Mysterious disappearance or shortage of property disclosed on taking inventory, or due to infidelity or dishonesty of the Insured or any of the Insured's employees, except this exclusion shall not apply to property while in the custody of any carrier for hire or other bailee.
- D. Normal settling or shrinkage of walls, floors, or ceilings, evaporation, loss of weight, rust, corrosion, change in flavor or color or texture or finish, unless a peril not otherwise excluded ensues and then this policy covers for loss or damage caused by the ensuing peril.
- E. Errors in design, poor or faulty workmanship, or use of faulty materials unless physical loss or damage by perils not otherwise excluded ensues, and then the Insurer shall be liable for only such ensuing loss or damage.
- F. With respect to goods only, damage sustained while actually being worked on and directly resulting therefrom, unless a peril not otherwise excluded ensues and then this policy covers for loss or damage caused by the ensuing peril.
- G. Nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such damage or 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 that:
 - (1) The Insurer shall be liable for direct loss or damage caused by sudden and accidental radioactive contamination, including resultant radiation damage from material used or stored or from processes conducted on the described premises, provided at the time of loss there is neither a nuclear reactor nor any new or used fuel on the described premises.
 - (2) If a covered peril ensues, this policy covers direct loss by such peril but not including any loss due to nuclear reaction, nuclear radiation, or radioactive contamination.
- H. Hostile or warlike action in time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, naval or air forces, or by an agent of any such government, power, authority or forces; any weapon employing atomic fission; rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating or defending against such occurrence, seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of fire or explosion, risks of contraband or illegal trade.

Notwithstanding the above provisions, this insurance shall cover loss or damage directly caused by acts committed by an agent of any government, party or faction engaged in war, hostilities, or warlike operations, provided such agent is acting secretly and not in connection

with any operation of armed forces (whether military, naval, or air forces) in the country where the property is situated.

Nothing in the foregoing shall be construed to include any loss, damage, or expense caused by or resulting from any of the risks or perils excluded above, excepting only the acts of certain agents expressly covered herein, but in no event caused by or resulting from any weapon of war employing atomic fission or radioactive force whether in time of peace or war.

- I. Delay or loss of market.
- J. Electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated. But if loss or damage from a 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.
- K. Mechanical breakdown, but if loss or damage from a covered peril results from such mechanical breakdown 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.
- L. Explosion, rupture or bursting of steam boilers, steam pipes, steam turbines or steam engines owned or operated by the Insured. But if loss or damage from a covered peril results, to covered property, from such explosion, rupture, or bursting then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage.
- M. Loss to animals due to:
 - (1) death, destruction, or injury from natural causes;
 - (2) escape;
 - (3) sickness, disease, infection, infestation, or illness;
 - (4) error or omission in processing and/or failure to provide nourishment, medicine, or sanitary conditions;
 - (5) contamination of animals, food, or medicine.
- N. Loss due to:
 - (1) Asbestos, dioxin, or polychlorinated biphenyls (hereinafter all referred to as "Materials") removal from any good, product or structure;
 - (2) 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;
 - (3) 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.

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, earthquake, flood, water damage, or the sudden and accidental discharge, leakage, backup, or overflow of water or wastewater from confinement within plumbing or automatic fire protective systems located at the insured location.

This exception does not apply to payment for the investigation or defense of any loss or damage where any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended.

- O. Loss, damage, costs, expenses, fines, or penalties incurred or sustained by or imposed on the Insured at the order of any governmental agency, court or other authority arising from any cause whatsoever.
- P. The seizure or destruction of property insured by this policy by any government body, including:
 - (1) any customs or quarantine action; or
 - (2) Confiscation or destruction of any property by order of any government or public authority, except an order to destroy property to prevent the spread of fire or explosion.
- Q. Fungus, mold(s), mildew, yeast, wet rot, dry rot or bacteria, or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew, yeast, wet rot, dry rot, or bacteria, regardless of any other cause or event that contributes concurrently or in any sequence to such loss.
 - (1) 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;
 - (2) Mold(s) includes, but it not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
 - (3) Spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms, or microorganisms;

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

- R. 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:

- (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; or
- (3) capture, save, retain, or correctly process any data as a result of the operation of any command that has been programmed into any computer software, being a command that causes the loss of data or the inability to capture, save, retain, or correctly process such data on or after any date.

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.

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 (1), (2), or (3) above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This exclusion shall not exclude subsequent damage or consequential loss, not otherwise excluded, which itself results from a Defined Peril. "Defined Peril" shall mean aircraft or vehicle impact, civil commotion, cyclone, earthquake, explosion, falling objects, fire, flood, freeze, hail, hurricane, lightning, malicious mischief, riot, smoke, strike, tornado, tempest, tsunami, vandalism, volcano, windstorm, or weight of snow.

S. Loss due to:

- (1) Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility.
- (2) Any corruption, destruction, distortion, erasure or other loss or damage to data, software, or any kind of programming or instruction set.
- (3) 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.

Such damage or consequential loss described in (1), (2), or (3) above is excluded regardless of any other cause that contributed concurrently or in any other sequence.

This exclusion shall not exclude subsequent damage or consequential loss, not otherwise excluded, which itself results from a Defined Peril. "Defined Peril" shall mean aircraft or vehicle impact, civil commotion, cyclone, earthquake, explosion, falling objects, fire, flood,

freeze, hail, hurricane, lightning, malicious mischief, riot, smoke, strike, tornado, tempest, tsunami, vandalism, volcano, windstorm, or weight of snow.

