

New Mexico Counties

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**NEW MEXICO
COUNTIES**

33 STRONG

NEW MEXICO COUNTY INSURANCE AUTHORITY

Board of Directors Meeting

June 15, 2026, 1:00 p.m.

**McKinley County
County Courthouse
2nd Floor of Extension
207 W. Hill
Gallup, NM 87301**

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**New Mexico Counties
444 Galisteo Street
Santa Fe, NM 87501
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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> <p style="text-align: center;">1.</p>	<u>Item Title:</u> Call to Order / Pledge of Allegiance/ Roll Call/ Introductions
<u>Presenter (s):</u> Lance Pyle, Chair Cynthia Stephenson, Risk Management Specialist	
Call to order time:	



NMCIA Board of Directors 2026

Officers

Chair	Vice-Chair	NMC Representative
Lance Pyle <i>Curry County Manager</i>	Gregory S. Shaffer <i>Santa Fe County Manager</i>	Michael Meek <i>County Commissioner</i>

GROUP I, GEOGRAPHICAL DIRECTORS

Term Expires 1/2027

NORTHWEST	NORTHEAST	SOUTHWEST
Jhonathan Aragon <i>Valencia County Manager</i>	Lance Pyle <i>Curry County Manager</i>	Charlene Webb <i>Grant County Manager</i>
Cibola, Los Alamos, McKinley, Rio Arriba, Taos, Torrance, Valencia	Colfax, Curry, Guadalupe, Harding, Mora, Quay, San Miguel, Union	Catron, Grant, Hidalgo, Luna, Sierra, Socorro

SOUTHEAST
Roberta Gonzales <i>Eddy County Finance Director</i>
Chaves, De Baca, Eddy, Lea, Lincoln, Otero, Roosevelt

GROUP II, CLASS A DIRECTORS

Term Expires 1/2028

BERNALILLO	DOÑA ANA	SANDOVAL
Shirley Ragin <i>Deputy County Manager for Finance</i>	Deborah Weir <i>Assistant County Manager</i>	Michael Meek <i>County Commissioner</i>

SANTA FE		
Gregory S. Shaffer <i>County Manager</i>		

GROUP III, POPULATION DIRECTORS

Term Expires 1/2028

SMALL COUNTY	MID-LEVEL-LOW COUNTY	MID-LEVEL-HIGH COUNTY
Amber Vaughn <i>Sierra County Manager</i>	Kate Fletcher <i>Cibola County Manager</i>	Anthony Dimas, Jr. <i>McKinley County Manager</i>
Catron, Colfax, De Baca, Guadalupe, Harding, Hidalgo, Mora, Quay, Sierra, Torrance and Union	Cibola, Grant, Lincoln, Los Alamos, Luna, Roosevelt, San Miguel, Socorro and Taos	Chaves, Curry, Eddy, Lea, McKinley, Otero, Rio Arriba and Valencia

EX Officio Directors

President	President Elect	Attorney Affiliate Representative
Terri Fortner <i>San Juan County Commissioner</i>	Tina Dixon <i>Roosevelt County Commissioner</i>	Michael Eshleman <i>Sandoval County Attorney</i>

Sheriffs' Affiliate Representative	Detention Administrators Affiliate Representative
Adan Mendoza <i>Santa Fe County Sheriff</i>	Bryan Baker <i>Dona Ana County Detention Administrator</i>



NMCIA Committees

LITIGATION CLAIMS COMMITTEE

Deborah Weir
Kate Fletcher
Gregory S. Shaffer
Charlene Webb

Alternate:
Roberta Gonzales

FINANCE AND AUDIT COMMITTEE

Gregory S. Shaffer
Roberta Gonzales
Shirley Ragin
Anthony Dimas, Jr.

Alternate:
Lance Pyle

UNDERWRITING COMMITTEE

Shirley Ragin
Gregory S. Shaffer
Lance Pyle
Kate Fletcher

Alternate:
Charlene Webb

PROFESSIONAL LIABILITY COVERAGE PRICING COMMITTEE

Roberta Gonzales
Gregory S. Shaffer
Shirley Ragin

Alternate:
Charlene Webb

STRATEGIC PLANNING COMMITTEE

Deborah Weir
Kate Fletcher
Michael Meek

Staff:
Grace Philips
Lori Urban
Cynthia Stephenson

DETENTION COMMITTEE

Shirley Ragin
Anthony Dimas, Jr.
Detention Affiliate Representative

Staff:
Grace Philips
Mark Allen
Greg Rees
Clay Corn



**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING**

June 15, 2026, 1:00 p.m. *

AGENDA

In Person

McKinley County
County Courthouse
2nd Floor of Extension
207 W. Hill
Gallup, NM 87301

* In accordance with the New Mexico Open Meetings Act, the New Mexico County Insurance Authority Board of Directors (NMCIA Board) may recess and reconvene this meeting on June 16, 2026, at 1:00 p.m. If the NMCIA Board does, in fact, recess and reconvene this meeting, notice of the date, time, and place of the reconvened meeting will be posted (1) on or near the door of the place where the original meeting was held (if any); (2) at New Mexico Counties' offices (444 Galisteo Street Santa Fe NM 87501); and (3) on New Mexico Counties' website (<https://www.nmcountries.org/services/insurance>).

. If the NMCIA Board completes the agenda on June 16, 2025, it will not meet on June 16, 2026.

1.	Call to Order / Pledge of Allegiance / Roll Call / Introductions	Lance Pyle	Pg. 2
2.	Approval of Agenda	Lance Pyle	Pg. 7
3.	Approval of Minutes of May 13, 2026	Lance Pyle	Pg. 10
4.	Board Presentations		
	A. Gallagher Update	John Chino	Pg. 17
5.	Board Action Items		
	A. Approve 2026-2027 Property Reinsurance	Grace Philips	Pg. 51
	B. Approve 2026-2027 Property Coverage Agreement	Grace Philips	Pg. 53
	C. Approve 2026-2027 Property Coverage Contributions	Grace Philips	Pg. 183
	D. Authority to Invoice Members for Property True-ups	Grace Philips	Pg. 187
	E. Approve 2026-2027 Workers' Compensation and Employers' Liability Memorandum of Coverage	Grace Philips	Pg. 197
	F. Approve 2026-2027 NMCR Workers' Compensation Certificate of Reinsurance	Grace Philips	Pg. 212
	G. Approve 2026-2027 Workers' Compensation Reinsurance	Grace Philips	Pg. 222
	H. Approve 2026-2027 Workers' Compensation Contributions	Grace Philips	Pg. 224
	I. Approve 2026-2027 Workers' Compensation and Property Budget	Grace Philips	Pg.230

6.	Board Presentations		
	A. Executive Director Update	Joy Esparsen	Pg.232
	B. Financial Reports	Richard Garcia	Pg.235
	C. Loss Prevention Update	Greg Rees	Pg. 257
	D. Legal Bureau Update	Brandon Huss	Pg.270
	E. CRL Update	Grace Philips	Pg.276
	F. NMCRE Update	Grace Philips	Pg.278
8.	2:30 p.m. Executive Session – Pending and Threatened Litigation Per New Mexico Open Meetings Act 10-15-7-H(7)		
	• Estate of Oscar Najera v Chaves County	Lance Pyle	Pg.280
	• Review Actuarial Services RFP Committee Recommendations		
	• Bernalillo County One Occurrence Arbitration		
9.	Other Business	Lance Pyle	Pg.281
10.	Adjournment	Lance Pyle	Pg.282

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 3.	<u>Item Title:</u> Approve Board Meeting Minutes of May 13, 2026
<u>Presenter (s):</u> Lance Pyle, Chair	
<p>Motion by: _____</p> <p>Seconded by: _____</p>	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING**

May 13, 2026, 8:30 a.m.

NMC Santa Fe Office
444 Galisteo St.
Santa Fe, NM 87501

MINUTES

Call to Order/Pledge of Allegiance/Roll Call/Introductions

Chair Lance Pyle called the meeting to order at 8:33 a.m. Cynthia Stephenson called the roll and announced that a quorum was present.

Board Members Present

Jhonathan Aragon, Valencia County Manager (arrived at 8:54 during the presentation of 5.A.)
Bryan Baker, Detention Administrators Affiliate Representative, Dona Ana County Detention Administrator
Michael Eshleman, Attorney Affiliate Representative, Sandoval County Attorney
Kate Fletcher, Cibola County Manager
Roberta Gonzales, Eddy County Finance Director
Michael Meek, Sandoval County Commissioner
Adan Mendoza, Sheriff Affiliate Representative, Santa Fe County Sheriff
Lance Pyle, Chair, Curry County Manager
Shirley Ragin, Bernalillo Deputy County Manager of Finance
Gregory S. Shaffer, Vice Chair, Santa Fe County Manager
Amber Vaughn, Sierra County Manager
Charlene Webb, Grant County Manager (arrived at 8:42 a.m. at the start of item 5.A.)

Board Members Absent/Unexcused

Anthony Dimas, Jr., McKinley County Manager

Board Members Absent/Excused

Tina Dixon, NMC President Elect, Roosevelt County Commissioner
Terri Fortner, NMC President, San Juan County Commissioner
Deborah Weir, Dona Ana County Assistant Manager

NMC Staff Present

Mark Allen, General Counsel
Randy Chavez, Multi-Line Claims Examiner
Kamie Denton, Workers' Compensation Claims Manger
Joy Esparsen, Executive Director
Richard Garcia, Finance Director
John Grant, Sr. Multi-Line Examiner
Velma Herrera, Sr. Multi-Line Examiner
Brandon Huss, Legal Bureau Director
Eric Kuebler, Legal Bureau Investigator
Robin Martinez, Multi-Line Claims Manager
Grace Philips, Risk Management Director

Rosa Quintana, Multi-Line Claims Examiner
Greg Rees, Loss Prevention Manager
Valerie Rodrigues, Multi-Line Claims Examiner
Cynthia Stephenson, Risk Management Specialist
Lori Urban, Assistant Risk Management Director (via video conference)

Guests Present

James Barrett, Eaton Law Offices
Dan Macke, Macke Law & Policy
Cari Neill, Dona Ana County Attorney
Jesus Ontiveros, Dona Ana County Risk Manager

Approval of Agenda

Amber Vaughn made a motion to approve the agenda as presented and Kate Fletcher seconded the motion, which passed unanimously.

Approve Board Meeting Minutes of March 18, 2026

Roberta Gonzales made a motion to approve the minutes, and Shirley Ragin seconded the motion, which passed unanimously.

Board Action Items

Approve Language Changes to 2026 Liability Coverage Agreement

Grace Philips indicated the proposed updates identify Colfax as having an accredited facility and clarify Law Enforcement Endorsement 6 which provides limited per-occurrence coverage for whole or partial allegations of failure to provide adequate healthcare or mental healthcare to inmates or detainees and is intended for non-accredited facilities with detention center medical contracts in place at the time of an occurrence. Kate Fletcher made a motion to approve the language changes and Amber Vaughn seconded the motion, which passed unanimously.

Approve 2026 NMCRé-NMCIA Reinsurance Treaty

Grace Philips reminded members that the captive provides three lines of reinsurance coverage to the Pool, Law Enforcement, Multi-Line and the third layer of Worker's Compensation, noting the treaty documents the coverage. Gregory Shaffer made a motion to approve the treaty, and Shirley Ragin seconded the motion, which passed unanimously.

Board Presentations

Strategic Asset Alliance

Nathan Simon gave an overview of the company's role as investment advisor for the benefit of new board members, noting the change to a discretionary relationship with Wells Fargo. He noted the market volatility, pointing to the Iran war, and stating gold ended higher at the end of the first quarter. He reminded members that the majority of the Pool's portfolio is in the bond market which ended with a 4.60% return on March 31. NMCIA has a total of \$106.7 million in total assets with \$105 million in total core fixed assets, \$1.7 million in total risk assets, with risk assets as a percentage of get percentage of \$6.4%, adding that this is the percentage exposed to volatility. The Law Enforcement program investments total

\$35,087,425 earning a first quarter return of 0.60%, with core fixed assets earning 0.61% and risk assets earning -0.34%

Risk Management Update

Grace Philips reported that NMCI issued an RFP on April 28 for actuarial services and that Roberta Gonzales was named the Pool's CPO and has been a tremendous resource. The RFP committee will review all proposals and bring a recommendation to the Board in June.

She said the underwriting committee met May 6 and will need to meet again regarding the July 1 property and workers' compensation renewals, noting a relatively flat renewal anticipated, but with fluctuations for certain members. NMCI received a quote from CRL for workers' compensation reinsurance and the rate decreased while exposure and administrative fees increased for a total increase of 1%. She said we have not received a property quote from CRL or a workers' compensation quote from Safety National but she expects to bring those to the board on June 15.

She informed the Board that NMCI received an IPRA request from Bernalillo County that resulted in 8,831 pages being delivered in our initial response. The remaining response will require the pool to hire IT support because a request for all communication regarding the scheduling of board meetings will require their assistance in gathering those emails.

She said the NMC board on May 1 approved NMCI reform as a legislative priority for the 2027 60-day session.

CRL Update

Grace Philips said that at its April 9 board meeting, CRL reviewed liability data, noting there will be at least a 32% increase across the board and likely a larger increase for the law enforcement line of coverage. She said while NMCI does not receive liability reinsurance from CRL, the Pool can also expect to see a significant increase in LE contributions this fall for the January 1 renewal.

Workers' Compensation Update

Kamie Denton said that as of April 30, there were 629 open claims, with the oldest dating to September 1991 and a total incurred of \$51 million. She said of those open claims, 173 originated from detention centers and 122 from sheriff offices. She said the Pool brought nurse case management in-house in 2018 and it has become the best cost-containment practice within the program. She said our case manager has managed 83 cases to date in 2026, billing \$76,000. As of May 1, she has 29 open cases. Regarding the 24-hour nurse triage program, she said the program received 86 calls for triage with seven triaged to ER, 32 to self-care and 30 to non-ER care. She said the 86 calls were from 10 member counties. She said the fee for each call that gets referred to ER or non-ER care increased from \$170 to \$180. She said she will re-negotiate a contract with Company Nurse while working on an RFP. Comp IQ medical bill review as of April 30 has handled 1,933 bills, billed \$2.7 million for savings of \$1.5 million in 2026. In the first quarter of 2026, Alius Health filled 287 prescriptions, with 232 generic drugs for a \$30,679 savings. She said both Comp IQ and Alius will require an RFP, as both contracts end this June. Kamie said she completed internal audits of claims adjusters for the first quarter, with an average score 92%, noting the performance goal for each adjuster is 90%.

She reviewed a New Mexico Supreme Court ruling regarding the award of statutory attorney fees, noting in the case the attorney sought multiple fee awards on a claim considered a single injury. The Supreme Court concluded the statute allows a worker to collect a fee cap for the primary injury as well as for each subsequent injury. Agreeing with the Workers' Compensation Judge, the court found there was one primary injury and two subsequent injuries, resulting in the awarding of three fee caps. Grace Philips indicated the cap increased to \$30,000 in 2025, will increase to \$32,000 in 2027, \$34,000 in 2029 and will be up for review after that. She said multiple caps are concerning but the Pool's actuary called attorney fees in the workers compensation program "actuarial dust" when asked about the estimated impact. Grace said she is concerned about multiple attorney fee changing the litigation climate in workers compensation cases and may consider writing an amicus brief on a currently pending case if it proceeds to appeal and it is also conceivable that the change in law may require a legislative remedy.

Executive Director Update

Joy Esparsen said NMC hosted four regional post-legislative session briefings with great legislator turnout with discussions on CRA and IPRA, adding HJM2 established a task force to look at IPRA. She said regardless of what comes out of the committee, NMC needs to take a proposal to the Legislature, focusing on the abusers. Guest Cari Neill of Dona Ana County said their county's strategy is to show up at every meeting. She said the county received 1,700 requests in 2024, 3,400 in 2025 and is on par to receive 4,000 this year. She said most are from out of state and are YouTubers or others monetizing the data. Michael Eshleman said the hard costs for Sandoval County are \$185 per request.

Legal Bureau Update

Brandon Huss said on behalf of the Santa Fe County sheriff's office, the Bureau has filed a petition for a cert for the United States Supreme Court on an officer-involved shooting case. That case was released to the judges to consider at their coming case consideration meeting and he should hear shortly after that if the Supreme Court will consider the request. On cases he reported during closed session, he said he started doing some research into valuation across the country so he can try to compare our internal evaluations and those that come to us from outside counsel against that data. He's begun producing some spreadsheets he can present at the next meeting on both the dispositive motion ratio in the 10th Circuit and those nationally and the valuation of those claims and the amount they tend to settle for. He added that fewer than 15 on average are tried each year nationally.

Executive Session – Pending and Threatened Litigation Per New Mexico Open Meetings Act 10-15-7-H(7)

- David Lyons v Valencia County
- Samantha Clements v Eddy County
- Madge Duus v Santa Fe County Page 1 of 2
- Estate of Joseph Fuentes v Eddy County
- Estate of Lona Armstrong v Bernalillo County
- Estate of Pete Salazar v Bernalillo County
- Bernalillo County Arbitration vs NMCI

Jhonathan Aragon made a motion to go into executive session to discuss pending litigation in accordance with the Open Meetings Act 10-15-7-H(7) for the above-named claims.

Charlene Webb seconded the motion, which passed via a roll call vote: Jhonathan Aragon, Lance Pyle, Charlene Webb, Roberta Gonzales, Shirley Ragin, Michael Meek, Gregory Shaffer, Amber Vaughn, and Kate Fletcher. Lance Pyle certified that the only things discussed were pending and threatened litigation in accordance with the Open Meeting Act. Michael Meek made a motion to come out of executive session and Charlene Webb seconded the motion, which passed via a roll call vote: Jhonathan Aragon, Lance Pyle, Charlene Webb, Roberta Gonzales, Shirley Ragin, Michael Meek, Gregory Shaffer, Amber Vaughn, and Kate Fletcher. Charlene Webb made a motion to approve items as discussed under pending and threatened litigation for cases 2026-5-1, 2026-5-2, 2026-5-3, 2026-5-4, 2026-5-5 and 2026-5-6. Kate Fletcher seconded the motion, which passed via roll call vote: Jhonathan Aragon, Lance Pyle, Charlene Webb, Roberta Gonzales, Shirley Ragin, Michael Meek, Gregory Shaffer, Amber Vaughn, and Kate Fletcher.

Greg Shaffer made a motion to authorize New Mexico Counties, as administrator for NMCIA, to pursue arbitration to resolve the one occurrence coverage issue based upon the actual exhaustion of coverage and otherwise apply the one occurrence provision in applicable coverage agreements, including with regard to cases discussed in executive session today and previously. Kate Fletcher seconded the motion, which passed via roll call vote: Jhonathan Aragon, Lance Pyle, Charlene Webb, Roberta Gonzales, Michael Meek, Gregory Shaffer, Amber Vaughn, and Kate Fletcher. Shirley Ragin recused herself from the vote, having stepped out of the room for the Bernalillo County discussion during the closed session.