- T. An “act of terrorism”, which is defined in the Terrorism Risk Insurance Act of 2002, as amended by the Terrorism Risk Insurance Program Reauthorization Act of 2007 (collectively “TRIA”), as follows:

(1) ACT OF TERRORISM

(A) CERTIFICATION – The term “act of terrorism” means any act that is certified by the Secretary of the Treasury

- (i) to be an act of terrorism;
- (ii) to be a violent act or an act that is dangerous to
 - (I) human life;
 - (II) property; or
 - (III) infrastructure;
- (iii) to have resulted in damage within the United States, or outside of the United States in the case of
 - (I) an air carrier or vessel; or
 - (II) the premises of the United States mission; and
- (iv) to have been committed by an individual 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.

(B) LIMITATION – No act shall be certified by the Secretary as an act of terrorism if

- (i) the act is committed as part of the course of a war declared by the Congress, except that this clause shall not apply with respect to any coverage for workers’ compensation; or
- (ii) property and casualty insurance losses resulting from the act, in the aggregate, do not exceed \$5,000,000.

(C) DETERMINATIONS FINAL – Any certification of, or determination not to certify, an act as an act of terrorism under this paragraph shall be final, and shall not be subject to judicial review.

(D) NONDELEGATION – The Secretary may not delegate or designate to any other officer, employee, or person, any determination under this paragraph of whether, during the effective period of the Program, an act of terrorism has occurred.

This insurance also does not apply to loss, injury, damage, claim or suit, arising directly or indirectly as a result of a “non-certified act of terrorism”, which means any act that is not an “act of terrorism”, as defined above, that

- (1) involves the use of force or violence against person or property;
 - (2) is dangerous to human life or property; or
 - (3) interferes with or disrupts an electronic or communication system; and
 - (4) is undertaken by any group or person, whether or not acting on behalf of or in any connection with any organization, government, power, authority, or military force, when the effect is to intimidate, coerce or harm
 - (a) a government;
 - (b) the civilian population of a country, state, or community; or
 - (c) to disrupt the economy of a country, state, or community.
- U. The actual or threatened malicious use of pathogenic or poisonous biological or chemical materials regardless of any other cause or event contributing concurrently or in any other sequence thereto.
- V. Gradual erosion of shoreline or riverbanks resulting in deterioration of underlying soils.
- W. Thawing of permafrost either concurrently or in any other sequence of a loss. Permafrost is defined as frozen soil, rock, or sediment that exists beneath the ground surface and/or layer of soil and/or rock.

9. VALUATION

At the time of loss, the value of covered property, unless otherwise endorsed herein, shall be as follows:

- A. Real and/or Personal Property at Replacement Cost without deduction for depreciation except as provided below.
- (1) The Insurer's liability for loss on a Replacement Cost basis shall be the lowest of the following:
 - (a) The occurrence limit of this policy applicable to the damaged or destroyed property as described in Section 10;
 - (b) The replacement cost of the property or any part thereof identical with such property on the same premises and intended for the same occupancy and use; or

- (c) The amount actually and necessarily expended in repairing or replacing said property or any part thereof.
 - (2) If the insured elects not to reassemble, rebuild, reclaim, reconstruct, repair, replace or restore the property lost, damaged, or destroyed at the same or different site within two calendar years of the date of loss, unless such time is extended by the Insurer, the liability of the Insurer for the loss shall be the Actual Cash Value of the property.
 - (3) "Replacement Cost" includes all fees, costs, charges, and expenses, (including, those of architects, surveyors, lawyers, engineers, and consulting engineers) incurred by or on behalf of the Insured to reassemble, rebuild, reclaim, reconstruct, repair, replace, or restore property insured with due diligence and dispatch with new property or materials, either at the site of the loss or, at the sole option of the Insured, another site. In the event the Insured decides to rebuild on another site, the liability of the Insurer shall not exceed the cost and expenses which would have been incurred to reassemble, rebuild, reclaim, reconstruct, repair, replace or restore the property lost, damaged, or destroyed at the site of the loss.
 - (4) "Actual Cash Value" shall mean the lesser of (i) Replacement Cost less depreciation; or (ii) market value.
- B. Contractor's equipment, mobile equipment, and vehicles at not more than the Actual Cash Value of the property at the time of loss or damage less deduction for depreciation.
- C. Property of others at the amount for which the Insured is liable but in no event to exceed replacement cost plus the cost of labor performed and materials expended thereon at the time of loss.
- D. Tenant's Improvements and Betterments:
- (1) If repaired or replaced at the expense of the Insured within a reasonable period from the time of loss, the replacement cost of the damaged or destroyed improvements and betterments.
 - (2) If not repaired or replaced within a reasonable period from the time of loss, the proportion of the original cost at the time of installation of the damaged or destroyed property that the unexpired term of the lease or rental agreement, whether written or oral, in effect at time of loss bears to the period from the date such improvements or betterments were made to the expiration date of the lease.
 - (3) If repaired or replaced at the expense of others, there shall be no liability hereunder.
- E. Valuable papers and records and media: The cost to repair or replace the property with other property of like kind and quality including the cost of gathering or assembling information, but only if such property is actually repaired or replaced.