Continuation of Board Presentations

Financial Reports

Richard Garcia presented the financial reports as of March 31, 2026, noting a change from the prior year in total current assets reduced from \$55 million to \$14, explaining the difference is related to the investment strategy. He stated total investments increased to \$112.6 million from \$78.8 million with a \$7.2 million decrease in total assets from the prior year, totaling \$126.6 million. He noted that total long term liabilities decreased due to significantly reduced reserves with total liabilities reducing to \$99.8 million from the prior year, a \$12.6 million decrease. He stated the total pool net position increased \$17.2 million to \$26.8 from the prior year. In presenting the income budget statement, he noted all categories on track for the first quarter with a net position at \$658,306. He presented the investment statement, indicating total cash and cash investments of \$112 million. In reviewing the individual coverage program financials, Richard noted a deficit in total net position of \$20,154,812 in the Law Enforcement program, a total net position of \$31,546,438 in the Multi-Line program, and \$16,482,752 in Workers' Compensation. He said the New Mexico Workers' Compensation Administration requires 200% of a fund balance and that we are working toward that threshold. In reviewing the NMCRe financials, he noted stockholder's equity of \$16.3 million.

Review of 2026-2027 NMC Budget

Richard Garcia reviewed the 2026-27 budget passed by the NMC Board of Directors at their May 1 meeting, noting flat NMC participation fees with fees up 24% in the last four years. He said there is a 2% increase in salaries and wages for a total increase in personnel expenses of 3%. Joy Esparsen said senior staff agreed to a one-time payout instead of a pay increase to their base salary. Total operating expenses increased 4% and there is a 15% decrease in total current income budgeted due to market volatility. Richard noted the Legal Bureau has

its own budget for all expenses including personnel with a 5% increase in total operating expenses budgeted at \$1,004,247 and an anticipated net operating income of \$2,753.

Breakdown of NMCIA Administration Fees

Joy Esparsen reviewed a breakdown of NMCIA administrative fees, noting 16.93% are NMC-only employees not performing any duties for the Pool. She noted the NMCIA fees do not include the Legal Bureau.

Other Business

Michael Eshleman praised the work of Legal Bureau attorney Bree Barnett. Staff reminded members the next regular board meeting will take place on June 15 at 1:00 p.m. in McKinley County. Richard Garcia stated that all second year capital adequacy allocations were collected.

Adjournment

Lance Pyle adjourned the meeting at 1:24 p.m.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 4.A.	<u>Item Title:</u> Gallagher Update
<u>Presenter (s):</u> John Chino, Area Vice President, Gallagher Nasreen Kopecky, Account Manager, Gallagher	



Proposal of Insurance

New Mexico County Insurance Authority

444 Galisteo Street
Santa Fe, NM 87501

Presentation Date: June 10, 2026

Arthur J Gallagher Risk Management Services, LLC
A/J License Nos. IL 100292093 / CA 0D69293



Gallagher

Insurance | Risk Management | Consulting

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Your Gallagher Team

Your Gallagher team is a true partner. We have the expertise to understand your business and we're here to service and stay alongside you, every step of the way.

<i>Service Team</i>	<i>Role</i>	<i>Email</i>	<i>Phone</i>
John Chino Senior Area Vice President	Area Senior Vice President	john_chino@ajg.com	(949) 349-9827 (p)
Nasreen Kopecky Account Executive	Account Executive	Nasreen_Kopecky@ajg.com	(949) 349-9857 (p) (949) 235-0169 (c)

Program Structure

Named Insured

Named Insured	Excess Workers' Compensation
New Mexico County Insurance Authority	X

Note: Any entity not named in this proposal may not be an insured entity. This may include affiliates, subsidiaries, LLCs, partnerships, and joint ventures.

Excess Workers' Compensation Members:

Bernalillo County	Mora County
Catron County	Quay County
Chaves County	Rio Arriba County
Cibola County	Roosevelt County
Colfax County	San Juan County
Curry County	San Miguel County
De Baca County	Santa Fe County
Eddy County	Sandoval County
Grant County	Sierra County
Guadalupe County	Socorro County
Harding County	Taos County
Hidalgo County	Torrance County
Lea County	Union County
Lincoln County	Valencia
Los Alamos County	
Luna County	
McKinley County	

Market Review

We approached the following carriers in an effort to provide the most comprehensive and cost effective insurance program.

<i>Line Of Coverage</i>	<i>Insurance Company ** (AM Best Rate/Financial Strength)</i>	<i>Market Response *</i>	<i>Admitted ***</i>
Excess Workers' Compensation	Safety National Casualty Corporation (A++ XV)	Recommended Quote	Admitted

*If shown as an indication, the actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.

**Gallagher companies use AM Best rated insurers and the rating listed above was verified on the date the proposal document was created.

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A Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is not a warranty of a company's financial strength and ability to meet its obligations to policyholders. Best's Credit Ratings™ are under continuous review and subject to change and/or affirmation. For the latest Best's Credit Ratings™ and Guide to Best's Credit Ratings, visit the AM Best website at <http://www.ambest.com/ratings>.

***If coverage placed with a non-admitted carrier, it is doing business in the state as a surplus lines or non-admitted carrier, and is neither subject to the same regulations as an admitted carrier nor do they participate in any state insurance guarantee fund.

Gallagher companies make no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier which may change.

Full Program Details

Excess Workers' Compensation

Carrier Information	Expiring	Proposed
Policy Term	7/1/2025 - 7/1/2026	7/1/2026 - 7/1/2028
Carrier	Safety National Casualty Corporation	Safety National Casualty Corporation
A.M. Best Rating	A++ XV	A++ XV
Admitted/Non-Admitted	Admitted	Admitted
Payment Plan	Payment due upon receipt	2 Yr Pay - Annually
Payment Method	Agency Bill	Agency Bill

Premium & Exposures	Expiring	Proposed
Premium	\$302,752.00	\$602,631.00
Exposure / Payroll	\$615,349,533	\$1,304,395,104
Rate	0.0492	\$0.0462
Minimum Type	Minimum Premium	Minimum Premium
Minimum Amount / Description	\$272,477	\$542,368
Estimated Cost	\$302,752.00	\$602,631.00
1 Year Premium		\$301,315.50

Standard Coverages	Expiring	Proposed
Specific Limit - All Other	Statutory	Statutory
Specific Limit - Aircraft Per Employee	\$1,000,000 subject to a maximum of \$5,000,000	\$1,000,000 subject to a maximum of \$5,000,000
Employers Liability Limit - Per Occ	\$1,000,000	\$1,000,000

Deductibles/SIR	Expiring	Proposed
Self-Insured Retention	\$3,000,000	\$3,000,000

Endorsements (including but not limited to)
Maximum Limit Of Liability - 0251 02 0503 (XWC)
Broad Form All States For Employee Travel - 0276 02 0408 (XWC)
Deposit Premium Payment – 0277 02 0408 (XWC)
Voluntary Compensation Endorsement - Boards & Commissions - 0291 01 0708 (XWC)
Insured Members Of Association - 0411 00 0196 (XWC)
Revisions To Service And Administration Section - Quarterly - 0420 00 0296 (XWC)
Terrorism Risk Insurance Program Reauthorization Act Endorsement - 6000 00 0121 (XWC)

Subject to Audit: Voluntary

Auditable Exposures:

State	Class Code	Description	Expiring Rate per \$100	Expiring Exposure	Rate per \$100	Exposure
-	-	Total Payroll			\$0.0462	\$1,304,365,104

Binding Requirements:

Description
Subject to Completed Aircraft and Pilot Supplemental Applications Quotation is subject to receipt of signed and completed Program Commitment Agreement within 60 days of effective date.

Excess Workers' Compensation – Option w/o Bernalillo County

Carrier Information	Expiring	Proposed
Policy Term	7/1/2025 - 7/1/2026	7/1/2026 - 7/1/2028
Carrier	Safety National Casualty Corporation	Safety National Casualty Corporation
A.M. Best Rating	A++ XV	A++ XV
Admitted/Non-Admitted	Admitted	Admitted
Payment Plan	Payment due upon receipt	2 Pay - Annually
Payment Method	Agency Bill	Agency Bill

Premium & Exposures	Expiring	Proposed
Premium		\$393,367.00
Exposure / Payroll		\$851,444,132
Rate		\$0.0462
Minimum Type		Minimum Premium
Minimum Amount / Description		\$345,030
Estimated Cost		\$393,367.00
1 Year Premium		\$196,683.50

Standard Coverages	Expiring	Proposed
Specific Limit - All Other	Statutory	Statutory
Specific Limit - Aircraft Per Employee	\$1,000,000 subject to a maximum of \$5,000,000	\$1,000,000 subject to a maximum of \$5,000,000
Employers Liability Limit - Per Occ	\$1,000,000	\$1,000,000

Deductibles/SIR	Expiring	Proposed
Self-Insured Retention	\$3,000,000	\$3,000,000

Endorsements (including but not limited to)
Maximum Limit Of Liability - 0251 02 0503 (XWC)
Broad Form All States For Employee Travel - 0276 02 0408 (XWC)
Deposit Premium Payment – 0277 02 0408 (XWC)
Voluntary Compensation Endorsement - Boards & Commissions - 0291 01 0708 (XWC)
Insured Members Of Association - 0411 00 0196 (XWC)
Revisions To Service And Administration Section - Quarterly - 0420 00 0296 (XWC)
Terrorism Risk Insurance Program Reauthorization Act Endorsement - 6000 00 0121 (XWC)

Subject to Audit: Voluntary

Auditable Exposures:

State	Class Code	Description	Expiring Rate per \$100	Expiring Exposure	Rate per \$100	Exposure
-	-	Total Payroll			\$0.0462	\$851,444,132

Binding Requirements:

Description
Subject to
Completed Aircraft and Pilot Supplemental Applications
Quotation is subject to receipt of signed and completed Program Commitment Agreement within 60 days of effective date.

Premium Summary

The estimated program cost for the options are outlined in the following table:

Line of Coverage		Expiring	Proposed	Option w/o Bernalillo
		Safety National Casualty Corporation	Safety National Casualty Corporation	Safety National Casualty Corporation
Excess Workers' Compensation	Premium	\$302,752.00	\$301,315.50	\$196,683.50
	Estimated Cost*	\$302,752.00	\$301,315.50	\$196,683.50
	2 Year Premium		\$602,631.00	\$393,367.00
	Change (\$)		\$1,437 Decrease	\$106,069 Decrease
	Change (%)		.47% Decrease	35.03% Decrease
	1 year Exposure / Payroll	\$615,349,533	\$652,197,552	\$425,722,066
	Rate	0.0492	0.0462	0.0462
	Rate Change		6% Decrease	6% Decrease
Total Program Cost		\$302,752.00	\$301,315.50	\$196,683.50

*Estimated Cost includes all taxes, fees, surcharges and TRIA premium (if applicable)

Quote from **Safety National Casualty Corporation** is valid until **7/1/2026**

Premiums are due and payable as billed and may be financed, subject to acceptance by an approved finance company. Following acceptance, completion (and signature) of a premium finance agreement with the specified down payment is required. Note: Unless prohibited by law, Gallagher may earn compensation for this optional value-added service.

Gallagher is responsible for the placement of the following lines of coverage:

Excess Workers' Compensation

It is understood that any other type of exposure/coverage is either self-insured or placed by another brokerage firm other than Gallagher. If you need help in placing other lines of coverage or covering other types of exposures, please contact your Gallagher representative.

Payment Plans

<i>Carrier / Payable Carrier</i>	<i>Line Of Coverage</i>	<i>Payment Schedule</i>	<i>Payment Method</i>
Safety National Casualty Corporation (Tokio Marine Holdings, Inc.)	Excess Workers' Compensation	Payment due upon receipt	Agency Bill

Proposal Disclosures



Proposal Disclosures

The following disclosures are hereby made a part of this proposal. Please review these disclosures prior to signing the Client Authorization to Bind or e-mail confirmation.

Proposal Disclaimer

IMPORTANT: The proposal and/or any executive summaries outline certain terms and conditions of the insurance proposed by the insurers, based on the information provided by your company. The insurance policies themselves must be read to fully understand the terms, coverages, Exclusions including but not limited to:, limitations and/or conditions of the actual policy contract of insurance. Policy forms will be made available upon request. We make no warranties with respect to policy limits or coverage considerations of the carrier.

Compensation Disclosure

1. Gallagher Companies are primarily compensated from the usual and customary commissions, fees or, where permitted, a combination of both, for brokerage and servicing of insurance policies, annuity contracts, guarantee contracts and surety bonds (collectively "insurance coverages") handled for a client's account, which may vary based on market conditions and the insurance product placed for the client.

2. In placing, renewing, consulting on or servicing your insurance coverages, Gallagher companies may participate in contingent and supplemental commission arrangements with intermediaries and insurance companies that provide for additional compensation if certain underwriting, profitability, volume or retention goals are achieved. Such goals are typically based on the total amount of certain insurance coverages placed by Gallagher with the insurance company, not on an individual policy basis. As a result, Gallagher may be considered to have an incentive to place your insurance coverages with a particular insurance company. If you do not wish to have your commercial insurance placement included in consideration for additional compensation, contact your producer or service team for an Opt-out form.

3. Gallagher Companies may receive investment income on fiduciary funds temporarily held by them, or from obtaining or generating premium finance quotes, unless prohibited by law.

4. Gallagher Companies may also access or have an ownership interest in other facilities, including wholesalers, reinsurance intermediaries, captive managers, underwriting managers and others that act as intermediaries for both Gallagher and other brokers in the insurance marketplace some of which may earn and retain customary brokerage commission and fees for their work.

If you have specific questions about any compensation received by Gallagher and its affiliates in relation to your insurance placements, please contact your Gallagher representative for more details.

TRIA/TRIPRA Disclaimer

If this proposal contains options to purchase TRIA/TRIPRA coverage, the proposed TRIA/TRIPRA program may not cover all terrorism losses. While the amendments to TRIA eliminated the distinction between foreign and domestic acts of terrorism, a number of lines of coverage excluded under the amendments passed in 2005 remain excluded including commercial automobile, burglary and theft insurance; surety insurance, farm owners multiple perils and professional liability (although directors and officers liability is specifically included). If such excluded coverages are required, we recommend that you consider purchasing a separate terrorism policy. Please note that a separate terrorism policy for these excluded coverages may be necessary to satisfy loan covenants or other contractual obligations. TRIPRA includes a \$100 billion cap on insurers' aggregate liability.

TRIPRA is set to expire on December 31, 2027. There is no certainty of extension, thus the coverage provided by your insurers may or may not extend beyond December 31, 2027. In the event you have loan covenants or other contractual obligations requiring that TRIA/TRIPRA be maintained throughout the duration of your policy period, we recommend that a separate ""Stand Alone"" terrorism policy be purchased to satisfy those obligations.

Property Estimator Disclaimer

These property values were obtained using a desktop Property Estimator software operated by non-appraisal professionals. These property values represent general estimates which are not to be considered a certified appraisal. These property values include generalities and assumptions that may produce inaccurate values for specific structures.

Terms and Conditions

It is important that we clearly outline the nature of our mutual relationship. The following terms and conditions (these "Terms") govern your relationship with Gallagher unless you have separately entered into a written services agreement with Gallagher relative to the policies and services outlined in this Proposal, in which case that services agreement will govern and control with respect to any conflicts with these Terms. These Terms will become effective upon your execution of the Client Authorization to Bind Coverage (the "CAB") included in this Proposal and shall survive for the duration of your relationship with Gallagher relative to the policies placed pursuant to the CAB or otherwise at your request.

Services

Gallagher will represent and assist you in all discussions and transactions with insurance companies relating to the lines of insurance coverage set forth in the CAB and any other lines of insurance coverage with which you request Gallagher's assistance. Gallagher will consult with you regarding any matters involving these or other coverages for which you have engaged Gallagher. You have the sole discretion for approving any insurance policies placed, as well as all other material decisions involving your risk management, risk transfer and/or loss prevention needs.

Although you are responsible for notifying applicable insurance companies directly in connection with any claims, demands, suits, notices of potential claims or any other matters as required by the terms and conditions of your policies, Gallagher will assist you in determining applicable claim reporting requirements.

Gallagher is not required to provide Services to you if Gallagher reasonably considers that to do so would put Gallagher in breach of, or would expose Gallagher or its affiliates to fines, penalties or sanctions under any laws, regulations, professional rules or, in Gallagher's sole opinion, you have breached a term/the terms of the Policies. In such circumstances, Gallagher will be entitled to terminate its Services with immediate effect. In the event that Gallagher exercises its right to terminate its Services with immediate effect, Gallagher will not be responsible or liable to you for any direct or indirect loss which you or any other party may suffer as a result.

Please be aware that Gallagher is generally restricted from providing broking, claims handling or other services that relate to Cuba and Iran, including due to significant difficulties in processing payments and other commercial and reputational considerations.

Treatment of Information

Gallagher understands the need to protect the confidentiality and security of your confidential and sensitive information and strives to comply with applicable data privacy and security laws. Your confidential and sensitive information will be protected by Gallagher and only used to perform services for you; provided that Gallagher may disclose and transfer your information (including transfers outside the United States in compliance with applicable laws) to our affiliates, agents or vendors that have a need to know such information in connection with the provision of such services (including insurance markets, as necessary, for marketing, quoting, placing and/or servicing insurance coverages). We may also disclose such information as required by applicable data protection laws or the order of any court or tribunal, subject to our providing you with prior notice as permitted by law. The parties agree that confidential information does not include aggregate, anonymized or de-identified data. In addition, we may also utilize your aggregated, anonymized, or de-identified information in connection with benchmarking, risk modeling and other data analytics, service or product improvements, and offerings, and similar business purposes. You further agree we may use your information with artificial intelligence or other automated applications for the purposes of improving or delivering our services to you.

We will (i) implement appropriate administrative, physical and technical safeguards to protect personal information; (ii) timely report security incidents involving personal information to affected parties and/or regulatory bodies; (iii) create and maintain required policies and procedures; and (iv) comply with data subjects' rights, as applicable. To the extent applicable under associated data protection laws, you are a "business" or "controller" and Gallagher is a "service provider" or "data processor." You will ensure that any information provided to Gallagher has been provided with any required notices and that you have obtained all required consents, if any and where required, or are otherwise authorized to transfer all information to Gallagher and enable Gallagher to process the information for the purposes described in this Proposal and as set forth in Gallagher's Privacy Policy located at <https://www.ajg.com/privacy-policy/>. Gallagher may update its Privacy Policy from time to time and any updates will be posted to such site.

Dispute Resolution

Gallagher does not expect that it will ever have a formal dispute with any of its clients. However, in the event that one should arise, we should each strive to achieve a fair, expedient and efficient resolution and we'd like to clearly outline the resolution process.

- A. If the parties have a dispute regarding Gallagher's services or the relationship governed by this Proposal ("**Dispute**"), each party agrees to resolve that Dispute by mediation. If mediation fails to resolve the Dispute, you and Gallagher agree to binding arbitration. Each party waives all rights to commence litigation in court to resolve a Dispute, and specifically waives all rights to pursue relief by class action or mass action in court or through arbitration. However, the parties do not waive the ability to seek a court order of injunction in aid of the mediation and arbitration required by these Terms.
- B. The party asserting a Dispute must provide a written notice ("**Notice**") of the claim to the other party and to the American Arbitration Association ("**AAA**") in accordance with its Commercial Arbitration Rules and Mediation Procedures. All Dispute resolutions will take place in Chicago, IL, unless you and Gallagher agree to another location. The parties will equally divide all costs of the mediation and arbitration proceedings and will each pay their own attorneys' fees. All matters will be before a neutral, impartial and disinterested mediator or arbitrator(s) that have at least 20 years' experience in commercial and insurance coverage disputes.
- C. Mediation will occur within sixty (60) days of filing the Notice with the AAA. Mediation results will be reduced to a memorandum of understanding signed by you, Gallagher and the mediator. A Dispute that is not resolved in mediation will commence to binding arbitration. For Disputes in excess of \$500,000, either party may elect to have the Dispute heard by a panel of three (3) arbitrators. The award of the arbitrator(s) must be accompanied by a reasoned opinion prepared and signed by the arbitrator(s). Except as may be required by law, neither you, Gallagher, nor a mediator or arbitrator may disclose the existence, content or results of any Dispute or its dispute resolution proceeding without the prior written consent of both you and Gallagher.