- F. Patterns and dyes: Replacement Cost if actually replaced within twelve months following the date of loss, otherwise at scrap value.
- G. Electronic Data Processing Equipment: The actual cost to repair or replace the lost or damaged property with new property of the same kind, quality, and capability, and used for the same purpose.
- H. Electronic Data Processing Media: The actual cost to repair or replace the property with other property of like kind and quality.
- I. Electronic Data Processing Data and Programs: The actual cost to reproduce the data and programs, up to the limit of liability, if the Insured actually reproduces the data and programs. Such costs shall include any additional reasonable expense incurred in reproducing the data and programs, to continue normal computer operations.
- J. Fine Arts: The lowest of:
 - (1) The cost to repair or restore the article to the condition that existed immediately prior to the loss;
 - (2) The cost to replace the article;
 - (3) The value of the article as determined by an independent appraiser prior to loss; or
 - (4) The value designated for the article on the schedule of fine arts on file with the Insurer.

Items not included on the current schedule will be limited to \$20,000 per item.

- K. On property that is deemed to be technologically obsolete, or is unavailable because it is no longer in production, the cost of new property that shall perform the same functions as the original property, including any betterment inherent in the design of such property.
- L. All property not otherwise described: The Actual Cash Value of the property at the time the loss or damage occurs is replacement cost less depreciation.

10. OCCURRENCE LIMIT OF LIABILITY

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

- A. The limit of liability shown on the face of this policy, or endorsed onto this policy, is the total limit of Insurer'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 Insurer 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, and vandalism and malicious mischief

one event shall be construed to be all losses arising during a continuous period of 168 hours. When filing proof of loss, the Insured may elect the moment at which the 168-hour period shall be deemed to have commenced, which shall not be earlier than when the first loss to the covered property occurs.

- B. In the event of loss, liability of the Insurer, subject to the terms of paragraph A above, shall be limited to the least of the following:
- i. The actual adjusted amount of loss, less the applicable deductible.
 - ii. The total stated value for the real and personal property involved, as shown on the current Statement of Values on file with the Insurer, plus up to 25%, less the applicable deductible.
 - iii. The Limit of Insurance shown on the face of this policy or endorsed onto this policy.

11. EARTHQUAKE

The term "Earthquake" is defined as loss or damage caused by, resulting from, contributed to, or aggravated by an earth movement, tectonic in origin, including but not limited to earthquake, landslide, mud flow, volcanic eruption, earth sinking, earth rising, tsunami, or shifting. Loss resulting from, contributed to, or aggravated by such "Earthquake" caused by a peril not otherwise excluded under this policy shall not be considered in application of the policy "Earthquake" limit.

Each loss by Earthquake shall constitute a single occurrence. If more than one earthquake shock or volcanic action occurs within any period of one hundred sixty-eight (168) hours during the term of this policy, such earthquake shocks or volcanic action shall be deemed to be a single occurrence within the meaning of this policy, and the Insured may elect the moment from which the aforesaid period of 168 hours be deemed to have commenced. The Insurer shall not be liable, however, for any loss caused by any earthquake shock or volcanic action occurring before the effective date and time of this policy. However, the Insurer shall be liable for any loss occurring for a period of up to 168 hours after the expiration of this policy provided that the first earthquake or volcanic action occurs prior to the date and time of the expiration of this policy.

12. FLOOD

The term "Flood" is defined as loss or damage caused by waves, tide water, overflow of streams or other bodies of water, surface water or spray from any of the foregoing, storm surge, all whether driven by wind or not. Loss resulting from, contributed to, or aggravated by a "Flood" caused by a peril not otherwise excluded under this policy shall not be considered in application of the policy "Flood" limit.

Each loss by Flood shall constitute a single occurrence. If more than one flood occurs within any period of one hundred sixty-eight (168) hours during the term of this policy, such floods shall be deemed to be a single occurrence within the meaning of this policy, and the Insured may elect the moment from which the aforesaid period of 168 hours be deemed to have commenced. If any flood occurs within a period of the continued rising or overflow of any river(s) or stream(s) and the

subsidence of same within the banks of such river(s) or stream(s), or if any flood results from any tidal wave or series of tidal waves by any one disturbance, such flood shall be deemed to be a single occurrence within the meaning of this policy. The Insurer shall not be liable, however, for any loss caused by any flood occurring after the expiration of this policy unless the first disturbance occurs prior to the date and time of expiration of this policy.

13. CONTRIBUTING INSURANCE

Contributing insurance is insurance covering in the same manner and layer as this insurance which is not designated as and notified to the Insurer as primary or excess with respect to the insurance provided in this policy. This insurance shall contribute in accordance with the conditions of this policy only to the extent of proportion that the applicable limit under this policy bears to the total limits of all policies covering in the same manner and layer as this insurance.

14. EXCESS INSURANCE

Excess insurance is insurance over the limit of liability set forth in this policy. The existence of such excess insurance shall not prejudice the coverage provided under this policy nor will it reduce any liability hereunder.

15. OTHER INSURANCE

Except for insurance described in the Contributing Insurance Clause or the Excess Insurance Clause, this policy shall not cover to the extent of any other insurance, whether prior or subsequent hereto in date, and whether directly or indirectly covering the same property against the same perils and whether collectible or not. This Insurer shall be liable for loss or damage only to the extent of that same amount excess of such other insurance.