Electronic Delivery

In lieu of receiving documents in paper format, you agree, to the fullest extent permitted by law, to accept electronic delivery of any documents that Gallagher may be required to deliver to you (including, but not limited to, insurance policies and endorsements, account statements and all other agreements, forms and communications) in connection with services provided by Gallagher. Electronic delivery of a document to you may be made via electronic mail or by other electronic means, including posting documents to a secure website.

Miscellaneous Terms

Gallagher is engaged to perform services as an independent contractor and not as your employee or agent, and Gallagher will not be operating in a fiduciary capacity.

Where applicable, insurance coverage placements and other services may require the payment of federal excise taxes, surplus lines taxes, stamping or other fees to the Internal Revenue Service, various State(s) departments of revenue, state regulators, boards or associations. In such cases, you will be responsible for the payment of the taxes and/or fees, which Gallagher will separately identify on related invoices.

The Proposal and these Terms are governed by the laws of the State of Illinois, without regard to its conflict of law rules.

If an arbitrator/court of competent jurisdiction determines that any provision of these Terms is void or unenforceable, that provision will be severed, and the arbitrator/court will replace it with a valid and enforceable provision that most closely approximates the original intent, and the remainder of these Terms will remain in effect.

Except to the extent in conflict with a services agreement that you may enter into with Gallagher, these Terms and the remainder of the Proposal constitute the entire agreement between you and Gallagher with respect to the subject matter of the Proposal, and supersede all prior negotiations, agreements and understandings as to such matters.

Client Signature Requirements



Coverages for Consideration

Overview

Gallagher recommends that you consider purchasing the following additional coverages for which you have exposure. A Proposal for any of the coverages below can be provided.

- Terrorism

Please note the recommendations and considerations summarized in this section are not intended to identify all potential exposures. Gallagher is not an expert in all aspects of your business and assumes no responsibility to independently investigate the risks your business faces. Gallagher has relied upon the information you provided in making our insurance Proposals. If you are interested in pursuing additional coverages other than those listed above, please list the additional coverages in the Client Authorization to Bind.

Client Authorization to Bind Coverage

After careful consideration of Gallagher's proposal dated 6/10/2026, we accept the following coverage(s). Please check the desired coverage(s) and note any coverage amendments below:

	Coverage/Carrier
<input type="checkbox"/> Accept <input type="checkbox"/> Reject	Excess Workers' Compensation - \$602,631.00 1 Year Premium - \$301,315.50
	Safety National Casualty Corporation
<input type="checkbox"/> Accept <input type="checkbox"/> Reject	Excess Workers' Compensation Option w/o Bernalillo- \$393,367.00 1 Year Premium - \$196,683.50
	Safety National Casualty Corporation

Additional Recommended Coverages

Gallagher recommends that you purchase the following additional coverages for which you have exposure. By checking the box(es) below, you are requesting that Gallagher provide you with a Proposal for this coverage. By not requesting a Proposal for this coverage, you assume the risk of any uncovered loss.

Other Coverages to Consider

Terrorism

The above coverage(s) does not necessarily represent the entirety of available insurance products. If you are interested in pursuing additional coverages other than those listed in the Additional Recommended Coverages, please list below:

Exposures and Values

You confirm the payroll, values, schedules, and any other information pertaining to your operations, and submitted to the underwriters, were compiled from information provided by you. If no updates were provided to Gallagher, the values, exposures and operations used were based on the expiring policies. You acknowledge it is your responsibility to notify Gallagher of any material change in your operations or exposures.

Additional Terms and Disclosures

Gallagher is not an expert in all aspects of your business. Gallagher’s Proposals for insurance are based upon the information concerning your business that was provided to Gallagher by you. Gallagher expects the information you provide is true, correct and complete in all material respects. Gallagher assumes no responsibility to independently investigate the risks that may be facing your business, but rather have relied upon the information you provide to Gallagher in making our insurance Proposals.

Gallagher's liability to you arising from any of Gallagher's acts or omissions will not exceed \$20 million in the aggregate. The parties each will only be liable for actual damages incurred by the other party, and will not be liable for any indirect, special, exemplary, consequential, reliance or punitive damages. No claim or cause of action, regardless of form (tort, contract, statutory, or otherwise), arising out of, relating to or in any way connected with the Proposal, any of Gallagher's services or your relationship with Gallagher may be brought by either party any later than two (2) years after the accrual of the claim or cause of action.

Gallagher has established security controls to protect Client confidential information from unauthorized use or disclosure. For additional information, please review Gallagher’s Privacy Policy located at <https://www.aig.com/privacy-policy/>.

You have read, understand and agree that the information contained in the Proposal and all documents attached to and incorporated into the Proposal, is correct and has been disclosed to you prior to authorizing Gallagher to bind coverage and/or provide services to you. By signing below, or authorizing Gallagher to bind your insurance coverage through email when allowed, you acknowledge you have reviewed and agree with terms, conditions and disclosures contained in the Proposal.

By: _____
Print Name (Specify Title)

Company

Signature

Date: _____

Appendix

Compensation Disclosure Schedule

Client Name: New Mexico County Insurance Authority

Coverage	Carrier Name(s)	Wholesaler, MGA, or Intermediary Name ¹	Est. Annual Premium ²	Gallagher U.S. Owned Wholesaler, MGA, or Intermediary % and/or Fee %
Excess Workers' Compensation	Safety National Casualty Corporation	Risk Placement Services	\$602,631.00	--

1 We were able to obtain more advantageous terms and conditions for you through an intermediary/ wholesaler.

2 If the premium is shown as an indication: The premium indicated is an estimate provided by the market. The actual premium and acceptance of the coverage requested will be determined by the market after a thorough review of the completed application.

* A verbal quotation was received from this carrier. We are awaiting a quotation in writing.

Note: When placing business with insurance companies, Gallagher Companies receive commission based on negotiated contractual terms with those carriers. The commission rate is a percentage of the premium excluding taxes and fees. Major lines of coverage, and their typical range of commissions are listed below. If you wish to receive more details on actual compensation paid to Gallagher Companies, please contact your Gallagher representative.

- **Accident & Health:** 15-25%
- **Aviation:** 14-15%
- **All Other Commercial:** 10-20%
- **Bonds/Surety:** 30-35%
- **Builders Risk:** 15-18%
- **Casualty:** 14-15%
- **Commercial Auto:** 12.5-15%
- **Inland Marine:** 20-22.5%
- **Ocean Marine:** 15-17.5%
- **Package / Business Owners Package:** 15-16.8%
- **Executive and Professional Liability:** 12-16.5%
- **Property:** 15-22%
- **Excess workers compensation:** 8-11%

Compensation to Gallagher may also be disclosed in a Client Services Agreement or Consulting Services Agreement.

Claims Reporting By Policy

Immediately report all claims. Each insurer requires notice of certain types of claims depending on the potential exposure or particular injury types. It is important to thoroughly review your policy to ensure you are reporting particular incidents and claims, based upon the insurer's policy requirements.

If you are using a third party administrator ("TPA"), your TPA may or may not report claims to an insurer on your behalf. Although we will assist you where requested, it is important that you understand whether your TPA will be completing this notification.

Reporting Direct to Carrier [Only When Applicable]

<i>Coverage(s): Worker's Compensation</i>	<i>Report To:</i>
Insurer: Safety National Casualty Corporation Policy Period: 07/01/2026 - 07/01/2027	Insurer/TPA Name: Safety National Casualty Corporation Phone: 877-567-7486 Fax: Email: claims@actec.net Web: https://tmamerica.com/claims/Default.aspx

Reporting to Gallagher or Assistance in Reporting

<i>Coverage(s):</i>	<i>Report:</i>
Gallagher Claim Center	Phone: 855-497-0578 Fax: 225-663-3224 Email: ggb.nrcclaimscenter@ajg.com

Gallagher STEP



Reduce Your Risk and Simplify Training

Safety training programs and educational materials for employees are critical for reducing accidents, increasing retention, and minimizing your total cost of risk now and in the future.

Gallagher Safety Training Education Platform (STEP) is our proprietary learning management system (LMS) that supports your safety program, provides real-time access to your loss control plans and keeps employees up to date with the latest safety standards.

Key Benefits of Gallagher STEP

- **Register** for up to 10 complimentary modules every year from a library of over 100 training and safety shorts. In addition, monthly bulletins are available, covering topics such as general and environmental safety, human resources, and health and wellness.
- **Save** valuable time by assigning employee training and monitoring their latest progress and completion.
- **Simplify** the process of training to stay in compliance and avoid costly penalties.
- **Onboard and train** an unlimited number of users while enhancing your overall risk control program.
- **Customize** your platform with your company's logo, training content and modules tailored to your business, and personalized procedures and forms for an added fee.

Most Popular Training Modules

- Sexual Harassment and Discrimination
- Slip, Trip and Fall Training
- Electrical Safety Training
- Back Safety Training
- Bloodborne Pathogens
- Safe Lifting Practices
- Defensive Driving Basics
- Fire Prevention Basics
- Personal Protective Equipment
- GHS Hazard Communication



Gallagher CORE360®



Gallagher CORE360® is our unique, comprehensive approach of evaluating your risk management program that leverages our analytical tools and diverse resources for custom, maximum impact on six cost drivers of your total cost of risk.

Sample of Available Training Modules and Safety Shorts

Human Resources Training

- Americans with Disabilities Act (ADA)
- California Ethics
- California Sexual Harassment & Discrimination—Employees (English and Spanish)
- California Sexual Harassment and Discrimination—Supervisors (English and Spanish)
- Connecticut Sexual Harassment Prevention and Response
- Diversity
- Drug-Free Workplace—Supervisor
- Ethics in Action
- Fair and Accurate Credit Transaction Act (FACTA)
- Family Medical Leave Act (FMLA)
- Interviewing Strategies
- Job Applications
- Maine Sexual Harassment Prevention and Response
- Personnel Files
- Sensitivity Basics: Creating Positive Working Relationships
- Sexual Harassment and Discrimination—Employees
- Sexual Harassment and Discrimination—Supervisors
- New York City Sexual Harassment and Discrimination—Employees (English and Spanish)
- New York City Sexual Harassment and Discrimination—Supervisors (English and Spanish)
- New York State Sexual Harassment and Discrimination—Employees (English and Spanish)
- New York State Sexual Harassment and Discrimination—Supervisors (English and Spanish)
- Smart Hiring
- Smart Risk Management—Core Principles
- Theft
- Unsafe Acts
- Violence Prevention
- Workers Compensation Essentials
- Workplace Investigations Basics
- Wrongful Termination

Safety Training

- Accident Investigation Techniques
- Asbestos Awareness (General Industry)
- Basic Conveyor Safety
- Bloodborne Pathogens (English and Spanish)
- Creating a Safe Holiday Celebration
- Common Fire and Life Safety Hazards
- Continuity of Operations Planning
- Defensive Driving—Accident Scene Management
- Defensive Driving—Backing Safely, R is for Reverse
- Defensive Driving Basics—Part I (English and Spanish)
- Defensive Driving—Changing Lanes Safely
- Defensive Driving—Driving Safely in School Zones
- Defensive Driving—General Auto Risk Management
- Defensive Driving—Intersections
- Defensive Driving—Reducing Deer-Related Incidents
- Defensive Driving—Safe Following Distance
- Defensive Driving—Spring Weather Conditions
- Defensive Driving—Winter Weather Conditions
- Determining the Root Cause of Accidents
- Disaster Planning 101
- Electrical Safety (English and Spanish)
- Ladder Safety
- Employee and Family Disaster Planning
- Evacuation Planning and Procedures
- Fire Prevention Practices (English and Spanish)
- Forklift Safety Basics for General Industry
- Hazard Communication (English and Spanish)
- Hearing Protection
- Housekeeping—Custodial, Safe Housekeeping Practices
- Identifying Strain and Exertion Exposures (English and Spanish)
- Lead-Based Paint
- Lockdown Procedures
- Lockout/Tagout (English and Spanish)
- Machine Guarding (English and Spanish)
- Means of Egress (English and Spanish)
- Mold
- Office Ergonomics Defined
- Office Ergonomics—Working in Comfort
- Office Workstation Safety
- Office Workstation Safety for Supervisors
- Personal Protective Equipment (English and Spanish)
- Portable Fire Extinguishers I
- Portable Fire Extinguishers II
- Power Tool Safety
- Preparation for Physical Activity
- Preventing Back Injuries (English and Spanish)
- Preventing Slips, Trips and Falls (English and Spanish)
- Preventing Injuries When Lifting, Moving and Transferring Residents
- Safety Pays for Life
- Temp Staffing Services. Employee Safety Orientation (English and Spanish)

Safety Shorts

Two safety shorts are considered one module selection.

- Bloodborne Pathogens
- Electrical Safety
- Emergency Procedures
- Fire Prevention and Protection
- Hand and Power Tools
- Hazard Communication
- Housekeeping/Custodial—Before You Start
- Housekeeping/Custodial—Cleaning by Hand
- Housekeeping/Custodial—Emptying Trash
- Housekeeping/Custodial—Mopping and Emptying Buckets
- Housekeeping/Custodial—Preventing Slips, Trips and Falls
- Housekeeping—General
- Ladder Safety
- Lockout/Tagout
- Personal Protective Equipment
- Safe Lifting Practices
- Slip, Trip and Fall

The Gallagher Way.
Since 1927.

Please visit ajg.com/us/gallagher-step/ to learn more.

Insurance brokerage and related services provided by Arthur J. Gallagher Risk Management Services, LLC. 42
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Overview and Login Information

The Gallagher eRiskHub® portal provides you with exclusive risk management tools and best practices to improve your organization's cyber risk posture. This important resource serves your cyber risk management strategies by enhancing your capabilities in cyberattack prevention, loss mitigation and cyber risk transfer techniques.

To access the Gallagher eRiskHub® now:

1. Navigate to <https://eriskhub.com/gallagher>
2. Complete the new user registration at the bottom of the page. Choose your own user ID and password. The access code is **447597**.
3. After registering, you can access the hub immediately using your newly created credentials in the member login box located at the top right of the page.

If you have any questions about the Gallagher eRiskHub®, please reach out the eRiskHub® support staff at support@eriskhub.com

Key Features of the Gallagher eRiskHub®

- **Risk Manager Tools**—A collection of tools for risk managers including research of known breach events, information to calculate the potential cost of a breach event, sample policies, breach response planning and more.
- **Learning Center**—An extensive collection of thought leadership articles, webinars, videos and blog posts covering everything from emerging cyber threats to data protection and more.
- **Security and Privacy Training**—Resources for creating an effective security training program for your employees.
- **Strategic Third-Party Relationships and Partner Resources**—Information on third-party vendors that can assist your organization improve your overall cyber risk, as well as access to exclusive Gallagher discounts on tools.

Gallagher's Cyber Capabilities

Gallagher's Cyber practice has the expertise to deliver a full complement of cyber risk management and insurance services to help your team stay protected. We take a consultative, action-based approach to address the sophisticated and evolving nature of cyber liability to design custom solutions that meet your unique needs. For more information, please contact us.



Insurance | Risk Management | Consulting

ajg.com The Gallagher Way. Since 1927.

The information contained herein is offered as insurance industry guidance and provided as an overview of current market risks and available coverages and is intended for discussion purposes only. This publication is not intended to offer legal advice or client-specific risk management advice. Any description of insurance coverages is not meant to interpret specific coverages that your company may already have in place or that may be generally available. General insurance descriptions contained herein do not include complete Insurance policy definitions, terms, and/or conditions, and should not be relied on for coverage interpretation. Actual insurance policies must always be consulted for full coverage details and analysis.

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Benefits and HR Consulting to Support Diverse Workforces and Organizational Wellbeing

Your organization's success is powered by your people. When you partner with Gallagher's Benefits & HR Consulting team, we deliver a comprehensive approach to benefits, compensation, retirement, and employee communication that aligns your people strategy with your overall business goals. Let our consultants help you build a workplace that works better, so you can face the future with confidence.

Gain strategic insights through:

Gallagher Better WorksSM Insights

Expand your perspective on trending HR and benefits topics.

Workforce Trends Report Series

Access benchmarking data and insights from thousands of employers.

Best-In-Class Benchmarking Analysis

Find out how best-of-the-best employers build a better workplace.

Access innovative resources at your fingertips.

We provide the tools and experience to deliver actionable insights to your organization.

- Compliance resources
- HR and benefits technology trends
- Workforce evaluation
- Organizational wellbeing polls
- Data warehousing and insights
- Industry-specific resources

Health & Benefits

- Compliance Consulting
- Employee Benefits Consulting
- Pharmacy Benefit Management Consulting
- Small Business Consulting
- Voluntary Benefits Consulting

Financial & Retirement Services

- Executive Life & Benefits
- Investment Consulting
- Retirement Plan Consulting

Human Resources & Compensation

- Communication Consulting
- Compensation and Rewards Consulting
- Data & Research
- Human Resources Consulting
- HR Technology Consulting
- Multinational Benefits & HR Consulting
- Executive Search & Leadership Advisors

FACTS AND FIGURES*

7,500+

Benefits & HR Consulting employees worldwide

300+

Benefits & HR Consulting offices worldwide

90+

Countries with client Benefits & HR Consulting capabilities

Specialized experience in:

- Energy
- Equity M&A
- Healthcare
- Hospitality and Restaurant
- Nonprofit
- Public Sector and K-12 Education
- Religious

*Gallagher Benefit Services, Inc.

Gallagher Better Works™ Builds a Better Workplace

Gallagher Better Works™ is a holistic approach to attracting, engaging, and retaining the talent you need to help your organization grow. We work with you to develop benefits and HR programs at the right cost to optimize your annual talent investment, mitigate organizational risk, and build a wellbeing-centric culture that allows your people to thrive. Best of all, you'll be able to face the future with confidence, having gained a competitive advantage from a workplace that simply works better.