16. SUBROGATION

- A. In the event of any payment under this policy, the Insurer shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefor. The Insured shall execute all papers required and shall do anything that may be necessary at the expense of the Insurer to secure such right. The Insurer will act in concert with all other interests concerned, i.e., the Insured and other companies participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery. Priority of recovery shall be, up to the amount(s) of their loss payment(s):

- i. excess insurer(s);
- ii. primary insurer(s);
- iii. the Insured;

until the amount of recovery, less expenses, is exhausted. If there should be no recovery, the expense of proceedings shall be borne by the insurers instituting the proceedings.

- B. The Insured shall not do anything after a loss to jeopardize the Insurer's rights of subrogation.

- C. The Insurer shall not acquire any right of recovery that the Insured has expressly waived prior to a loss, nor shall such waiver affect the Insured's rights under this Policy. The right of subrogation against the Insured and their subsidiaries, tenants, vendors, suppliers and customers of the Insured, and any other entities associated with the Insured through ownership or management is waived.

17. SALVAGE AND RECOVERIES

All salvages, recoveries, and payments excluding proceeds from subrogation recovered or received subsequent to a loss settlement under this policy shall be applied as if recovered or received prior to said settlement and shall accrue entirely to the Insurer until the sum paid by the Insurer has been recovered, including the Insurer's cost of recovery or salvage.

18. BRANDS OR TRADEMARKS

In case of damage by a peril insured against to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the Insurer, of all such brands or trademarks or other identifying characteristics.

19. CONTROL OF SALVAGE

The Insured shall have full right to the possession of all goods involved in any loss under this policy and shall retain control of all damaged goods. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the goods involved in any loss under this policy are fit for consumption, and no goods deemed by the Insured to be unfit for consumption shall be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow Insurer any salvage obtained by the Insured on any sale or other disposition of such goods.

20. MACHINERY

In case of loss or damage by a peril insured against to any part of a machine or unit held either for sale or use consisting of two or more parts when complete, the liability of the Insurer shall be limited to the value of the part or parts lost or damaged or, at the Insured's option, to the cost and expense of replacing or duplicating the lost or damaged part or parts, or of repairing the machine or unit, provided that such option shall not exceed the lowest of the above.

21. PAIR AND SET

Except as provided under the Machinery clause, in the event of loss or damage by a peril insured against to any article or articles which are a part of a pair or set, the measure of loss or damage to such article or articles shall be a reasonable and fair proportion of the total value of the pair or set, giving consideration to the importance of said article or articles, but in no event shall such loss or damage be construed to mean total loss of the pair or set.

22. NOTICE OF LOSS

The Insured shall, as soon as practicable, report to the Insurer or its agent every loss, damage or occurrence that may give rise to a claim under this policy.

23. CLAIM PREPARATION EXPENSES

This policy is extended to include expenses incurred by APEI, or by the Insured's representatives, for preparing and certifying details of a claim resulting from a loss which would be payable under this policy. However, this Insurer shall not be liable under this clause for expenses incurred by the Insured in utilizing the services of a public adjuster or attorneys.

24. PROOF OF LOSS

In the event of loss or damage hereunder it is a condition precedent to the Insured's right of recovery that the Insured, within 180 days following demand therefore by the Insurer, render a signed and sworn proof of loss to the Insurer or its appointed representative stating: the place, time, and cause of loss, damage, or expense; the interest of the Insured and all others in the damaged or destroyed property; the value of the property involved in the loss; and the amount of loss, damage, or expense.

25. PAYMENT OF LOSS

Pending final adjustment of an insured loss, the Insured may collect partial payments by filing a proof of loss for each partial payment.

The full amount of the actual cash value shall be due and payable no later than 30 days after presentation and acceptance of a proof of loss for the actual cash value. Collecting the actual cash value portion of any claim shall not affect the rights of the Insured under this Policy to collect amounts in excess of the actual cash value upon presentation and acceptance of proof of loss.

26. PARTIAL PAYMENT OF LOSS

It is understood that the Insurer may make partial payments of claims, in respect to undisputed amounts only, subject to the policy provisions and the normal policy adjustment provisions. The Insured shall submit a partial Proof of Loss with all supporting documentation, at the request of the Insurer, to obtain such partial payment of claim.

27. AUTOMATIC REINSTATEMENT OF LIMITS

With the exception of loss caused by perils which are subject to annual aggregate limits as noted in the Limit of Liability clause, any loss hereunder shall not reduce the amount of this policy.

28. SUIT AGAINST THE INSURER

No suit or action on this policy for the recovery of any claim shall be brought in any court of law or equity unless all the requirements of this policy shall have been complied with, and unless commenced within twelve months following the loss, or as local legislation permits.

29. APPRAISAL

If the Insured and the Insurer fail to agree on the value of the property or the amount of loss ("loss"), either may make a written demand for an appraisal of the loss. In this event, within 10 days of the demand, each party will choose a competent appraiser and will notify the other of the appraiser selected. The two appraisers will promptly choose a competent and impartial umpire. Not later than 15 days after the umpire has been chosen, unless this time period is extended by the umpire, each appraiser will separately state, in writing, the value of the property and the amount of the loss ("loss"). If the appraisers submit a written report of an agreement on the value of the property and the amount of loss ("loss") to Insurer, that agreement will be binding. If they fail to agree, they will promptly submit their differences to the umpire. A decision agreed to by one of the appraisers and the umpire will be binding as to the value and the amount of "loss".

Each party will:

1. Pay its own counsel and appraiser/adjuster fees; and
2. Bear those other expenses and fees which are incurred as a result of the appraisal, either entirely or proportionately, as determined by the umpire.

If Insurer submits to an appraisal, Insurer still retains its right to deny the claim.

30. ASSISTANCE AND COOPERATION OF THE INSURED

The Insured shall cooperate with the Insurer and, upon the Insurer's request and expense, shall attend hearings and trials and shall assist in effecting settlements, in securing and giving evidence, in obtaining the attendance of witnesses, and in conducting suits.

31. PRESERVATION OF PROPERTY

In case of actual or imminent physical loss or damage of the type insured against by the Policy, the Insured must take all reasonable steps to protect the property from further damage. The expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of property insured hereunder shall be added to the total physical loss or damage otherwise recoverable under this Policy and be subject to the applicable Deductible.

32. CANCELLATION

- A. This policy may be canceled at any time at the request of the Insured or it may be canceled by the Insurer by mailing to the Insured at the address shown in the Declaration hereof written

notice stating that not less than 60 days thereafter cancellation shall be effective, unless cancellation is for nonpayment of premium in which case only 10 days' notice is necessary.

- B. The mailing of such notice as aforesaid shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by the Insurer shall be equivalent to mailing.
- C. Cancellation shall not affect coverage on any shipment in transit, if any, on the date of cancellation. Coverage will continue in force until such property is delivered and accepted.

33. INSPECTION AND AUDIT

The Insurer shall be permitted but not obligated to inspect the Insured's property at any time. Neither the Insurer'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 such property is safe.

The Insurer may examine and audit the Insured's books and records, and make copies as may reasonably be required, at any time during the policy period and extensions thereof and within three years after the final termination of this policy, as far as they relate to the subject matter of this insurance.

34. ABANDONMENT

There shall be no abandonment to the Insurer of any property.

35. FALSE OR FRAUDULENT CLAIMS

If the Insured shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Policy shall become void, and all claims hereunder shall be forfeited.

36. ASSIGNMENT

Assignment or transfer of this Policy shall not be valid except with the written consent of the Insurer.

37. MORTGAGE CLAUSE

Loss or damage, if any, under this policy shall be payable to the mortgagee(s), as scheduled on this policy, as their interest(s) may appear, and this insurance, as to the interest(s) of mortgagee(s) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the described property, nor by any change in title or ownership of the property, nor by 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 shall, on demand, pay the same. Provided also that the mortgagee shall notify this Insurer of any change of ownership or occupancy or increase of hazard which shall come to the knowledge of said mortgagee and, unless permitted by this policy, it shall be noted thereon and the mortgagee shall, on demand, pay the premium for such increased hazard for the term of use thereof; otherwise this policy shall be null and void. Provided also that in case the mortgagor shall neglect to provide Proof of Loss under the conditions of this policy, the mortgagee, within 90 days of notice by the Insurer, shall submit such Proof of Loss.

The Insurer 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 of the mortgagee for ten (10) days after notice to the mortgagee of such cancellation and shall then cease and the Insurer shall have the right, on like notice, to cancel this agreement.

Whenever the Insurer shall pay the mortgagee any sum for loss or damage under this policy and shall claim that, as to the mortgagor or owner, no liability therefore existed, the Insurer 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.

38. ERRORS & OMISSIONS

Any unintentional error or omission made by the Insured in reporting additional structures shall not void or impair the insurance hereunder provided the Insured reports such error or omission as soon as reasonably possible after discovery and pays appropriate premium thereon.

39. MISCELLANEOUS UNREPORTED LOCATION

“Miscellaneous Unreported Location” means real and/or personal property of the type insured by this Policy at any covered location within the territorial limits of this Policy, which property is at the risk of the Insured at inception of the Policy but has not been listed on a report provided to the Insurer at inception or which becomes at the risk of the Insured after the inception date of this Policy but is not reported to the Insurer within the maximum number of days as shown in the Time Limit for Automatic Coverage for Newly Acquired Property in Section 5A.

40. CONFORMITY TO STATUTE

Terms of this policy in conflict with the written laws of any state in which this policy is issued, that are applicable to this policy, are changed to conform to such laws.

41. TITLES OF PARAGRAPHS

The titles of the paragraphs of this form and of endorsements and supplemental contracts, if any, now or hereafter attached hereto are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

42. OFFICE OF FOREIGN ASSETS CONTROL (OFAC)

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").

ENDORSEMENT NO. 1

JOINT LOSS AGREEMENT

In the event of damage to or destruction of property, at a location designated in this policy and also designated in an Equipment Breakdown Insurance policy, and there is a disagreement between the Insurers with respect to:

1. whether such loss or damage was caused by a peril insured against by this policy or by an accident insured by such Equipment Breakdown policy; or
2. the extent of participation of this policy and of such Equipment Breakdown policy in a loss which is insured against, partially or wholly, by any one or all of said policies;

the Insurer shall, upon written request of the Insured, pay to the Insured one-half of the amount of the loss that is in disagreement, but in no event more than the Insurer would have paid if there had been no Equipment Breakdown insurance policy in effect, subject to the following conditions:

1. The amount of the loss that is in disagreement, after making provisions for any undisputed claims payable under the said policies and after the total amount of the loss is agreed upon by the Insured and Insurers, is limited to the minimum amount remaining payable under either this policy or the Equipment Breakdown policy;
2. The Insurer shall simultaneously pay to the Insured one-half of said amount which is in disagreement;
3. The payments by the Insurers hereunder and acceptance of the same by the Insured signify the agreement of the Insurers to submit to and proceed with arbitration within 90 days of such payments;

The arbitrators shall be three in number, one of whom shall be appointed by the Equipment Breakdown insurer and one of whom shall be appointed by this Insurer and the third appointed by consent of the other two. If they cannot agree, either may request that the selection be made by a judge of a court having jurisdiction. A decision agreed to by any two of the three arbitrators shall not be binding on the Insurers. Judgment upon such award may be entered in any court of competent jurisdiction.