Physical & Emotional Wellbeing Solutions

- Legislative compliance guidance
- Employee health plan design and total rewards
- Pharmacy benefit plan design, RFP, and cost optimization
- Voluntary benefit plan design, employee education, and enrollment solutions
- Small business and emerging markets benefits and compensation

Career Wellbeing Solutions

- Internal employee experience communications
- Total rewards consulting
- Internal employee surveys and external stakeholder research
- Human resources policy, management, and strategy
- HR technology strategy, sourcing, implementation, and optimization
- Global benefits and HR strategy, and duty of care
- Talent search, organizational strategy, and leadership development

Financial Wellbeing Solutions

- Executive planning strategies for attracting, retaining, and rewarding key talent
- Fiduciary and institutional investment consulting to optimize plan assets for improved retirement outcomes
- Retirement plan design, fiduciary compliance, employee financial wellbeing education, coaching, and planning

Organizational Wellbeing Outcomes

- Unique workplace culture
- Improved employee retention
- Robust recruiting efforts
- Reduced organizational risk
- Enhanced employee experience

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Business Continuity and Resilience

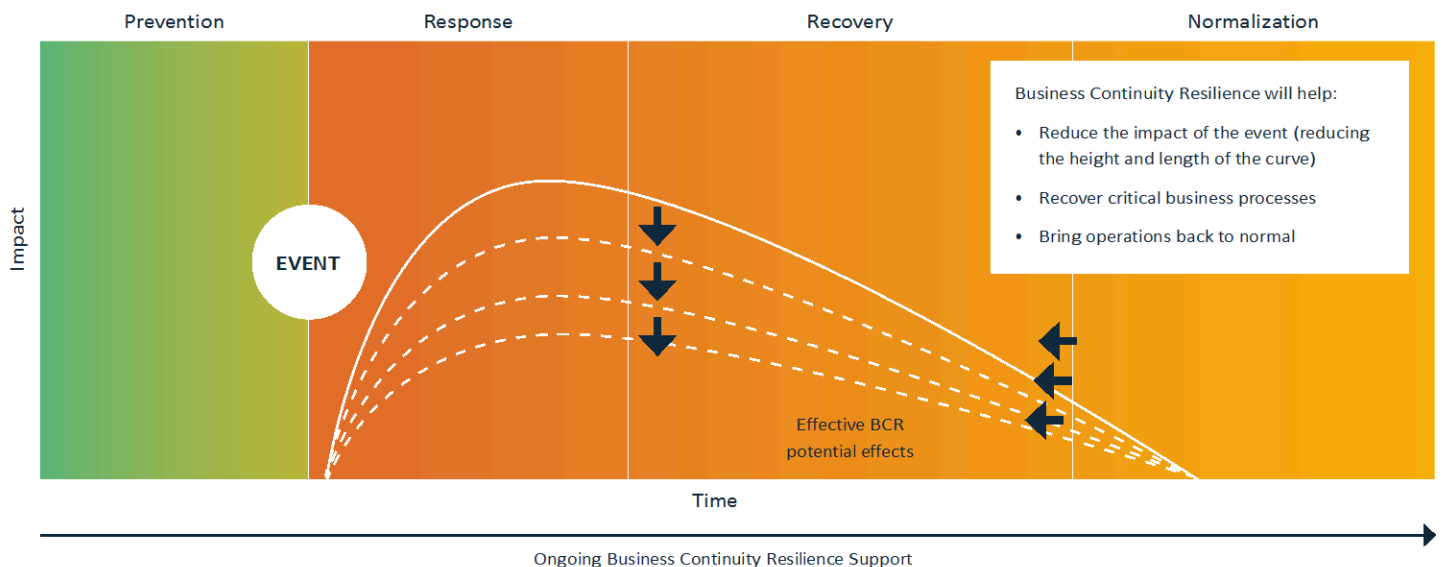
Organizations today must navigate an ever-changing business landscape and be prepared to respond to an increasing range of threats, such as:

- Supply Chain Disruptions
- Cyber Attacks
- Employee Misconduct
- Changing Regulatory Requirements
- Climate Change
- Geo-Political Unrest
- Digitization

Any of these risks could quickly escalate into a crisis and threaten your business. Without adequate planning and preparation, even a seemingly minor incident has the potential to escalate, and impact operations, brand reputation and financial results.

In light of the current market volatility and range of challenges, insurance companies are increasingly requiring organizations to have a Business Continuity Plan in place to demonstrate their resilience and readiness to respond and recover critical business operations. Resiliency planning will ensure you can identify, assess and manage risks and vulnerabilities of any kind, being more prepared to reduce the impact of an event. Having a plan in place builds confidence among key stakeholders such as employees, regulators, customers, investors, insurers and the public.

As a trusted partner and advisor, Gallagher’s Business Continuity and Resilience Practice works with organizations in virtually every industry vertical. We offer tailor made solutions to assess your level of business resilience, develop custom plans for improvement, and then embed them into the organization through training programs. Additionally, we offer a free Resilience Ready assessment that enables you to assess your business’s resilience score and pinpoint potential areas for future improvement.



Gallagher Offers A Variety Of Business Continuity And Resilience Service Offerings

Business Continuity

“All Hazard” business continuity plans reduce the operational impact of an incident by directly targeting the recovery of an organization’s value drivers — business processes that directly drive revenue and reputation. This enables an organization to recover more efficiently and effectively following a major business disruption or crisis. No matter the extent of your resources and infrastructure for business continuity, we are here to support your organization by offering planning guidance and training tailored to your specific needs.

Crisis Management

Crisis management plans prevent or mitigate risks to people, brands, reputations, and financial results and provide the overarching framework for all response and recovery activities within the organization.

Crisis Communications

Crisis communication plans communicate promptly, accurately, and confidently to all stakeholders during an incident or actual crisis and enable businesses to better coordinate internal and external global communications with media, employees, regulators, customers, investors, and the public at large.

Supply Chain

Supply chain risk management plans help assess and manage third-party risks and vulnerabilities to ensure that products and services continue to be delivered both during and following major disruptions.

Leaders Where It Counts

Gallagher was founded on a culture of service and a common interest doing what’s in our clients’ best interest. We understand the importance of leading with value-based decisions and exemplifying an overall commitment to integrity.

A Next Generation Engagement Solution

Gallagher Insight is a user-friendly web portal that allows secure, real-time collaboration between you and your Gallagher team. It empowers Clients with 24/7 access to their summary insurance information and an array of materials needed to run your risk management program, all at your fingertips on any device. Gallagher Insight is a password-protected portal accessible through any browser on your mobile phone, tablet or PC. Insight offers a modern design, robust features and upgraded functionality, including:

- Secure web-based document libraries for our clients
- Policy and document sharing with your Gallagher account team
- A private social network between your global team and ours
- Stewardship through goals, events and tasks set up by you and your Gallagher team
- Access to Gallagher’s resource library
- Submission and tracking of service requests

Insight can be accessed from any electronic device using a secure ID and password to login.



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Since 1927.

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Contractual Risk Compliance



Insurance | Risk Management | Consulting



Verified Testimonial

Gallagher Verify monitors expiration dates, insurance limits and other details across thousands of COIs. In addition, their team delivers a very consultative, custom approach, which has allowed us to significantly improve our overall risk exposure.

Mitigate contractual risk with confidence

There is more to managing compliance than just collecting your third-party vendors' certificates. **Gallagher Verify**SM ensures you are tracking all the information you need to keep your company organized, compliant and properly protected. Take advantage of our intelligent technology and experienced compliance experts to gain insight into your level of risk, giving you the freedom to focus on your day-to-day operations.

Protect your business from unknown risk

A majority of organizations face unknown risk. In fact, research shows that most organizations average only 20% compliance for vendor insurance. Gallagher Verify limits your unknown risk and significantly improves compliance. Most companies that use Gallagher Verify average over 80% compliance.*

Track more than just certificates of insurance (COIs)

Our cloud software has the capability to track and verify compliance for any type of document your business is required to keep on file. These documents can include but are not limited to:

W-9 forms	OSHA mod rates	Background checks
MVRs	Contracts	Certifications and licenses

Gallagher Verify brings big benefits to your business

- Increased profitability due to reduced internal administrative costs
- Insurance consulting with a risk advisor
- Reports and dashboards to manage compliance trends
- Ongoing monitoring of A.M. Best insurance carrier ratings and vendor compliance with A.M. Best ratings
- Easy-to-use cloud software used to track and record incoming COIs
- Proactive compliance calls to vendors
- Industry-specific software configurations

*Tier 2 model.



Learn More About CORE360®

Gallagher Verify is part of Gallagher CORE360, our unique, comprehensive approach to evaluating your risk management program that leverages our analytical tools and diverse resources for custom, maximum impact on six cost drivers of your total cost of risk.

We consult with you to understand your **contractual liability**, and how to mitigate risks and associated costs.

This will empower you to know, control and minimize your total cost of risk, and improve your profitability.

Tiers of service tailored to the needs of your organization

	Tier 1	Tier 2
Gallagher Verify cloud software	✓	✓
Dedicated implementation project managers (includes data entry and software configuration)	✓	✓
Automated COI endorsement and document compliance verification	✓	✓
Automated noncompliance and renewal notifications to vendors	✓	✓
Client access to software support	✓	✓
Customizable daily, weekly and monthly reports, and historical compliance dashboard widgets	✓	✓
Risk management consulting for clients (insurance requirement exception guidance)		✓
Outgoing vendor compliance enforcement and educational phone calls (up to four phone calls per certificate of insurance)		✓
Weekly or monthly client stewardship calls with a risk advisor		✓
Unlimited phone support for vendors with insurance and contract-related questions		✓

Verified Testimonial

When we initially implemented Gallagher Verify, our third-party insurance compliance was less than 20%. Today, compliance is more than 90%. The aggressive tracking of insurance requirements and vendor compliance mitigates financial exposure, should there be a claim.

The Gallagher Way.
Since 1927.

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The information contained herein is offered as insurance industry guidance and provided as an overview of current market risks and available coverages and is intended for discussion purposes only. This publication is not intended to offer legal advice or client-specific risk management advice. Any description of insurance coverages is not meant to interpret specific coverages that your company may already have in place or that may be generally available. General insurance descriptions contained herein do not include complete insurance policy definitions, terms, and/or conditions, and should not be relied on for coverage interpretation. Actual insurance policies must always be consulted for full coverage details and analysis.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.A.	<u>Item Title:</u> Approve 2026-2027 Property Reinsurance
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

County Reinsurance, Limited

2026-2027 Property Reinsurance Indication

\$500,000 SIR - Indication Version 2 (As of 05/08/2026)

This is a non-binding indication intended for estimation purposes only. The premium, terms of coverage, and limits are subject to change and does not represent finalized rates, exposures or terms.

Coverage Summary

Ceding Entity: New Mexico County Insurance Authority Multi-Line Pool
 Coverage Period: Inception Date: 7/1/2026
 Expiration Date: 7/1/2027
 Ceding Entity's Retention: \$500,000 All Other Perils, regardless of the number of Original Insureds involved
 \$100,000 Equipment Breakdown, regardless of the number of Original Insureds involved
 CRL Reinsurance Limit: Difference between the Ceding Entity's Retention and \$5,000,000. CRL Property Plus will retain \$25,000,000 excess of \$5,000,000.
 Panel Reinsurance Limit: Difference between the CRL Reinsurance Limit and \$1,000,000,000
 Method: Loss expenses are calculated pro rata
 Deductibles are inside the retention; except for SFHA, New Madrid EQ, Severe Convective Storm, and Tier 1 Named Storm deductibles, which are outside
 Policy Reinsured: CRL Master Policy (see endorsement for details)

Premium Detail

	Indication
CRL General Account Premium:	\$2,327,581
CRL Property Plus Premium:	\$550,271
CRL Property Plus Stop Loss Premium:	\$311,262
Panel Premium:	\$627,277
Total Property Premium:	\$3,816,390
CRL General Account Admin Fee:	\$137,879
CRL Property Plus Account Admin Fee:	\$68,750
CRL Property Plus Stop Loss Ceding Commission:*	\$0
Panel Ceding Commission:*	\$0
Net Property Premium Due:	\$4,023,018

Rating Detail**

	Non-Tier / EQ	New Madrid	Tier 1	Tier 2	Tier 3
Total TIV:	\$3,953,092,717	\$0	\$0	\$0	\$0
CRL Rate (in cents):	5.8880	0.0000	0.0000	0.0000	0.0000
CRL Property Plus Base Rate:***	1.3920	0.0000	0.0000	0.0000	0.0000
Panel Rate (in cents):	1.5868	0.0000	0.0000	0.0000	0.0000
Total Rate (in cents):	8.8668	0.0000	0.0000	0.0000	0.0000

* CRL ceding commission will be applied at binding.

** The Rating Detail Table does not include the flat fee admin charges for CRL General Account and CRL Property Plus. The CRL General Account Admin Fee is \$137,879 and Property Plus Admin Fee is \$68,750.

*** CRL Property Plus Base Rate does not include the Property Plus Stop Loss Rate of .78739.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.B.	<u>Item Title:</u> Approve 2026-2027 Property Coverage Agreement
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

2026 CRL Master Property Policy (Non-Convective Storm Designated States) EFF 07/01/20...



Lauren Navarro <Lauren.Navarro@coui

To Perry, Grace E; Cynthia Stephenson; Lori Urban
Cc Micheon Hollier; Timothy Kelley; Zack Dickson; Dan McBay;
 CRL Underwriting

Reply

Reply All

Forward



Fri 6/5/2026 2:54 PM

-  2026 CRL Master Property Policy Eff 07012026 VER 06052026 (Red-Lined).pdf .pdf File
-  2026 CRL Master Property Policy Eff 07012026 VER 06052026 (FINAL).docx .docx File

Good afternoon, all,

I hope this email finds you well. Please find the CRL Master Property Policy for Non-Convective Storm Designated States with changes effective 7/1/2026. The attachments include the [Red-Lined Version](#) of the policy form and the Final Version without markups. In addition, this email contains a summary of the changes you will find in the attached documents. I will be sending the updated Excess of Loss Property Reinsurance under separate cover. Please note that the items in [BLUE](#) below are material changes that we ask that you pay particular attention to as you review the totality of the revisions presented. you have any questions while reviewing the documents, please don't hesitate to reach out to me at Lauren.Navarro@countyre.org.

IMPORTANT TERMS OF THE EXCESS OF LOSS PROPERTY REINSURANCE PROGRAM TO NOTE (Include but are not limited to):

- Per expiring, the overall CRL Property Reinsurance Program limit is remaining at \$1,000,000,000 per Occurrence.
- [Effective 7/1/2026, the minimum Property Member Retention is increased to \\$500,000.](#)
- [A minimum/maximum deductible applies as follows per the Excess of Loss Property Reinsurance Agreement:](#)
 - [Named Storm in Tier One Counties = \\$100,000 per occurrence \(minimum\)](#)
 - [Earthquake in New Madrid Counties = \\$100,000 per occurrence \(minimum\)](#)
 - [Hail = \\$100,000 per occurrence \(minimum\), \\$2,500,000 per occurrence \(maximum\)](#)
 - [The maximum for 2026 to 2027 has been reduced from \\$5,000,000 per occurrence](#)
 - [Hail takes the place of Convective Storm](#)
 - [NOTE: This only applies in Convective Storm Designated States \(TN, NE\)](#)

2026 CRL Master Property Policy (Non-Convective Storm States) Red-Lined Policy – Change Summary:

General Notes:

- Any changes that are made that are broader than those listed in this form will be assumed by the COMPANY listed on the Declarations Page.
- The Table of Contents will not show the correct page numbers on the “Red-Lined” version as these numbers have been updated for the final version.
- Numbers have been added to the Endorsements at the end of the policy. This will assist with fluid documentation throughout the policy term if additional updates are needed to the policy.

Flood Notes:

- Please notify us if you have issued SFHA Flood Limits greater than \$2,500,000 to any one of your county members or covered entities. Any limits above \$2.5M need to be endorsed to the Excess of Loss Property Reinsurance Agreement by CRL.

Material Changes:

- Title Page – “2025 to 2026”: Updated to current term.
- Pg 2-5 of 62 – Table of Contents: Manually updated to reflect correct page numbers for “clean” version.
- Pg 6 of 62 – “on file with the COMPANY”: This clarifies that coverage applies to property described on the **Schedule of Values** (which is a defined term in this version) on file with the COMPANY. This change aligns with current and past claims handling practices.
- Pg 6 of 62 – “to us” strikethrough: This change clarifies that the maximum Limit of Liability is linked to the total value reported in the **Schedule of Values** on file with the COMPANY. This change aligns with current and past claims handling practices.
- Pg 6 of 62 – “125% to 150%”: The margin clause percentage has been increased from 125% to 150%.
- Pg 6 of 62 – “statement of values to **Schedule of Values**”: The reference to “statement of values” has been updated to “**Schedule of Values**” for consistency and as **Schedule of Values** is now a defined term in this version of the policy.
- Pg 6 of 62 – “as of the date of loss”: Added to clarify the applicable reference date that will be used to determine the corresponding **Schedule of Values** utilized. In this case, “the latest **Schedule of Values** on file with the COMPANY as of the date of loss.” This change aligns with current and past claims handling practices.
- Pg 6 of 62 – “Agreement to **Policy**”: Updated to use common terminology throughout document.
- Pg 7 of 62 – “document to **Policy**”: Updated to use common terminology throughout document.

- Pg 8 of 62 – “~~\$1,000,000~~ to \$2,500,000” **FLOOD** Annual Aggregate: Limit increase for **FLOOD** – Subject to a \$2,500,000 annual aggregate as respects INSURED PROPERTY situated wholly or partially within **SPECIAL FLOOD HAZARD AREAS**.
- Pg 8 of 62 – “~~\$2,500,000~~ to \$500,000” Miscellaneous Unnamed Property: Limit decreased from \$2,500,000 to \$500,000.
- Pg 9 of 62 – “~~earth movement~~ to Earthquake”: Updated to use common terminology throughout document.
- Pg 10 of 62 – “~~3% of the value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss~~” to “2% of the total actual value of all INSURED PROPERTY per Occurrence irrespective of the number of locations”:
 - The 3% deductible decreased to 2%.
 - The language was updated to more concise language that is easier to interpret.
- Pg 11 of 62 – “The deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the “two or more deductible provision” under the Deductible Conditions of the **Policy**.”: This wording was added at the bottom of the section to clarify the application of the corresponding deductible provision. This aligns with the treatment of CAT deductibles within the Excess of Loss Property Reinsurance Agreement.
- Pg 12 of 62 – “~~value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss~~” to “total actual value of all INSURED PROPERTY per **Occurrence** irrespective of the number of locations.”: This is updated deductible wording for Item C. **Earthquake in New Madrid Counties** to clarify the application of the corresponding deductible. This aligns with the treatment of CAT deductibles within the Excess of Loss Property Reinsurance Agreement.
- Pg 12 of 62 – “The deductibles described under this section C shall apply individually and supersede the “two or more deductible provision” under the Deductible Conditions of the **Policy**.”: This wording was added at the bottom of the section to clarify the application of the corresponding deductible provision. This aligns with the treatment of CAT deductibles within the Excess of Loss Property Reinsurance Agreement.
- Pg 12 of 62 – Added Section “E. Deductible Conditions”: This section header was missing and needed for clarification for the 2 items that make up the section.
- Pg 12 of 62 – Added Item “(2) Percentage Deductibles” with the following wording “For any deductible expressed as a percentage of actual value at the time when such loss occurs, the percentage deductible

shall apply against those values reported in the latest **Schedule of Values** on file with the COMPANY for the INSURED PROPERTY which is affected and being reported for loss. [SPACE] If the property affected and being reported for loss is not so reported in the **Schedule of Values** on file with the COMPANY, the percentage deductible shall apply against the total cost, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss.”: This item was added to clarify the application of percentage deductibles within the policy.

- Pg 20 of 62 – “~~insurer~~” to “NAMED INSURED with the COMPANY”: This clarifies the appropriate reference to the scheduling of property for coverage on the policy.
- Pg 38 of 62 – “~~replacement cost basis~~” to “Loss settlement may be elected on the lesser of the cost to repair or replace if the proceeds...”: Updated the terminology to clarify the intention of the valuation reference.
- Pg 40 of 62 – “Member to NAMED INSURED”: Updated to use common terminology throughout document.
- Pg 40 of 62 – “Pool to COMPANY”: Updated to use common terminology throughout document.
- Pg 41 of 62 – “~~30~~ to 45”: SETTLEMENT OF CLAIMS payment was increased from 30 days to 45 days. This was increased to align with the reimbursement process and the current panel timeline.
- Pg 45 of 62 – Remove **Convective Storm** definition “~~Convective Storm: means thunderstorms or a complex of thunderstorms with wind speeds greater than 58 mph as verified by the National Weather Service, including but not limited to other resulting weather phenomena such as tornadoes and hail, all regardless of any other cause or event arising from such Convective Storm. [SPACE] However, resulting loss from fire, lightning or Sprinkler Leakage will not be considered to be loss by Convective Storm within the terms and conditions of this Policy. [SPACE] Further, Convective Storm does not mean or include any loss defined as Flood or Named Storm within the terms and conditions of this Policy.~~”: This was removed as it does not apply to this policy.
- Pg 47 of 62 – Moved **Reproduction Cost** definition “**Reproduction Cost**: defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.”: This was out of alphabetical order so it was moved to later in the definitions section.
- Pg 48 of 62 – Added **Policy** definition “**Policy**: the agreed terms and conditions contained herein, including any subsequent endorsements that define the COMPANY’S participation.”: This term was not included and was added to enhance clarity within the document.
- Pg 48 of 62 – New location for **Reproduction Cost** definition “**Reproduction Cost**: defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including

the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.”: This was out of alphabetical order so it was moved to this location.

- Pg 48 of 62 – Added **Schedule of Values** definition “**Schedule of Values**: shall mean the latest schedule of values of INSURED PROPERTY on file with the COMPANY. The **Schedule of Values** shall include, but is not limited to, all buildings, structures, contents at buildings or structures, **Vehicles, Mobile Equipment** and property in the open.”: This term was not included and was added to enhance clarity within the document.

Minor Updates:

Spelling and general spacing corrections are not listed but are **red-lined** throughout the policy document. Throughout the policy document you will notice several repetitive changes which are primarily to follow consistent formatting as follows:

- ~~Company~~(s) updated to COMPANY('S)
- ~~Policy~~ updated to **Policy**
- ~~Sublimit~~(s) to sublimit(s)
- ~~occurrence~~ to **Occurrence**
- statement of values to **Schedule of Values**
- ~~policy territory~~ to **Policy** TERRITORY
- ~~Exclusions~~ to exclusions
- ~~Section~~ to section
- ~~Actual Loss Sustained~~ to actual loss sustained
- ~~Extra Expense~~ to EXTRA EXPENSE
- ~~Certificates of Insurance~~ to certificates of insurance
- ~~reproduction cost~~ to **Reproduction Cost**
- ~~Additional Insured~~ to additional insured(s)
- ~~Loss Payee~~ to loss payee(s)
- ~~Mortgagee~~ to mortgagee(s)
- ~~Operating Certificates~~ to operating certificates
- ~~Policy Year Aggregate Limit of Liability~~ to policy year aggregate limit of liability
- ~~vacant~~ to **Vacant**

CRL

Master Property Policy

(~~Non-Non-Severe~~ Convective Storm Policy) Designated States)
AL, GA, NM, NC, OH, UT

Effective 7/1/~~2025~~2026

This policy is to be used by CRL Property program participants and is the coverage that is reinsured by the Panel in its unamended form.

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DECLARATIONS - SECTION A

1. NAMED INSURED AND MAILING ADDRESS

2. COMPANY

The terms Company or Company's shall mean _____.

3. POLICY PERIOD

FROM: XX/XX/XXXX at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TO: XX/XX/XXXX at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TERM: 1 year

4. TERRITORY

This Policy covers INSURED PROPERTY in The United States of America and Canada.

5. INSURANCE PROVIDED

The coverage under this **Policy** applies to property described on the **Schedule of Values on file with the COMPANY** or covered under the terms and conditions of the AUTOMATIC COVERAGE (NEWLY ACQUIRED), ERRORS AND OMISSIONS, or MISCELLANEOUS UNNAMED PROPERTY provisions, unless otherwise provided.

6. LIMITS OF LIABILITY

The ~~Company's~~**COMPANY'S** maximum Limit of Liability in a single **Occurrence** regardless of the number of INSURED PROPERTY or coverages involved will not exceed the total value reported ~~to us~~ in the **Schedule of Values** ~~on file with the COMPANY~~.

In the event of loss hereunder, the LIMITS OF LIABILITY shall be limited to the least of the following:

1. The actual adjusted amount of loss, less applicable deductible(s); or
2. ~~125~~**150**% of the real and personal property values combined, inclusive of property in the open, for each reported Location. Location shall mean each individual line item reported on the latest ~~statement~~**Schedule of values****Values** on file with the ~~Company~~**COMPANY** ~~as of the date of loss~~. However, this limitation shall not apply to coverages provided within this **Policy** as respects to Property and Time Element coverage extensions where values for such are not reportable including, but not limited to, Demolition and Increased Cost of Construction, Debris Removal, Accounts Receivable, Valuable Papers and Records, Decontamination Expense and Extra Expense, et al., and as further described within this **Policy**.
3. The Limit of Liability shown on the Declarations page of this ~~Agreement~~**Policy** or endorsed onto this ~~Agreement~~**Policy** after inception.

The terms and conditions in this ~~document~~**Policy**, including the sublimits below, constitute the program as a whole for the NAMED INSURED. The sublimits stated below are a part of, and do not increase, any LIMITS OF LIABILITY of the program.

The following **Sublimits** apply on a per **Occurrence** basis, unless otherwise stated.

Each sublimit stated in this **Policy** applies as part of, and not in addition to, the overall policy limit for an **Occurrence** insured hereunder. Each sublimit is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to that aspect of the **Occurrence**, including but not limited to type of property, construction, geographic area, zone, location, or peril.

If insured under this **Policy**, any sublimit for **Earthquake, Flood or Named Storm** is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to such an **Occurrence**. All other **Sublimits** are a part of, and do not increase the **Earthquake, Flood or Named Storm Sublimit**.

Further, if **Flood** occurs in conjunction with a **Named Storm** or **Earthquake**, the **Flood** sublimit applies within and erodes the sublimit for that windstorm, named storm, named windstorm, earthquake or earth movement.

When a Sublimit is shown as applying as an annual aggregate, the **Company's** maximum **limit of liability** will not exceed such limit during any POLICY PERIOD regardless of the number of INSURED PROPERTY and coverages involved.

Sublimits:

\$2,500,000	ACCOUNTS RECEIVABLE	
\$1,000,000	ANIMALS	
\$5,000,000	AUTOMATIC COVERAGE (NEWLY ACQUIRED)	
\$10,000,000	BUSINESS INCOME AND EXTRA EXPENSE COMBINED	
\$500,000	CLAIM PREPARATION FEES AND EXPENSES	
\$250,000	CONTINGENT BUSINESS INCOME AND CONTINGENT EXTRA EXPENSE COMBINED	
\$100,000	CONTINGENT TAX REVENUE INTERRUPTION	
\$2,500,000	DEBRIS REMOVAL (GREATER OF 25% OF PROPERTY DAMAGE LOSS OR THE LIMIT SHOWN)	
\$500,000	DECONTAMINATION COSTS	
\$100,000	DEFERRED PAYMENTS	
\$10,000,000	EARTHQUAKE – SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$2,500,000	ELECTRONIC DATA AND MEDIA	
\$50,000,000	EQUIPMENT BREAKDOWN, INCLUDING	
	SPOILAGE	\$500,000
	SERVICE INTERRUPTION	\$2,500,000

		BUSINESS INCOME AND EXTRA EXPENSE	\$1,000,000
		EXPEDITING EXPENSE	\$500,000
		HAZARDOUS SUBSTANCE	\$1,000,000
		AMMONIA CONTAMINATION	\$500,000
		ELECTRONIC DATA AND MEDIA	\$1,000,000
		CFC REFRIGERANTS	\$100,000
		COMPUTER EQUIPMENT	\$50,000,000
\$2,500,000		ERRORS AND OMISSIONS	
\$250,000		EVACUATION EXPENSE	
\$1,000,000		EXPEDITING EXPENSE	
\$1,000,000		EXTENDED PERIOD OF INDEMNITY (LESSER OF ACTUAL LOSS SUSTAINED FOR 180 CONSECUTIVE DAYS OR LIMIT SHOWN)	
\$10,000,000		FLOOD - SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$ 2,500 ,000	,000-	FLOOD – SUBJECT TO A \$ 1,000 <u>2,500</u> ,000 ANNUAL AGGREGATE AS RESPECTS INSURED PROPERTY SITUATED <u>SITUATED</u> WHOLLY OR PARTIALLY WITHIN SPECIAL FLOOD HAZARD AREAS	
\$2,500,000		INCREASED COST OF CONSTRUCTION	
\$2,500,000		INGRESS/EGRESS	
\$250,000		INSECT, ANIMAL, AND VERMIN DAMAGE TO MOBILE EQUIPMENT AND VEHICLES	
\$2,500,000		INTERRUPTION BY CIVIL AUTHORITY	
\$100,000		LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL, SUBJECT TO A \$500,000 ANNUAL AGGREGATE	
\$100,000		LANDSCAPING, SUBJECT TO \$15,000 ANY ONE SHRUB OR TREE, <u>TREE</u> , CAUSED BY OR RESULTING FROM A DEFINED PERIL	
\$2,500,000		LEASEHOLD INTEREST	
\$ 2,500 ,000		MISCELLANEOUS UNNAMED PROPERTY	
\$1,000,000		MOLD RESULTING FROM A DEFINED PERIL	
\$50,000,000		NAMED STORM	
\$10,000		PERSONAL PROPERTY OF OFFICERS AND EMPLOYEES OF THE NAMED INSURED WHILE ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED	

\$10,000	PERSONAL PROPERTY OF LAW ENFORCEMENT AND FIRE DEPARTMENT EMPLOYEES, INCLUDING VOLUNTEER LAW ENFORCEMENT AND VOLUNTEER FIRE DEPARTMENT PERSONNEL WHILE <u>PERSONNEL WHILE</u> ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED
\$2,500,000	PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS – ANY ONE INSURED PROPERTY
\$2,500,000	SERVICE INTERRUPTION - PROPERTY DAMAGE AND TIME ELEMENT COMBINED
\$2,500,000	TRANSIT - PROPERTY DAMAGE AND TIME ELEMENT COMBINED – PER CONVEYANCE
\$2,500,000	UNSCHEDULED FINE ARTS – SUBJECT TO A MAXIMUM OF \$250,000 PER ITEM
\$250,000	UNSCHEDULED TUNNELS, BRIDGES, AIRPORT RUNWAYS, AND DAMS-DAMS (EXCLUDING COVERAGE FOR THE PERILS OF EARTH MOVEMENT <u>EARTHQUAKE</u> , FLOOD , AND NAMED STORM)
\$100,000	UNSCHEDULED UNMANNED AIRCRAFT SYSTEMS , INCLUDING ATTACHED EQUIPMENT
\$500,000	UNSCHEDULED WATERCRAFT
\$250,000	UNSCHEDULED WHARVES, PIERS, DOCKS, PILINGS, AND BULKHEADS
\$100,000	UPGRADE TO GREEN
\$2,500,000	VALUABLE PAPERS AND RECORDS

Time Limits

In addition to the time limits shown elsewhere in this Policy, the following apply:

- 30 Day Period: INTERRUPTION BY CIVIL AUTHORITY
- 30 Day Period: INGRESS/EGRESS
- 180 Day Period: EXTENDED PERIOD OF INDEMNITY

7. PREMIUM

This **Policy** is issued in consideration of an annual premium of _____.

8. WAITING PERIOD

For the purposes of applying SERVICE INTERRUPTION, CIVIL ~~AUTHORITY~~ AUTHORITY AND INGRESS/EGRESS Coverage, the **Waiting Period** is twenty-four (24) hours.

9. DEDUCTIBLES

In each case of loss covered by this **Policy**, the ~~Company~~**COMPANY** will be liable only if the NAMED INSURED sustains a loss in a single **Occurrence** greater than the underlying limit or the applicable deductible specified below, and only for its share of that greater amount.

A. Named Storm

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the deductible for **Named Storm** in **Tier One Counties**.

For INSURED PROPERTY wholly or partially situated in **Tier One Counties**, the deductible shall be ~~3% of the value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss.~~ 2% of the total actual value of all INSURED PROPERTY per Occurrence irrespective of the number of locations. If the claim as respects Losses from a **Named Storm** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single **Occurrence** with respect to such losses be less than the minimum amount of \$ _____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

As respects **Named Storm** losses in all other counties, a \$ _____ deductible per **Occurrence** for all INSURED PROPERTY and coverages, combined, shall apply.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the perils of **Flood** or **Storm Surge** resulting from a **Named Storm**:

- (1) for all coverages insured against under this ~~policy~~**Policy**, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this ~~policy~~**Policy**, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section A. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section A. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3)

above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the ~~policy~~**Policy**.

B. Flood

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the **Special Flood Hazard Area** deductible detailed below.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the peril of **Flood**, as covered and defined under the National Flood Insurance Program:

- (1) for all coverages insured against under this ~~policy~~**Policy**, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this ~~policy~~**Policy**, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section B. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section B. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the ~~policy~~**Policy**.

For all other **Flood** losses, the deductible shall be \$_____.

The deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the **Policy**.

C. Earthquake in New Madrid Counties

For INSURED PROPERTY wholly or partially situated in **New Madrid Counties**, the deductible shall be 2% of the ~~value, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, of the INSURED PROPERTY as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss-total actual value of all INSURED PROPERTY per Occurrence irrespective of the number of locations.~~ If the claim as respects Losses from an **Earthquake in New Madrid Counties** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied

separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single Occurrence with respect to such losses be less than the minimum amount of \$ _____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

The deductibles described under this section C shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the Policy.

D. All Other Perils

As respects losses from any other peril, a \$ _____ deductible per **Occurrence** for all INSURED PROPERTY, and coverages, combined shall apply.

E. Deductible Conditions

(1) Two or More Deductibles

In the event of any **Occurrence** resulting in loss or damage insured against under this **Policy** for which two or more deductibles apply, the total deductible shall not exceed the single largest deductible applicable to the **Occurrence**.

However, in any **Occurrence** where loss or damage is caused by more than one peril insured against under this Policy, the NAMED INSURED shall have the right to separate the loss amount by peril for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles.

(2) Percentage Deductibles

For any deductible expressed as a percentage of actual value at the time when such loss occurs, the percentage deductible shall apply against those values reported in the latest **Schedule of Values** on file with the COMPANY for the INSURED PROPERTY which is affected and being reported for loss.

If the property affected and being reported for loss is not so reported in the **Schedule of Values** on file with the COMPANY, the percentage deductible shall apply against the total cost, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss.

PROPERTY DAMAGE - SECTION B

This **Policy** covers property, as described in this **Policy**, against all risks of direct physical loss or direct physical damage, except as hereinafter excluded, while located as described in this **Policy**.

1. INSURED PROPERTY

This **Policy** insures the following property, unless otherwise excluded elsewhere in this **Policy**, anywhere within the ~~policy territory~~ **Policy TERRITORY**, to the extent of the interest of the NAMED INSURED in such property.

- A. Real Property, including but not limited to buildings, remodeling, installations, and construction in which the NAMED INSURED has an insurable interest.
- B. Personal Property:

- 1) Owned by the NAMED INSURED, including the NAMED INSURED'S interest as a tenant in improvements and betterments. In the event of physical loss or damage, the CompanyCOMPANY agrees to accept and consider the NAMED INSURED as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary;
- 2) Of officers and employees of the NAMED INSURED, while acting within the scope of duties on behalf of the NAMED INSURED, at or within 100 feet of an insured building;
- 3) Of law enforcement and fire department employees, including volunteer law enforcement and volunteer fire department personnel, within the coverage TERRITORY while acting within the scope of duties on behalf of the NAMED INSURED.
- 4) Of others in the NAMED ~~INSURED'S~~INSURED'S custody to the extent the NAMED INSURED is under obligation to keep insured for physical loss or damage insured by this **Policy**; or
- 5) Of others in the NAMED INSURED'S custody to the extent of the NAMED INSURED'S legal liability for physical loss or damage to personal property. The CompanyCOMPANY will defend that portion of any suit against the NAMED INSURED that alleges such liability and seeks damages for such insured physical loss or damage. The CompanyCOMPANY may, without prejudice, investigate, negotiate and settle any claim or suit as the CompanyCOMPANY deems expedient.
- 6) **Mobile Equipment, Vehicles, Unmanned Aircraft Systems**, and watercraft owned, rented, or leased by the NAMED INSURED.

This Policy also insures the interest of contractors and subcontractors in ~~insured property~~INSURED PROPERTY during construction at an INSURED PROPERTY to the extent of the NAMED INSURED'S legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this **Policy**.

2. PROPERTY EXCLUDED

This **Policy** excludes:

- A. Currency, money, precious metal in bullion form, notes, or securities.
- B. Land, water or any other substance in or on land; except this exclusion does not apply to loss or damage caused by or resulting from a **Defined Peril** for the following items:
 - 1) Land improvements consisting of landscaping including trees and shrubs, tunnels, piers, docks, pilings, bulkheads, wharves, piping, fiber optic cable, and retaining walls, but not including any land beneath such property.
 - 2) Bridges and dams (including earthen dams~~);~~) but not including coverage for the peril of **Flood**.
 - 3) Pavements, sidewalks, parking lots, and culverts at an INSURED PROPERTY, but not including roadways, highways, and streets.
 - 4) Athletic Fields including necessary materials, fill, and substrate beneath such fields.
 - 5) Water that is contained within any enclosed tank, piping system or any other processing equipment.

- C. Animals, but not including animals used for research and animals used for the operations of the NAMED INSURED.
- D. Spacecraft, satellites, or aircraft except **Unmanned Aircraft Systems**.
- E. Underground mines, mineshafts or caverns or any property within such mine, shaft or cavern.
- F. Canals, off shore drilling rigs, or reservoirs.
- G. Property sold by the NAMED INSURED under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers except as provided by the DEFERRED PAYMENT coverage of this **Policy**.
- H. Overhead transmission and distribution lines located more than 1 mile from an insured building.
- I. Standing timber, growing crops, sod, grass, or greens and tees at golf courses.
- J. Landfill original material (i.e. trash and debris), landfill liners or similar landfill barrier(s), natural or manmade.
- K. Equipment used to produce power or gas primarily for distribution to third parties.

3. ADDITIONAL COVERAGES

This Policy includes the following Additional Coverages for physical loss or damage insured by this **Policy**. These Additional Coverages:

Are subject to the applicable limit of liability;

Will not increase the **Policy** limit of liability; and

Are subject to the **Policy** provisions, including applicable exclusions and deductibles;

all as shown in this Section and elsewhere in this **Policy**.

A. ACCOUNTS RECEIVABLE

This **Policy** covers any shortage in the collection of accounts receivable, resulting from insured physical loss or damage to accounts receivable records while anywhere within the **Policy** TERRITORY, including while in transit. The ~~Company~~COMPANY will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on deferred payment accounts and **Normal** credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to accounts receivable records, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding accounts receivable.
- 2) The NAMED INSURED agrees to use any suitable property or service:
 - a. Owned or controlled by the NAMED INSURED; or
 - b. obtainable from other sources;

in reducing the loss under this Additional Coverage.