4. The Insured agrees to cooperate in connection with such arbitration but not to intervene therein;
5. The provisions of this Endorsement shall not apply unless such other policy issued by the Equipment Breakdown Insurer is similarly endorsed; and
6. Acceptance by the Insured of sums paid pursuant to the provisions of this Endorsement, including an arbitration award, shall not operate to alter, waive, surrender or in any way affect the rights of the Insured against any of the Insurers.

ENDORSEMENT NO. 2

LOSS ADJUSTMENT

It is hereby agreed that the following shall be designated as the Account Claim Adjuster for the benefit of excess insurers on all claims reported under this policy provided that he/she agrees to be subject to and fully comply with the Insurer's Guidelines for Independent Adjusters. The Account Claim Adjuster may not re-assign any claim(s) without the prior approval of the Insurer.

The Insurer retains the right to terminate the below named Account Claim Adjuster for lack of compliance with the aforementioned Guidelines or for lack of performance at the discretion of the Insurer. In such event, or in the event that the below named Account Claim Adjuster becomes unwilling or unable to perform, a replacement Account Claim Adjuster will be selected by the mutual agreement of the parties to this Manuscript All Risk Property Form.

Adjusting Firm:

Sedgwick

Contact: Joe Lakich

615 Second Avenue, Suite 640

Seattle, WA 98104

Email: Joseph.Lakich@sedgwick.com

Office: (206) 402-3427

Cell: (206) 240-9978

ENDORSEMENT NO. 3

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ENDORSEMENT NO. 4

SELF-INSURED RETENTION, AGGREGATE STOP LOSS, AND MAINTENANCE DEDUCTIBLE PROVISIONS ENDORSEMENT

- A) This policy will respond to all losses in excess of the **Self-Insured Retention** of \$500,000 each and every loss and \$2,000,000 in the annual aggregate, the **Aggregate Stop Loss**. Only the portion of losses which exceed \$100,000 each and every loss up to a maximum of \$500,000 (inclusive of the first \$100,000) each and every loss will contribute to the erosion of the **Aggregate Stop Loss**.
- B) Upon exhaustion of the **Aggregate Stop Loss** cover will respond in excess of the \$50,000 each and every loss **Maintenance Deductible**. All Deductible amounts stated herein are inclusive of amounts retained by individual members (the member deductible).
- C) The **Self-Insured Retention** and the **Aggregate Stop Loss** are inclusive of allocated loss adjustment expense. Fees and expenses of independent adjusters hired by the Insurer to administer the handling of claims are also included.
- D) The Insurers' duty to investigate and settle claims under this policy applies only after the **Ultimate Net Loss** exceeds the **Self-Insured Retention**, and the **Maintenance Deductible**, if applicable.
- E) During the policy period, and thereafter, APEI shall promptly provide to Insurers a complete report of the existence of any claim or suit arising out of one occurrence that is likely to exceed 50% or more of the **Self-Insured Retention**.
- F) DEFINITIONS
1. **Self-Insured Retention:** The amount of dollars for which APEI is responsible for each occurrence, as specified in the policy.
 2. **Ultimate Net Loss:**
 - a. All sums for direct physical loss of or damage to covered property resulting from any covered cause of loss, and for indirect loss as covered under this policy, and
 - b. All allocated loss adjustment expenses incurred by the Insured and APEI in the investigation, negotiation, settlement, or property adjustment of claims; provided, however, that **Ultimate Net Loss** shall not include any damages or expenses excluded or not otherwise covered by this policy. Allocated loss adjustment expense shall not include the salaries of APEI's regular employees.
 3. **Aggregate Stop Loss:** The maximum amount of loss dollars and loss adjustment expenses in the policy period retained by APEI resulting from payment under the **Self-Insured Retention** provision of this endorsement. The **Aggregate Stop Loss** applies separately to each policy period.
 4. **Maintenance Deductible:** A per occurrence deductible applied against all losses after exhaustion of the **Aggregate Stop Loss**.