- 3) This **Policy** covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct accounts receivable records so that no shortage is sustained, the CompanyCOMPANY will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.
- 5) ACCOUNTS RECEIVABLE Exclusionsexclusions: The following exclusions are in addition to the EXCLUSIONS clause of this Section:

This ADDITIONAL COVERAGE does not insure against shortage resulting from:

- a. Bookkeeping, accounting or billing errors or omissions; or
- b. (i) Alteration, falsification, manipulation; or
(ii) Concealment, destruction or disposal;

of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.

- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the NAMED INSURED on outstanding accounts receivable on the date of loss will belong and be paid to the CompanyCOMPANY up to the amount of loss paid by the CompanyCOMPANY. All recoveries exceeding the amount paid will belong to the NAMED INSURED.

B. ANIMALS

This **Policy** covers insured physical loss or damage to animals used for research and animals used for the operations of the NAMED INSURED.

As respects ANIMALS, the following additional exclusions apply:

This **Policy** excludes the following unless directly resulting from other physical damage not excluded by this **Policy**:

- 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 on the part of the NAMED INSURED to provide nourishment, medicine or sanitary conditions.
- 5) Contamination of animals, food or medicine.

C. AUTOMATIC COVERAGE (NEWLY ACQUIRED)

This **Policy** covers INSURED PROPERTY rented, leased, purchased, or newly constructed by the NAMED INSURED after the inception date of this **Policy** within the **Policy** TERRITORY.

This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until the date the INSURED PROPERTY is reported to the CompanyCOMPANY or 120 days from the date of acquisition, whichever comes first.

D. BRANDS AND LABELS

If branded or labeled property insured by this **Policy** is physically damaged and the CompanyCOMPANY elects to take all or any part of that property, the NAMED INSURED may at the Company'sCOMPANY'S expense:

- 1) Stamp "salvage" on the property or its containers; or
- 2) Remove or obliterate the brands or labels;

if doing so will not damage the property. In either event, the NAMED INSURED must relabel such property or its containers to be in compliance with any applicable law.

E. CLAIM PREPARATION FEES AND EXPENSES

This **Policy** covers the actual costs incurred by the NAMED INSURED, of reasonable fees payable to the NAMED INSURED'S accountants, architects, auditors, engineers, or other professionals and the cost of using the NAMED INSURED'S employees, for producing and certifying any particulars or details contained in the NAMED INSURED'S books or documents, or such other proofs, information or evidence required by the CompanyCOMPANY resulting from insured loss payable under this **Policy** for which the CompanyCOMPANY has accepted liability.

Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them.

F. CONSEQUENTIAL REDUCTION IN VALUE

This **Policy** covers the reduction in value of insured merchandise that is a part of pairs, sets or components, directly resulting from physical loss or damage insured by this **Policy** to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the NAMED INSURED will surrender the undamaged parts of such merchandise to the CompanyCOMPANY.

G. DEBRIS REMOVAL

This **Policy** covers the reasonable and necessary costs incurred to remove debris from INSURED PROPERTY that remains as a direct result of physical loss or damage insured by this **Policy**.

This Additional Coverage does not cover the costs of removal of:

- 1) Contaminated uninsured property; or
- 2) The contaminant in or on uninsured property;

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of **Pollutants** or hazardous material.

H. DECONTAMINATION COSTS

If INSURED PROPERTY is contaminated as a direct result of physical damage insured by this **Policy** and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of **Pollutants** or hazardous material, then this **Policy** covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated INSURED PROPERTY in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of INSURED PROPERTY so contaminated as a direct result of insured physical damage.

The **Company**COMPANY is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

I. DEFERRED PAYMENTS

This **Policy** covers insured physical loss or damage to personal property of the type insured sold by the NAMED INSURED under a conditional sale or trust agreement or any installment or deferred payment plan and after such property has been delivered to the buyer. Coverage is limited to the unpaid balance for such property.

In the event of loss to property sold under deferred payment plans, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding amounts due or to regain possession of the property.

There is no liability under this **Policy** for loss:

- 1) Pertaining to products recalled including, but not limited to, the costs to recall, test or to advertise such recall by the NAMED INSURED.
- 2) From theft or conversion by the buyer of the property after the buyer has taken possession of such property.
- 3) To the extent the buyer continues payments.
- 4) Not within the **Policy** TERRITORY.

J. EARTH MOVEMENT

This **Policy** covers physical loss or damage caused by or resulting from **Earth Movement**.

K. ELECTRONIC DATA AND MEDIA

This **Policy** covers physical loss or damage to **Electronic Data and Media** while anywhere within the **Policy** TERRITORY, including while in transit.

- 1) This Additional Coverage excludes:
 - a. Property held as samples or for sale or for delivery after sale.
 - b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this **Policy** results, in which event, this coverage will insure only such resulting damage.

L. ERRORS AND OMISSIONS

If physical loss or damage is not payable under this **Policy** solely due to an error or unintentional omission:

- 1) In the description of where INSURED PROPERTY is physically located;
- 2) To include any INSURED PROPERTY:
 - a. Owned, rented or leased by the NAMED INSURED on the effective date of this **Policy**; or
 - b. Purchased, rented or leased by the NAMED INSURED during the term of this **Policy**; or
- 3) That results in cancellation of the property insured under this **Policy**;

This **Policy** covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the NAMED INSURED to the CompanyCOMPANY when discovered and corrected.

M. EXPEDITING EXPENSE

This **Policy** covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to INSURED PROPERTY and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) Recoverable elsewhere in this **Policy**; or
- 2) Of permanent repair or replacement of damaged property.

N. FINE ARTS

This **Policy** covers physical loss or damage to **Fine Arts** articles while anywhere within the Policy TERRITORY, including while in transit.

- 1) This additional coverage excludes loss or damage if the **Fine Arts** cannot be replaced with other of like kind and quality.
- 2) In addition, as respects FINE ARTS, the following exclusions apply:
 - a. Loss or damage from any repairing, restoration or retouching process.

O. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

This **Policy** covers the following expenses resulting from a covered loss:

- 1) fire brigade charges and any extinguishing expenses which the NAMED INSURED incurs;
- 2) loss and disposal of fire extinguishing materials expended.

P. FLOOD

This **Policy** covers physical loss or damage caused by or resulting from **Flood**.

Q. INCREASED COST OF CONSTRUCTION

- 1) This **Policy** covers the reasonable and necessary costs incurred, described in Item 3) below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures, provided:
 - a. Such law or ordinance is in force on the date of insured physical loss or damage; and
 - b. Its enforcement is a direct result of such insured physical loss or damage; and
- 2) This Additional Coverage does not cover any loss due to any law or ordinance with which the NAMED INSURED should have complied before the loss.
- 3) This Additional Coverage, as respects the property insured in Item 1) above, covers:
 - a. The cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and
 - b. The cost:
 - (i) to demolish the physically undamaged portion of such property insured; and
 - (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance;to the extent that such costs result when the total demolition of the physically damaged INSURED PROPERTY is required to satisfy such law or ordinance.
- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of contamination including but not limited to the presence of **Pollutants** or hazardous material.
- 5) The ~~Company's~~COMPANY'S maximum liability for this Additional Coverage at each INSURED PROPERTY in any **Occurrence** will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in Item 1) above plus the lesser of:
 - a. The reasonable and necessary cost incurred, excluding the cost of land, in rebuilding on another site; or
 - b. The cost of rebuilding on the same site.

If the coverage under this clause is subject to a sublimit, such sublimit shall only apply with respects to paragraph 3) a. above. Such sublimit shall not apply with respect to paragraph 3) b. above where coverage described therein shall be included within the **Policy** limit.

R. LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL

This **Policy** covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, including water or any other substance in land, and water on land, at the INSURED PROPERTY if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to INSURED PROPERTY.

This **Policy** does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) At any INSURED PROPERTY for personal property only; or
- 2) When the NAMED INSURED fails to give written notice of loss to the ~~Company~~COMPANY within 180 days after inception of the loss.

S. MISCELLANEOUS UNNAMED PROPERTY

This **Policy** covers the NAMED INSURED'S interest in covered property within the **Policy** TERRITORY which is not specifically on file, identified, or scheduled by the ~~Insurer~~NAMED INSURED with the COMPANY. No coverage is provided under this provision on property while waterborne.

This provision does not cover any property insured or excluded under any other item of this ~~policy~~Policy.

T. PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS

This **Policy** covers projects in the course of construction.

This Additional Coverage also covers the necessary **Soft Costs**.

U. PROTECTION AND PRESERVATION OF PROPERTY

This **Policy** covers:

- 1) Reasonable and necessary costs incurred for actions to temporarily protect or preserve INSURED PROPERTY, provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such INSURED PROPERTY.
- 2) Reasonable and necessary includes, but is not limited to:
 - a. Fire department fire-fighting charges imposed as a result of responding to a fire in, on or exposing the INSURED PROPERTY;
 - b. Costs incurred of restoring and recharging fire protection systems following an insured loss; and

- c. Costs incurred for the water used for fighting a fire in, on or exposing the INSURED PROPERTY.

This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

V. SERVICE INTERRUPTION PROPERTY DAMAGE

- 1) This **Policy** covers physical loss or damage to INSURED PROPERTY when such physical loss or damage results from the interruption of the specified incoming or outgoing services consisting of electricity, telecommunications, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the supplier of such service located within the **Policy** TERRITORY, that immediately prevents in whole or in part the delivery of such usable service.
- 2) This Additional Coverage will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The ~~Company~~COMPANY will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

W. TERRORISM

This **Policy** covers physical loss or damage caused by or resulting from **Terrorism**.

X. TRANSIT

- 1) This **Policy** covers the following INSURED PROPERTY within the **Policy** TERRITORY, except as excluded by this Policy, while in transit:
 - a. Owned by the NAMED INSURED within the **Policy** TERRITORY of this ~~policy~~Policy.
 - b. Shipped to customers under F.O.B., C & F or similar terms. The NAMED INSURED'S contingent interest in such shipments is admitted.
 - c. Of others in the actual or constructive custody of the NAMED INSURED to the extent of the NAMED INSURED'S interest or legal liability.
 - d. Of others sold by the NAMED INSURED that the NAMED INSURED has agreed prior to the loss to insure during course of delivery.
- 2) This Additional Coverage excludes:
 - a. Samples in the custody of salespeople or selling agents.

- b. Property insured under import or export ocean marine insurance.
 - a. Waterborne shipments, unless:
 - i) by inland water; or
 - ii) by coastal shipments.
 - d. Airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.
 - e. Property of others, including the NAMED INSURED'S legal liability for it, hauled on **Vehicles** owned, leased or operated by the NAMED INSURED when acting as a common or contract carrier.
 - f. Any transporting **Vehicle**.
 - g. Property shipped between continents, except by land or air between Europe and Asia.
- 3) Coverage Attachment and Duration
- a. This Additional Coverage covers from the time the property leaves the original point of shipment for transit until the property arrives at destination.
 - b. However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.
- 4) This Additional Coverage:
- a. Covers general average and salvage charges on shipments covered while waterborne.
 - b. Insures physical loss or damage caused by or resulting from:
 - i) Unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts;
 - ii) Improper parties having gained possession of property through fraud or deceit.
- 5) Additional General Provisions
- a. This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
 - b. The NAMED INSURED has permission, without prejudicing this insurance, to accept:
 - i) Ordinary bills of lading used by carriers;
 - ii) Released bills of lading;
 - iii) Undervalued bills of lading; and
 - iv) Shipping or messenger receipts.

- c. The NAMED INSURED may waive subrogation against railroads under sidetrack agreements.

Except as otherwise stated, the NAMED INSURED will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

Y. VALUABLE PAPERS AND RECORDS

This **Policy** covers physical loss or damage to **Valuable Papers and Records** while anywhere within the **Policy** TERRITORY, including while in transit.

- 1) This Additional Coverage excludes:
 - a. Property held as samples or for sale or for delivery after sale, and
 - b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this **Policy** results, in which event, this coverage will insure only such resulting damage.

4. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this **Policy**.

A. This **Policy** excludes:

- 1) Indirect or remote loss or damage.
- 2) Interruption of business; except to the extent provided by this **Policy**.
- 3) Loss of market or loss of use.
- 4) Loss or damage or deterioration arising from any delay.
- 5) Mysterious disappearance, loss or shortage disclosed on taking inventory for which the loss can be proven solely on the inventory records, or any unexplained loss.
- 6) Loss from enforcement of any law or ordinance:
 - a. Regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
 - b. Requiring the demolition of any property, including the cost in removing its debris;except as provided by the DEBRIS REMOVAL, DECONTAMINATION COSTS and INCREASED COST OF CONSTRUCTION coverages of the PROPERTY DAMAGE Section of this **Policy**.
- 7) Loss from the accumulated effects of smog, smoke, vapor, liquid or dust.

- B. This **Policy** excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this **Policy**, contributing concurrently or in any other sequence to the loss:

- 1) Nuclear reaction or nuclear radiation or radioactive contamination. However:
 - a. If physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
 - b. This **Policy** does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the INSURED PROPERTY, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the INSURED PROPERTY.
- 2) a. 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:
 - (i) Government or sovereign power (de jure or de facto);
 - (ii) Military, naval or air force; or
 - (iii) Agent or authority of any party specified in (i) or (ii) above.
 - b. Discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
 - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
 - d. Seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
 - e. Risks of contraband, or illegal transportation or trade.
- 3) Any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
 - a. By a NAMED INSURED or any proprietor, partner, director, trustee, officer, or employee of a NAMED INSURED; or
 - b. By any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by a NAMED INSURED to do anything in connection with property insured under this **Policy**.

This **Policy** does insure acts of direct insured physical damage intentionally caused by an employee of a NAMED INSURED or any individual specified in b. above, and done without the knowledge of the NAMED INSURED. In no event does this **Policy** cover loss by theft by any individual specified in a. or b. above.

- 4) Lack of the following services:
 - a) incoming or outgoing electricity, fuel, water, gas, steam, refrigerant;
 - b) incoming or outgoing sewerage;

c) incoming or outgoing telecommunications;

all when caused by an **Occurrence** off the INSURED PROPERTY, except as provided in SERVICE INTERRUPTION in the PROPERTY DAMAGE or TIME ELEMENT Section of this **Policy**. But, if the lack of such a service directly causes physical damage insured by this **Policy** on the INSURED PROPERTY, then only that resulting damage is insured.

5) The unlawful possession, use, release, discharge, dispersal or disposal of any chemical or similar agent or matter regardless of who is responsible for the act and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.

C. This **Policy** excludes the following, but, if physical damage not excluded by this **Policy** results, then only that resulting damage is insured:

- 1) Faulty workmanship, material, construction or design from any cause.
- 2) Loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
- 3) Deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect.
- 4) Settling, cracking, shrinking, bulging, or expansion of foundations (including any pedestal, pad, platform or other property supporting machinery), floors, pavements, walls, ceilings or roofs.
- 5) Changes of temperature damage (except to machinery or equipment); or changes in relative humidity damage; all whether atmospheric or not.
- 6) Insect, animal or vermin damage, except damage to **Mobile Equipment** and **Vehicles**.

D. This **Policy** excludes the following unless directly resulting from other physical damage not excluded by this **Policy**:

- 1) Contamination including but not limited to the presence of **Pollutants** or hazardous material.
- 2) Shrinkage; changes in color, flavor, texture or finish.
- 3) Asbestos material defects, treatment, abatements or removal.

E. This **Policy** excludes the following, but, if physical damage results from a **Defined Peril**, then only that resulting damage is insured.

- 1) Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility, including but not limited to Computer Virus. Computer Virus shall mean a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. Computer Virus includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.
- 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 NAMED INSURED to conduct business.

4) The failure of any of the following, whether owned by you or others:

- (a) Data processing equipment, software, data, or media;
- (b) Hardware or software based computer operating systems;
- (c) Microprocessors;
- (d) Integrated circuits; or,
- (e) ~~(e)~~—Any other electronic equipment, computerized equipment, or similar devices;

due to the inability of these items to correctly recognize, process, or accept one or more dates or times as their true calendar date or time.

5) Fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;

- (a) 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;
- (b) mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
- (c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms.

TIME ELEMENT - SECTION C

1. LOSS INSURED

A. This **Policy** insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this **Policy**:

- 1) To property described elsewhere in this **Policy** and not otherwise excluded by this **Policy** or otherwise limited in the TIME ELEMENT COVERAGES below; and
- 2) Used by the NAMED INSURED, or for which the NAMED INSURED has contracted use; and
- 3) Located at an INSURED PROPERTY or in the case of PERSONAL PROPERTY within the **Policy** TERRITORY; and
- 4) While in transit as provided by this **Policy**; and
- 5) During the Periods of Liability described in this Section.

B. This **Policy** insures TIME ELEMENT loss only to the extent it cannot be reduced through:

- 1) The use of any property or service owned or controlled by the NAMED INSURED;

- 2) The use of any property or service obtainable from other sources;
- 3) Working extra time or overtime; or
- 4) The use of inventory;

all whether at an INSURED PROPERTY or at any other location. The ~~Company~~COMPANY reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the NAMED INSURED in determining the TIME ELEMENT loss.

- C. This **Policy** covers expenses reasonably and necessarily incurred by the NAMED INSURED to reduce the loss otherwise payable under this ~~Section~~section of this **Policy**. The amount of such recoverable expenses will not exceed the amount by which the loss has been reduced.
- D. Except as respects LEASEHOLD INTEREST, in determining the amount of loss payable, the ~~Company~~COMPANY will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.

2. TIME ELEMENT COVERAGES

A. BUSINESS INCOME

1) Measurement of Loss:

- a. The recoverable BUSINESS INCOME loss is the ~~Actual Loss Sustained~~actual loss sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:
 - i) **Gross Earnings** including **Ordinary Payroll**;
 - ii) Less all charges and expenses that do not necessarily continue during the interruption of production or suspension of business operations or services;
 - iii) Plus all other earnings derived from the operation of the business;
- b. In determining the indemnity payable as the ~~Actual Loss Sustained~~actual loss sustained, the ~~Company~~COMPANY will consider the continuation of only those **Normal** charges and expenses that would have been earned had no interruption of production or suspension of business operations or services occurred.
- c. There is recovery hereunder only to the extent that the NAMED INSURED is:
 - i) Wholly or partially prevented from producing goods or continuing business operations or services;
 - ii) Unable to make up lost production within a reasonable period of time, not limited to the period during which production is interrupted;
 - iii) Unable to continue such operations or services during the PERIOD OF LIABILITY; and
 - iv) Able to demonstrate a loss of sales for the services or production prevented.

B. EXTRA EXPENSE

1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the NAMED INSURED of the following during the PERIOD OF LIABILITY:

- a. Extra expenses to temporarily continue as nearly **Normal** as practicable the conduct of the NAMED INSURED'S business; and
- b. Extra costs of temporarily using property or facilities of the NAMED INSURED or others;

less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.

2) EXTRA EXPENSE ~~Exclusions~~exclusions: As respects EXTRA EXPENSE, the following are also excluded:

- a. Any loss of income.
- b. Costs that **Normally** would have been incurred in conducting the business during the same period had no physical loss or damage occurred.
- c. Cost of permanent repair or replacement of property that has been damaged or destroyed.
- d. Any expense recoverable elsewhere in this **Policy**.

C. LEASEHOLD INTEREST

1) Measurement of Loss: The recoverable LEASEHOLD INTEREST loss is as follows:

- a. If the lease agreement requires continuation of rent; and if the property is wholly untenable or unusable, the actual rent payable for the unexpired term of the lease; or if the property is partially untenable or unusable, the proportion of the rent payable for the unexpired term of the lease.
- b. If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the **Lease Interest** for the first three months following the loss; and the **Net Lease Interest** for the remaining unexpired term of the lease.

2) LEASEHOLD INTEREST ~~Exclusion~~exclusions: As respects LEASEHOLD INTEREST, TIME ELEMENT EXCLUSIONS A, B, and C do not apply and the following applies instead:

This **Policy** does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the NAMED INSURED exercising an option to cancel the lease; or from any act or omission of the NAMED INSURED that constitutes a default under the lease.

In addition, there is no coverage for the NAMED INSURED'S loss of LEASEHOLD INTEREST directly resulting from damage to Personal Property.

D. RENTAL INSURANCE

- 1) Measurement of Loss: The recoverable RENTAL INSURANCE loss is the ~~Actual Loss Sustained~~actual loss sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:
 - a. The fair rental value of any portion of the property occupied by the NAMED INSURED;
 - b. The income reasonably expected from rentals of unoccupied or unrented portions of such property; and
 - c. The rental income from the rented portions of such property according to bona fide leases, contracts or agreements in force at the time of loss;

all not to include noncontinuing charges and expenses.

- 1) RENTAL INSURANCE ~~Exclusion~~exclusions: As respects RENTAL INSURANCE, TIME ELEMENT EXCLUSION A does not apply and the following applies instead:

This **Policy** does not insure any loss of rental income during any period in which the INSURED PROPERTY would not have been tenantable for any reason other than an insured loss.

E. CONTINGENT TAX REVENUE INTERRUPTION (EXCLUDING EARTH MOVEMENT, NAMED STORM, AND FLOOD)

This **Policy** insures against loss resulting directly from necessary interruption of sales, property or other tax revenue collected by or due the NAMED INSURED caused by damage, or destruction by a peril not excluded from this **Policy** to property which is not operated by the insured and which wholly or partially prevents the generation of revenue for the account of the insured.

- 1) In the event of such damage or destruction, the ~~Company~~COMPANY shall be liable, with limitations as indicated, if the following conditions a and b are both met:
 - a. The total revenue is reduced to less than 97.5% of the NAMED INSURED'S anticipated revenue had no loss occurred.
 - b. The ~~company~~COMPANY shall be liable for the actual loss sustained for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this **Policy**.
- 2) Deductible: Each loss or series of losses arising out of one event at INSURED PROPERTY shall be adjusted separately and from the aggregated amount of all such losses 2.50% of the annual revenue value shall be deducted.

3. TIME ELEMENT COVERAGE EXTENSIONS

A. CONTINGENT BUSINESS INCOME AND EXTRA EXPENSE

This **Policy** covers the ~~Actual Loss Sustained~~actual loss sustained and EXTRA EXPENSE incurred by the NAMED INSURED during the PERIOD OF LIABILITY:

- 1) Directly resulting from physical loss or damage of the type insured; and

2) To property of the type insured,
at direct supplier or customer locations located within the **Policy** TERRITORY.

The term “supplier or customer” does not include any company supplying to or receiving from the INSURED PROPERTY, as described elsewhere in this **Policy**, electricity, fuel, gas, water, steam, refrigeration, sewage or telecommunications.

B. EXTENDED PERIOD OF INDEMNITY

The BUSINESS INCOME and RENTAL INSURANCE coverages are extended to cover the reduction in sales resulting from:

- 1) The interruption of business as covered by BUSINESS INCOME:
- 2) For such additional length of time as would be required with the exercise of due diligence and dispatch to restore the NAMED INSURED’S business to the condition that would have existed had no loss occurred; and
- 3) Commencing with the date on which the liability of the ~~Company~~COMPANY for loss resulting from interruption of business would terminate if this Extension had not been included herein.
- 4) The loss or rental income or rental value as covered by RENTAL INSURANCE.

EXTENDED PERIOD OF INDEMNITY ~~Exclusionsexclusions~~: As respects EXTENDED PERIOD OF INDEMNITY, the TIME ELEMENT EXCLUSION for increase in loss due to suspension, lapse of any lease, contract or license or order does not apply.

This **Policy** does not insure against any increase in loss due to fines or damages for breach of contract or for late or noncompletion of orders, or penalties of any nature.

Coverage under this Extension for the reduction in sales due to contract cancellation will be limited to only those sales that would have been earned under the contract during the EXTENDED PERIOD OF INDEMNITY.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in LIMITS OF LIABILITY clause of the DECLARATIONS Section.

C. INGRESS/EGRESS

This **Policy** covers the ~~Actual Loss Sustained~~actual loss sustained and ~~Extra Expense~~EXTRA EXPENSE incurred by the NAMED INSURED due to the necessary interruption of the NAMED INSURED’S business due to prevention of ingress to or egress from an INSURED PROPERTY, provided that such prevention is a direct result of physical damage of the type insured by this **Policy**, to the kind of property not excluded by this **Policy**, and which is located within five (5) statute mile of the INSURED PROPERTY incurring loss.

INGRESS/EGRESS ~~Exclusionsexclusions~~: As respects INGRESS/EGRESS, the following exclusions are applicable:

This **Policy** does not insure loss resulting from:

- 1) lack of incoming or outgoing service consisting of electric, fuel, gas, water, steam, refrigerant, sewerage and telecommunications.

2) picketing or other action by strikers except for physical damage not excluded by this **Policy**.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

D. INTERRUPTION BY CIVIL AUTHORITY

This **Policy** covers the ~~Actual Loss Sustained~~ actual loss sustained and ~~Extra Expense~~ EXTRA EXPENSE incurred by the NAMED INSURED during the PERIOD OF LIABILITY when access to INSURED PROPERTY is specifically prohibited by order of civil authority, provided such order is a direct result of actual loss or damage from a peril covered under this **Policy** to property of the type insured against under this ~~policy~~ **Policy** which is located within five (5) statute miles of the INSURED PROPERTY to which access is prohibited.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

E. ON PREMISES SERVICES

This **Policy** covers the ~~Actual Loss Sustained~~ actual loss sustained by the NAMED INSURED during the PERIOD OF LIABILITY directly resulting from physical loss or damage of the type insured to the following property located on the NAMED INSURED'S premises:

- 1) Electrical and telecommunications equipment.
- 2) Electrical, telecommunications, fuel, gas, water, steam, refrigeration and sewerage transmission lines.

F. EVACUATION EXPENSE

In the case of actual or imminent loss or damage of the type insured against by this ~~policy~~ **Policy**, or a Mandatory Evacuation Order, this **Policy** will pay the expenses incurred by the NAMED INSURED for the emergency evacuation of patients, inmates, and juvenile detainees from INSURED PROPERTY.

Mandatory Evacuation Order means the first public broadcast of a compulsory evacuation made by the responsible civil authority that is specific as to the effective date, time and area affected and which arises out of a peril for which coverage would have been provided if such peril had caused loss or damage to INSURED PROPERTY. The Mandatory Evacuation Order must commence during the POLICY PERIOD. Recommended, advisory, precautionary, or voluntary evacuation is not included in the definition of Mandatory Evacuation Order.

This additional coverage does not apply to any expenses incurred for: scheduled evacuation drills, fire or safety drills, or the evacuation of a patient due to a medical condition. This coverage also includes expenses incurred to return patients, inmates, and juvenile detainees to INSURED PROPERTY.

G. PROTECTION AND PRESERVATION OF PROPERTY – TIME ELEMENT

This **Policy** covers the ~~Actual Loss Sustained~~ actual loss sustained by the NAMED INSURED for the temporary protection and preservation of property insured by this **Policy** provided such action is necessary to prevent immediately impending physical loss or damage insured by this **Policy** at such INSURED PROPERTY.

This extension is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

H. RESEARCH AND DEVELOPMENT

The BUSINESS INCOME coverage is extended to insure the ~~Actual Loss Sustained~~ actual loss sustained by the NAMED INSURED of continuing fixed charges and **Ordinary Payroll** directly attributable to the interruption of research and development activities that in themselves would not have produced income during the PERIOD OF LIABILITY.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be the period from the time of direct physical loss or damage of the type insured by this **Policy** to the time when the property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to damage.

I. SERVICE INTERRUPTION TIME ELEMENT

- 1) This **Policy** covers the ~~Actual Loss Sustained~~ actual loss sustained and ~~Extra Expense~~ EXTRA EXPENSE incurred by the NAMED INSURED during the **Period of Service Interruption** at INSURED PROPERTY when the loss is caused by the interruption of incoming or outgoing services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the utility supplier of such service located within the **Policy** TERRITORY, that immediately prevents in whole or in part the delivery of such usable services.
- 2) This extension will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The ~~Company~~ COMPANY will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

4. PERIOD OF LIABILITY

- A. The PERIOD OF LIABILITY applying to all TIME ELEMENT COVERAGES, except LEASEHOLD INTEREST and as shown below, or if otherwise provided under the TIME ELEMENT COVERAGE EXTENSIONS, is as follows:
 - 1) For building and equipment, the period:
 - a. Starting from the time of physical loss or damage of the type insured against; and
 - b. Ending when with due diligence and dispatch the building and equipment could be:
 - i) Repaired or replaced; and

- ii) Made ready for operations;
under the same or equivalent physical and operating conditions that existed prior to the damage.
 - c. Not to be limited by the expiration of this **Policy**.
- 2) For building and equipment under construction:
- a. The equivalent of the above period of time will be applied to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and
 - b. Due consideration will be given to the actual experience of the business compiled after completion of the construction and startup.
- 3) For stock-in-process and mercantile stock, including finished goods not manufactured by the NAMED INSURED, the time required with the exercise of due diligence and dispatch:
- a. To restore stock in process to the same state of manufacture in which it stood at the inception of the interruption of production or suspension of business operations or services; and
 - b. To replace physically damaged mercantile stock.

This item does not apply to RENTAL INSURANCE.

- 4) For raw materials and supplies, the period of time:
- a. Of actual interruption of production or suspension of operations or services resulting from the inability to get suitable raw materials and supplies to replace similar ones damaged; but
 - b. Limited to that period for which the damaged raw material and supplies would have supplied operating needs.
- 5) If water:
- a. Used for any manufacturing purpose, including but not limited to as a raw material or for power;
 - b. Stored behind dams or in reservoirs; and
 - c. At any INSURED PROPERTY;

is released as the result of physical damage of the type insured against under this ~~policy~~**Policy** to such dam, reservoir or connected equipment, the ~~Company's~~**COMPANY'S** liability due to inadequate water supply is limited to 30 consecutive days after the damaged dam, reservoir or connected equipment has been repaired or replaced.

This item does not apply to RENTAL INSURANCE.

- 6) For physically damaged exposed film, records, manuscripts and drawings, the time required to copy from backups or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

This item does not apply to RENTAL INSURANCE.

- 7) For physically damaged or destroyed data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, the time to recreate or restore including the time for researching or engineering lost information.

This item does not apply to RENTAL INSURANCE.

- 8) If an order of civil authority prohibits access to the INSURED PROPERTY and provided such order is the direct result of physical damage of the type insured against under this **Policy** at the INSURED PROPERTY or within 5 statute miles of it, the period of time:

- a. Starting at the time of physical damage; but
- b. Not to exceed 30 consecutive days.

- B. The PERIOD OF LIABILITY does not include any additional time due to the NAMED INSURED'S inability to resume operations for any reason, including but not limited to:

- 1) Making changes to equipment.
- 2) Making changes to the buildings or structures except as provided in the INCREASED COST OF CONSTRUCTION provision.
- 3) Restaffing or retraining employees.

If two or more Periods of Liability apply, such periods will not be cumulative.

5. TIME ELEMENT EXCLUSIONS

In addition to exclusion elsewhere in this **Policy**, the following exclusions apply to TIME ELEMENT loss:

This **Policy** does not insure against:

- A. Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to:
 - 1) Physical loss or damage not insured by this **Policy** on or off the INSURED PROPERTY.
 - 2) Planned or rescheduled shutdown.
 - 3) Strikes or other work stoppage.
 - 4) Any other reason other than physical loss or damage insured by this **Policy**.
- B. Any increase in loss due to:
 - 1) Suspension, cancellation or lapse of any lease, contract, license or orders; or
 - 2) Fines or damages for breach of contract or for late or noncompletion of orders; or
 - 3) For penalties of any nature; or

- 4) Any other consequential or remote loss.
- C. Any loss resulting from loss or damage to finished goods manufactured by the NAMED INSURED, nor the time required for their reproduction.

LOSS ADJUSTMENT AND SETTLEMENT - SECTION D

1. LOSS ADJUSTMENT/PAYABLE

Loss, if any, will be adjusted with and payable to the NAMED INSURED or as may be directed by the NAMED INSURED. Additional insured interests will also be included in loss payment as their interests may appear when named as additional named insured, lender, mortgagee and/or loss payee in the Certificatecertificates of Insuraneinsurance on file with the CompanyCOMPANY or named below.

2. CURRENCY FOR LOSS PAYMENT

Losses will be adjusted and paid in the currency of the United States of America, except in Canada where losses will be paid in Canadian currency, unless directed otherwise by the NAMED INSURED.

3. VALUATION

Adjustment of the physical damage loss amount under this **Policy** will be computed as of the date of loss at the INSURED PROPERTY, and for no more than the interest of the NAMED INSURED, subject to the following:

- A. On stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges.
- B. On finished goods manufactured by the NAMED INSURED, the regular cash selling price at the INSURED PROPERTY where the loss happens, less all discounts and charges to which the finished goods would have been subject had no loss happened.
- C. On raw materials, supplies and other merchandise not manufactured by the NAMED INSURED:
 - 1) If repaired or replaced, the actual expenditure incurred in repairing or replacing the damaged or destroyed property; or
 - 2) If not repaired or replaced, the **Actual Cash Value**
- D. On property covered under DEFERRED PAYMENTS, the lesser of the:
 - 1) Total amount of unpaid installments less finance charges;
 - 2) **Actual Cash Value** of the property at the time of loss; or
 - 3) Cost to repair or replace with material of like size, kind and quality.
- E. On FINE ARTS articles, the lesser of:
 - 1) The reasonable and necessary cost to repair or restore such property to the physical condition that existed on the date of loss;
 - 2) Cost to replace the article; or

- 3) Current market value at the time of the loss.
- 4) The value reported for such property on the latest ~~statement~~**Schedule of values****Values** on file with the ~~Company~~**COMPANY**.

In the event a **Fine Arts** article is part of a pair or set, and a physically damaged article cannot be replaced, or repaired or restored to the condition that existed immediately prior to the loss, the ~~Company~~**COMPANY** will be liable for the lesser of the full value of such pair or set or the amount designated on the schedule. The NAMED INSURED agrees to surrender the pair or set to the ~~Company~~**COMPANY**.

F. On VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA:

On data, programs or software stored on electronic, electro-mechanical, or electro-magnetic data processing or production equipment:

- 1) The cost to repair, replace or restore data, programs or software including the costs to recreate, research and engineer;
- 2) If not repaired, replaced or restored within two years from the date of loss, the blank value of the media.

G. On all other VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA, the lesser of the following:

- 1) The cost to repair or restore, including the cost to recreate, research and engineer the item to the condition that existed immediately prior to the loss;
- 2) The cost to replace the item.

H. On **Mobile Equipment**, watercraft, and **Vehicles**:

- 1) The cost to repair or replace the owned property with new **Mobile Equipment**, watercraft, or **Vehicles** of like kind and quality at the time of loss, if less than or equal to two years from December 31 of the model year.
- 2) When replacement cost is declared for **Mobile Equipment**, watercraft, or emergency **Vehicles** (limited to ambulances, Fire Trucks and Mobile Command Centers) on the ~~statement~~**Schedule of values****Values**, loss or damage shall be based on the lesser of the following at the time of loss regardless of age:
 - a. The cost to repair;
 - b. The cost to replace the property with new **Mobile Equipment**, watercraft, or emergency **Vehicles****Vehicle(s)** of like kind and quality;
 - c. The **Actual Cash Value** if not repaired or replaced within two years from the date of loss.
- 3) The lesser of the **Actual Cash Value** at the time of loss or the cost to repair if greater than two years from December 31 of the model year.
- 4) If not repaired or replaced, the **Actual Cash Value**.

I. On historical property, valuation will be based upon the following requirements:

- 1) The NAMED INSURED shall provide written notice to the CompanyCOMPANY, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon **Reproduction Cost** that was conducted within five (5) years of the Effective Date of this **Policy**.
- 2) At the time of loss, the basis of valuation for historical property, when the NAMED INSURED has not complied, will be replacement cost as defined in L. below. Where the NAMED INSURED has complied with the requirements, the basis of valuation will be **Reproduction Cost**, or, if not replaced, at **Actual Cash Value**.

J. On property in transit:

- 1) Property shipped to or for the account of the NAMED INSURED will be valued at actual invoice to the NAMED INSURED. Included in the value are accrued costs and charges legally due. Charges may include the NAMED INSURED'S commission as selling agent.
- 2) Property sold by the NAMED INSURED and shipped to or for the purchaser's account will be valued at the NAMED INSURED'S selling invoice amount. Prepaid or advanced freight costs are included.
- 3) Property not under invoice will be valued at the actual cash market value at the destination point on the date of **Occurrence**, less any charges saved which would have become due and payable upon arrival at destination.

K. On **Vacant** property:

- 1) If the building or leased premises has been **Vacant** for a period of more than 90 consecutive days before the loss or damage occurs, the CompanyCOMPANY will not pay for any loss or damage caused by any of the following:
 - a. Vandalism
 - b. Sprinkler leakage
 - c. Building glass breakage
 - d. Water damage
 - e. Theft, or attempted theft
- 2) With respect to direct physical loss or damage, other than from causes listed in 1) a. through 1) e. above, and not otherwise excluded by this policy, the CompanyCOMPANY will reduce the amount the CompanyCOMPANY would otherwise pay for the loss or damage by 15%.

L. On all other property, the loss amount will not exceed the lesser of the following:

- 1) The cost to repair;
- 2) The cost to rebuild or replace on the same site with new materials of like size, kind and quality;

- 3) The cost in rebuilding, repairing or replacing on the same or another site, but not to exceed the size and operating capacity that existed on the date of loss;
- 4) The selling price of real property or machinery and equipment, other than stock, offered for sale on the date of loss;
- 5) The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.
- 6) The increased cost of demolition, if any, resulting from loss covered by this **Policy**, if such property is scheduled for demolition;
- 7) The unamortized value of improvements and betterments, if such property is not repaired or replaced at the NAMED INSURED'S expense; or
- 8) The **Actual Cash Value** if such property is:
 - a. Useless to the NAMED INSURED; or
 - b. Not repaired, replaced or rebuilt on the same or another site within two years from the date of loss.

The NAMED INSURED may elect to provide ~~reproduction cost~~ **Reproduction Cost** for non-historical property, in which case valuation will be based upon the following requirements:

- 1) The NAMED INSURED shall provide written notice to the ~~Company~~ **COMPANY**, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon ~~reproduction cost~~ **Reproduction Cost** that was conducted within five (5) years of the Effective Date of this **Policy**.