ENDORSEMENT NO. 5

NAMED INSURED ENDORSEMENT – ALL RISK EXCLUDING EARTHQUAKE AND FLOOD

NAMED INSURED:

With respect to all perils except earthquake and flood, the following public entities are considered to be Named Insureds:

MUNICIPALITIES:

1. Alaska Association of Conservation Districts
2. City of Aniak
3. City of Bethel
4. Bristol Bay Borough
5. Chugiak Volunteer Fire & Rescue Department
6. City of Cordova
7. Cordova Community Medical Center
8. City of Craig
9. City of Delta Junction
10. City of Dillingham
11. City of Edna Bay
12. Girdwood Volunteer Fire & Rescue
13. City of Gustavus
14. Haines Borough
15. Community of Hollis
16. City of Hydaburg
17. City of Ketchikan
18. Ketchikan Gateway Borough
19. City of Klawock
20. City of Kodiak
21. City of Kupreanof
22. Community of Naukati Bay
23. City of Nondalton
24. City of Palmer
25. Petersburg Borough
26. City and Borough of Sitka
27. Municipality of Skagway
28. City of St. Paul
29. City of Unalaska
30. City of Wasilla
31. City of Whale Pass
32. City of Whittier
33. City and Borough of Wrangell

ENDORSEMENT NO. 5, Continued

NAMED INSURED ENDORSEMENT – ALL RISK EXCLUDING EARTHQUAKE AND FLOOD

SCHOOL DISTRICTS:

1. Alaska Native Cultural Charter School
2. Aleutian Region School District
3. Anchorage Stream Academy Charter School
4. Annette Island School District
5. Aquarian Charter School
6. Bering Strait School District
7. Boreal Sun Charter School
8. Chatham School District
9. Chinook Montessori Charter School
10. Chugach School District
11. Copper River School District
12. Cordova City School District
13. Delta Greely School District
14. Denali Borough School District
15. Discovery Peak Charter School
16. Eagle Academy Charter School
17. Effie Kokrine Charter School
18. Family Partnership Charter School
19. Highland Tech Charter School
20. Hydaburg City School District
21. Kashunamiut School District
22. Ketchikan Gateway Borough School District
23. Klawock City School District
24. Kuspuk School District
25. Lake & Peninsula School District
26. Lower Kuskokwim School District
27. Lower Yukon School District
28. Northwest Arctic Borough School District
29. Petersburg School District
30. Rilke Schule German School of Arts & Science
31. St. Mary's School District
32. Skagway City School District
33. Southwest Region School District
34. Unalaska City School District
35. Watershed Charter School
36. Winterberry Charter School
37. Wrangell Public Schools
38. Yupiit School District

ENDORSEMENT NO. 6

NAMED INSURED ENDORSEMENT - EARTHQUAKE AND FLOOD

NAMED INSURED:

With respect to perils of earthquake and flood, the following public entities are considered to be Named Insureds:

MUNICIPALITIES:

1. Alaska Association of Conservation Districts
2. City of Aniak
3. City of Bethel
4. Bristol Bay Borough
5. Chugiak Volunteer Fire & Rescue Department
6. City of Cordova
7. Cordova Community Medical Center
8. City of Craig
9. City of Delta Junction
10. City of Dillingham
11. City of Edna Bay
12. Girdwood Volunteer Fire & Rescue
13. City of Gustavus
14. Haines Borough
15. Community of Hollis
16. City of Hydaburg
17. City of Ketchikan
18. Ketchikan Gateway Borough
19. City of Klawock
20. City of Kodiak
21. Community of Naukati Bay
22. City of Nondalton
23. City of Palmer
24. City and Borough of Sitka
25. Municipality of Skagway
26. City of St. Paul
27. City of Unalaska
28. City of Wasilla
29. City of Whale Pass
30. City of Whittier
31. City and Borough of Wrangell

ENDORSEMENT NO. 6, Continued

NAMED INSURED ENDORSEMENT - EARTHQUAKE AND FLOOD

SCHOOL DISTRICTS:

1. Alaska Native Cultural Charter School
2. Aleutian Region School District
3. Anchorage Stream Academy Charter School
4. Annette Island School District
5. Aquarian Charter School
6. Bering Strait School District
7. Boreal Sun Charter School
8. Chatham School District
9. Chinook Montessori Charter School
10. Chugach School District
11. Copper River School District
12. Cordova City School District
13. Delta Greely School District
14. Denali Borough School District
15. Discovery Peak Charter School
16. Eagle Academy Charter School
17. Effie Kokrine Charter School
18. Family Partnership Charter School
19. Highland Tech Charter School
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22. Ketchikan Gateway Borough School District
23. Klawock City School District
24. Kuspuk School District
25. Lake & Peninsula School District
26. Lower Kuskokwim School District
27. Lower Yukon School District
28. Northwest Arctic Borough School District
29. Petersburg School District
30. Rilke Schule German School of Arts & Science
31. St. Mary's School District
32. Skagway City School District
33. Southwest Region School District
34. Unalaska City School District
35. Watershed Charter School
36. Winterberry Charter School
37. Wrangell Public Schools
38. Yupiit School District

ENDORSEMENT NO. 7

PROPERTY CYBER AND DATA ENDORSEMENT

1. Notwithstanding any provision to the contrary within this Policy or any endorsement thereto, this Policy excludes any:
 - a. Cyber Loss, unless subject to the provisions of paragraph 2;
 - b. loss, damage, liability, claim, cost, expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any loss of use, reduction in functionality, repair, replacement, restoration or reproduction of any Data, including any amount pertaining to the value of such Data, unless subject to the provisions of paragraph 3;
regardless of any other cause or event contributing concurrently or in any other sequence thereto.
2. Subject to all the terms, conditions, limitations and exclusions of this Policy or any endorsement thereto, this Policy covers physical loss or physical damage to property insured under this Policy caused by any ensuing fire or explosion which directly results from a Cyber Incident, unless that Cyber Incident is caused by, contributed to by, resulting from, arising out of or in connection with a Cyber Act including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act.
3. Subject to all the terms, conditions, limitations and exclusions of this Policy or any endorsement thereto, should Data Processing Media owned or operated by the Insured suffer physical loss or physical damage insured by this Policy, then this Policy will cover the cost to repair or replace the Data Processing Media itself plus the costs of copying the Data from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering, or assembling the Data. If such media is not repaired, replaced, or restored the basis of valuation shall be the cost of the blank Data Processing Media. However, this Policy excludes any amount pertaining to the value of such Data, to the Insured or any other party, even if such Data cannot be recreated, gathered, or assembled.
4. In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
5. This endorsement supersedes and, if in conflict with any other wording in the Policy or any endorsement thereto having a bearing on Cyber Loss, Data or Data Processing Media, replaces that wording.

Definitions

6. Cyber Loss means any loss, damage, liability, claim, cost or expense of whatsoever nature directly or indirectly caused by, contributed to by, resulting from, arising out of or in connection with any Cyber Act or Cyber Incident including, but not limited to, any action taken in controlling, preventing, suppressing or remediating any Cyber Act or Cyber Incident.
7. Cyber Act means an unauthorized, malicious, or criminal act or series of related unauthorized, malicious or criminal acts, regardless of time and place, or the threat or hoax thereof involving access to, processing of, use of or operation of any Computer System.

8. Cyber Incident means:
 - a. any error or omission or series of related errors or omissions involving access to, processing of, use of or operation of any Computer System; or
 - b. any partial or total unavailability or failure or series of related partial or total unavailability or failures to access, process, use or operate any Computer System.
9. Computer System means any computer, hardware, software, communications system, electronic device (including, but not limited to, smart phone, laptop, tablet, wearable device), server, cloud or microcontroller including any similar system or any configuration of the aforementioned and including any associated input, output, data storage device, networking equipment or back up facility, owned or operated by the Insured or any other party.
10. Data means information, facts, concepts, code, or any other information of any kind that is recorded or transmitted in a form to be used, accessed, processed, transmitted, or stored by a Computer System.
11. Data Processing Media means any property insured by this Policy on which Data can be stored but not the Data itself.

LMA5400
11 November 2019

ENDORSEMENT NO. 8

COMMUNICABLE DISEASE ENDORSEMENT

1. This policy, subject to all applicable terms, conditions, and exclusions, covers losses attributable to direct physical loss or physical damage occurring during the period of insurance. Consequently and notwithstanding any other provision of this policy to the contrary, this policy does not insure any loss, damage, claim, cost, expense or other sum, directly or indirectly arising out of, attributable to, or occurring concurrently or in any sequence with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease.
2. For the purposes of this endorsement, loss, damage, claim, cost, expense, or other sum, includes, but is not limited to, any cost to clean-up, detoxify, remove, monitor, or test:
 - a. for a Communicable Disease, or
 - b. any property insured hereunder that is affected by such Communicable Disease.
3. As used herein, a “Communicable Disease” means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
 - a. the substance or agent includes, but is not limited to, a virus, bacterium, parasite, or other organism or any variation thereof, whether deemed living or not, and
 - b. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and
 - c. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property insured hereunder.
4. This endorsement applies to all coverage extensions, additional coverages, exceptions to any exclusion and other coverage grant(s).

All other terms, conditions, and exclusions of the policy remain the same.

LMA5393
25 March 2020

ENDORSEMENT NO. 9

DISPUTE RESOLUTION

The dispute resolution process in this provision is the exclusive procedures available for the resolution of any and all disputes related to this Manuscript All Risk Property Form except:

- A. A disagreement between the Insured and the Insurer regarding the value of property or the amount of loss shall be subject to Section 29, Appraisal, of this form if the Insured or Insurer requests appraisal. A decision under the Appraisal provision shall be binding on all parties as to value of property and/or the amount of loss, but only as to the value of the property and/or the amount of loss.
- B. This provision does not apply to disagreements between insurers related to whether this Manuscript All Risk Property Form or an Equipment Breakdown Insurance policy applies and the extent of participation of such insurers as provided in Endorsement No. 1 "Joint Loss Agreement."
- C. Except as provided in Paragraphs A or B of this provisions, any controversy or claim arising out of or relating to this Manuscript All Risk Property Form, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules. If there is a conflict between the American Arbitration Association Commercial Arbitration Rules and AS 09.43.300--09.43.595, Alaska law shall apply. All decisions rendered by the arbitrator shall be binding and may be entered in any court having jurisdiction thereof.
 - 1. Notwithstanding anything to the contrary in the Commercial Arbitration Rules, the panel of arbitrators shall be constituted as follows. The Insured and the Insurer each shall appoint one arbitrator within 14 days of mutually agreeing to arbitrate. The third arbitrator, who shall serve as the chair of the arbitration panel, shall be appointed by the parties upon mutual agreement. If the parties are unable to mutually agree upon a third arbitrator within 30 days of the selection of party-appointed arbitrators, the AAA shall appoint the chairperson in accordance with the rules for doing so in the Commercial Arbitration Rules.
 - 2. In any such arbitration, the terms of this Manuscript All Risk Property Form are to be construed in an evenhanded fashion as between the Insured and the Insurer in accordance with the laws of the state of Alaska. The arbitrators are not empowered to award damages in excess of compensatory damages and each party hereby irrevocably waives such damages.