The NAMED INSURED may elect not to repair or replace the insured real and/or personal property lost, damaged or destroyed. Loss settlement may be elected on the lesser of the cost to repair or replacement cost basis ~~replace~~ if the proceeds of such loss settlement are expended on other capital expenditures related to the NAMED INSURED'S operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of loss and be made at an INSURED PROPERTY under this **Policy**. This item does not extend to INCREASED COST OF CONSTRUCTION.

4. LOSS CONDITIONS

A. REQUIREMENTS IN CASE OF LOSS

The NAMED INSURED will:

- 1) Give written notice to the ~~Company~~ **COMPANY** of any loss as soon as practicable.
- 2) Protect the property from further loss or damage.
- 3) Promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, **Actual Cash Value**, replacement value and amount of loss claimed.

- 4) Give a signed and sworn proof of loss to the CompanyCOMPANY within 90 days after the loss, unless that time is extended in writing by the CompanyCOMPANY. The proof of loss must state the knowledge and belief of the NAMED INSURED as to:
 - a. The time and origin of the loss;
 - b. The NAMED INSURED'S interest and that of all others in the property;
 - c. The **Actual Cash Value** and replacement value of each item and the amount of loss to each item; all encumbrances; and all other contracts of insurance, whether valid or not, covering any of the property;
 - d. Any changes in the title, use, occupation, location, possession or exposures of the property since the effective date of this **Policy**; and
 - e. By whom and for what purpose any INSURED PROPERTY was occupied on the date of loss, and whether or not it then stood on leased ground.
- 5) Include a copy of all the descriptions and schedules in all policies and, if required, provide verified plans and specifications of any buildings, fixtures, machinery or equipment destroyed or damaged.
- 6) Further, the NAMED INSURED will as often as may be reasonably required:
 - a. Exhibit to any person designated by the CompanyCOMPANY all that remains of any property;
 - b. Submit to examinations under oath by any person designated by the CompanyCOMPANY and sign the written records of examinations; and
 - c. Produce for examination at the request of the CompanyCOMPANY:
 - i) All books of accounts, business records, bills, invoices and other vouchers; or
 - ii) Certified copies if originals are lost;

at such reasonable times and places that may be designated by the CompanyCOMPANY or its representative and permit extracts and machine copies to be made.

B. COMPANY OPTION

The CompanyCOMPANY has the option to take all or any part of damaged Personal Property at the agreed or appraised value. The CompanyCOMPANY must give notice to the NAMED INSURED of its intention to do so within 30 days after receipt of proof of loss.

C. ABANDONMENT

There may be no abandonment of any property to the CompanyCOMPANY.

D. SUBROGATION

The NAMED INSURED is required to cooperate in any subrogation proceedings. The CompanyCOMPANY may require from the NAMED INSURED an assignment or other transfer of

all rights of recovery against any party for loss to the extent of the ~~Company's~~COMPANY'S payment.

The ~~Company~~COMPANY will not acquire any rights of recovery that the NAMED INSURED has expressly waived prior to a loss in writing, nor will such waiver affect the NAMED INSURED'S rights under this **Policy**.

Any recovery from subrogation proceedings, less costs incurred by the ~~Company~~COMPANY in such proceedings, will be payable to the NAMED INSURED in the proportion that the amount of any applicable deductible bears to the entire covered loss amount.

E. APPRAISAL

The appraisal process is available to determine the value of a covered loss but is not available to determine whether a loss is covered. If the NAMED INSURED and the ~~Company~~COMPANY fail to agree on the amount of loss, each will, on the written demand of either, select a competent and disinterested appraiser, but only after:

- 1) The NAMED INSURED has fully complied with all provisions of this **Policy**, including REQUIREMENTS IN CASE OF LOSS; and
- 2) The ~~Company~~COMPANY has received a signed and sworn proof of loss from the NAMED INSURED.

Each will notify the other of the appraiser selected within 30 days of such demand.

The appraisers will first select a competent and disinterested umpire. If the appraisers fail to agree upon an umpire within 30 days the NAMED INSURED and the ~~Company~~COMPANY shall jointly move to have an umpire selected by a judge of a court of record in the jurisdiction in which the appraisal is pending. The appraisers will then identify each item of physical damage or loss and appraise the amount of loss. The appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item, and shall state separately the **Actual Cash Value** and replacement cost value as of the date of loss and the amount of loss, for each item of physical loss or damage or if, for TIME ELEMENT loss, the amount of loss for each TIME ELEMENT coverage of this **Policy**.

If the appraisers fail to agree, they will submit their differences to the umpire. The Umpire shall review the appraisals prepared by the appraisers selected by the ~~Member~~NAMED INSURED and the ~~Pool~~COMPANY and shall inspect the property prior to preparing his appraisal. The appraisers for the ~~Member~~NAMED INSURED and the ~~Pool~~COMPANY shall be afforded the opportunity to attend the Umpire's inspection of the property and provide sufficient input to allow the Umpire to understand the nature and reasons for the differences between the appraisals. After inspecting the property and receiving input from the appraisers, the Umpire shall identify each item of physical loss or damage and shall appraise the amount of the loss for each item. The Umpire's appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item and shall state separately the **Actual Cash Value** and replacement cost value as of the date of the loss. An award agreed to in writing by any two of the three appraisers will determine the amount of loss. The appraisal award is subject to all terms of the coverage document and may be reduced by the application of a deductible called for by the coverage document.

The NAMED INSURED and the ~~Company~~COMPANY will each:

- 1) Pay its chosen appraiser; and

- 2) Bear equally the other expenses of the appraisal and umpire.

A demand for APPRAISAL shall not relieve the NAMED INSURED of its continuing obligation to comply with the terms and conditions of this **Policy**, including as provided under REQUIREMENTS IN CASE OF LOSS.

The CompanyCOMPANY will not be held to have waived any of its rights by any act relating to appraisal.

F. SUIT AGAINST THE COMPANY

No suit, action or proceeding for the recovery of any claim will be sustained in any court of law or equity unless the following adjudication procedures are satisfied:

- 1) As a condition precedent to filing suit, the NAMED INSURED has fully complied with all the provisions of this **Policy**, including providing Proof of Loss;
- 2) As a condition precedent to filing suit, the NAMED INSURED must attend at least a one-day mediation before a mutually agreeable mediator, unless this provision is waived by both NAMED INSURED and the CompanyCOMPANY;
- 3) Any suit against the CompanyCOMPANY arising from a claim or loss must be filed within 12 months of the date the CompanyCOMPANY takes its final action with respect to the claim or loss.

If under the insurance laws of the jurisdiction in which the property is located, such 12 months' limitation is invalid, then any such legal action needs to be started within the shortest limit of time permitted by such laws.

5. SETTLEMENT OF CLAIMS

The amount of loss, except for ACCOUNTS RECEIVABLE coverage, for which the CompanyCOMPANY may be liable will be paid within 3045 days after:

- A. Proof of loss as described in this **Policy** is received and approved by the CompanyCOMPANY; and
- B. When a resolution of the amount of loss is made either by:
 - 1) Written agreement between the NAMED INSURED and the CompanyCOMPANY; or
 - 2) The filing with the CompanyCOMPANY of an award as provided in the APPRAISAL provisions of this Section.

6. COLLECTION FROM OTHERS

The CompanyCOMPANY will not be liable for any loss to the extent that the NAMED INSURED has collected such loss from others.

7. PARTIAL PAYMENT OF LOSS SETTLEMENT

In the event of a loss occurring which has been ascertained to be insured loss or damage under this **Policy** and determined by the Company'sCOMPANY'S representatives to be in excess of the applicable **Policy**

deductible, the ~~Company~~COMPANY will advance mutually agreed upon partial payment(s) on the insured loss or damage, subject to the **Policy's** provisions. To obtain said partial payments, the NAMED INSURED will submit a signed and sworn Proof of Loss as described in this **Policy**, with adequate supporting documentation.

8. JURISDICTION

This **Policy** will be governed by United States of America Law. Any disputes arising hereunder will be exclusively subject to United States of America jurisdiction.

GENERAL PROVISIONS - SECTION E

1. ADDITIONAL INSURED INTERESTS/CERTIFICATES OF INSURANCE

Any certificate of insurance issued in connection with this **Policy** shall be issued solely as a matter of convenience or information for the addressee(s) or holder(s) of said certificate of insurance, except where any ~~Additional Insured~~additional insured(s), ~~Loss Payee~~loss payee(s) or ~~Mortgagee~~mortgagee(s) are named pursuant to the Special Provisions of said certificate of insurance. In the event any ~~Additional Insured~~additional insured(s) or ~~Loss Payee~~loss payee(s) are so named, this **Policy** shall be deemed to have been endorsed accordingly, subject to all other terms, conditions and exclusions stated herein.

2. CANCELLATION

This **Policy** may be:

- A. Cancelled at any time at the request of the NAMED INSURED by surrendering this **Policy** to the ~~Company~~COMPANY or by giving written notice to the ~~Company~~COMPANY stating when such cancellation will take effect; or
- B. Cancelled by the ~~Company~~COMPANY by giving the NAMED INSURED not less than:
 - 1) 90 days written notice of cancellation; or
 - 2) 10 days written notice of cancellation if the NAMED INSURED fails to remit, when due, premium for this **Policy**; or

Return of any unearned premium will be calculated on the customary short rate basis if the NAMED INSURED cancels and on a pro-rata basis if the ~~Company~~COMPANY cancels this **Policy**. Return of any unearned premium will be made by the ~~Company~~COMPANY as soon as practicable.

3. INSPECTIONS

The ~~Company~~COMPANY, at all reasonable times, will be permitted, but will not have the duty, to inspect INSURED PROPERTY.

The ~~Company's~~COMPANY'S:

- A. Right to make inspections;
- B. Making of inspections; or
- C. Analysis, advice or inspection report;

will not constitute an undertaking, on behalf of or for the benefit of the NAMED INSURED or others, to determine or warrant that the INSURED PROPERTY is safe or healthful. This CompanyCOMPANY will have no liability to the NAMED INSURED or any other person because of any inspection or failure to inspect.

When the CompanyCOMPANY is not providing jurisdictional inspections, the Owner/Operator has the responsibility to assure that jurisdictional inspections are performed as required, and to assure that required jurisdictional ~~Operating Certificates~~operating certificates are current for their pressure equipment.

4. MISREPRESENTATION AND FRAUD

This **Policy** will be void in entirety if, whether before or after a loss, a NAMED INSURED has:

- A. Willfully concealed or misrepresented any material fact or circumstance concerning this insurance, the subject thereof, any insurance claim, or the interest of a NAMED INSURED;
- B. Made any attempt to defraud the CompanyCOMPANY; or
- C. Made any false swearing.

5. LENDERS LOSS PAYEE AND MORTGAGEE INTERESTS AND OBLIGATIONS

- A. The CompanyCOMPANY will pay for loss to specified property insured under this **Policy** to each specified ~~Lender Loss Payee~~lender loss payee (hereinafter referred to as Lenderlender) as its interest may appear, and to each specified ~~Mortgagee~~mortgagee as its interest may appear, under all present or future mortgages upon such property, in order of precedence of the mortgages.
- B. The interest of the Lenderlender or Mortgageemortgagee (as the case may be) in property insured under this **Policy** will not be invalidated by:
 - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
 - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
 - 3) Change in the title or ownership of the property.
 - 4) Change to a more hazardous occupancy.

The Lenderlender or Mortgageemortgagee will notify the CompanyCOMPANY of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the CompanyCOMPANY, may pay the increased premium associated with such known change. If the Lenderlender or Mortgageemortgagee fails to pay the increased premium, all coverage under this **Policy** will cease.

- C. If this **Policy** is cancelled at the request of the NAMED INSURED or its agent, the coverage for the interest of the Lenderlender or Mortgageemortgagee will terminate 10 days after the CompanyCOMPANY sends to the Lenderlender or Mortgageemortgagee written notice of cancellation, unless:
 - 1) Sooner terminated by authorization, consent, approval, acceptance, or ratification of the NAMED INSURED'S action by the Lenderlender or Mortgageemortgagee, or its agent.
 - 2) This **Policy** is replaced by the NAMED INSURED, with a policy providing coverage for the interest of the ~~Lenderlender~~ or Mortgageemortgagee, in which event coverage under this **Policy**

with respect to such interest will terminate as of the effective date of the replacement policy, notwithstanding any other provision of this **Policy**.

- D. The CompanyCOMPANY may cancel this **Policy** and/or the interest of the Lenderlender or Mortgageemortgagee under this **Policy**, by giving the Lenderlender or Mortgageemortgagee written notice 90 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this **Policy**, the CompanyCOMPANY may cancel this **Policy** for such non-payment, but will give the Lenderlender or Mortgageemortgagee written notice 10 days prior to the effective date of cancellation. If the Lenderlender or Mortgageemortgagee fails to pay the premium due by the specified cancellation date, all coverage under this **Policy** will cease.
- E. The CompanyCOMPANY has the right to invoke this **Policy's** SUSPENSION clause. The suspension of insurance will apply to the interest of the Lenderlender or Mortgageemortgagee in any machine, vessel, or part of any machine or vessel, subject to the suspension. The CompanyCOMPANY will provide the Lenderlender or Mortgageemortgagee at the last known address a copy of the suspension notice.
- F. If the CompanyCOMPANY pays the Lenderlender or Mortgageemortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the CompanyCOMPANY will, to the extent of the payment made to the Lenderlender or Mortgageemortgagee be subrogated to the rights of the Lenderlender or Mortgageemortgagee under all securities held as collateral to the debt or mortgage. No subrogation will impair the right of the Lenderlender or Mortgageemortgagee to sue or recover the full amount of its claim. At its option, the CompanyCOMPANY may pay to the Lenderlender or Mortgageemortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the Lenderlender or Mortgageemortgagee to the CompanyCOMPANY, and the remaining debt or mortgage will be paid to the CompanyCOMPANY.
- G. If the NAMED INSURED fails to render proof of loss, the Lenderlender or Mortgageemortgagee, upon notice of the NAMED INSURED'S failure to do so, will render proof of loss within 60 days of notice and will be subject to the provisions of this **Policy** relating to APPRAISAL, SETTLEMENT OF CLAIMS, and SUIT AGAINST THE COMPANY.
- H. Other provisions relating to the interests and obligations of the Lenderlender or Mortgageemortgagee may be added to this **Policy** by agreement in writing.

6. OTHER INSURANCE

- A. If there is any other insurance that would apply in the absence of this **Policy**, this **Policy** will apply only after such insurance whether collectible or not.
- B. In no event will this **Policy** apply as contributing insurance.
- C. The NAMED INSURED is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this **Policy** without prejudice to this **Policy**. The existence of any such insurance will not reduce any limit or sublimit of liability in this **Policy**. Any other insurance that would have provided primary coverage in the absence of this **Policy** will not be considered excess.
- D. The NAMED INSURED is permitted to have other insurance for all, or any part, of any deductible in this **Policy**. The existence of such other insurance will not prejudice recovery under this **Policy**. If the limits of liability of such other insurance are greater than this **Policy's** applicable deductible, this **Policy's** insurance will apply only after such other insurance has been exhausted.

- E. If this **Policy** is deemed to contribute with other insurance, the limit of liability applicable at each INSURED PROPERTY, for purposes of such contribution with other insurers, will be the latest amount described in this **Policy** or the latest INSURED PROPERTY value on file with the CompanyCOMPANY.

7. POLICY MODIFICATION

This **Policy** contains all of the agreements between the NAMED INSURED and the CompanyCOMPANY concerning this insurance. The NAMED INSURED and the CompanyCOMPANY may request changes to this **Policy**. This **Policy** can be changed only by endorsements issued by the CompanyCOMPANY and made a part of this **Policy**.

Notice to any agent or knowledge possessed by any agent or by any other person will not:

- A. Create a waiver, or change any part of this **Policy**; or
- B. Prevent the CompanyCOMPANY from asserting any rights under the provisions of this **Policy**.

8. REDUCTION BY LOSS

Claims paid under this **Policy** will not reduce its limit of liability, except claims paid will reduce any Policy Year Aggregate Limit of Liabilitypolicy year aggregate limit of liability.

9. SUSPENSION

On discovery of a dangerous condition, this CompanyCOMPANY may immediately suspend EQUIPMENT BREAKDOWN insurance on any machine, vessel or part thereof by giving written notice to the NAMED INSURED. The suspended insurance may be reinstated by the CompanyCOMPANY. Any unearned premium resulting from such suspension will be returned by the CompanyCOMPANY.

10. TITLES

The titles in this **Policy** are only for reference. The titles do not in any way affect the provisions of this **Policy**.

DEFINITIONS - SECTION F

1. **Actual Cash Value:** the amount it would cost to repair or replace INSURED PROPERTY, on the date of loss, with material of like kind and quality, with proper deduction for obsolescence and physical depreciation.
- ~~2. **Convective Storm:** means thunderstorms or a complex of thunderstorms with wind speeds greater than 58 mph as verified by the National Weather Service, including but not limited to other resulting weather phenomena such as tornadoes and hail, all regardless of any other cause or event arising from such Convective Storm.~~
- ~~However, resulting loss from fire, lightning or Sprinkler Leakage will not be considered to be loss by Convective Storm within the terms and conditions of this Policy.~~
- ~~Further, Convective Storm does not mean or include any loss defined as Flood or Named Storm within the terms and conditions of this Policy.~~
- 3.2 **Defined Peril: Earth Movement**, explosion, falling aircraft, fire, **Flood**, hail, lightning, **Named Storm**, smoke, tornado, **vehicle** impact, wind-driven water, and windstorm.

4.3. Earthquake: a shaking or trembling of the earth that is tectonic or seismic in origin.

5.4. Earth Movement: any natural or man-made earth movement including, but not limited to **Earthquake**, landslide, subsidence or volcanic eruption regardless of any other cause or event contributing concurrently or in any other sequence of loss.

However, physical damage by fire, explosion, or sprinkler leakage resulting from **Earth Movement** will not be considered to be loss by **Earth Movement** within the terms and conditions of this **Policy**. All **Earth Movement** within a continuous 168 hour period will be considered a single **Earth Movement**; the beginning of such period shall be determined by the NAMED INSURED.

6.5. Electronic Data and Media: all forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

7.6. Federal Emergency Management Agency: the federal agency under which the National Flood Insurance Program is administered.

8.7. Federal Insurance Administration: the federal entity within the **Federal Emergency Management Agency** that directly administers the National Flood Insurance Program (NFIP).

9.8. Fine Arts: manuscripts; paintings; etchings; pictures; murals; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit, excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.

10.9. Flood:

- A. A general and temporary condition of partial or complete inundation of normally dry land areas from:
 - 1) **Flood**, or rising waters, waves, tide, or tidal water;
 - 2) the unusual and rapid accumulation or runoff of surface waters from any source; or,
 - 3) mudslide or mud flow caused by accumulation of water on or under the ground.
- B. the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water, or the spray therefrom.

However, physical damage by fire, explosion or sprinkler leakage resulting from **Flood** is not considered to be loss by **Flood** within the terms and conditions of this **Policy**.

All flooding within a continuous 168 hour period will be considered a single **Flood**; the beginning of such period shall be determined by the NAMED INSURED.

11.10. Flood Insurance Rate Map: the official map of a community on which the administrator has designated the special hazards area applicable to the community.

12.11. Gross Earnings:

- A. For manufacturing operations: the net sales value of production less the cost of all raw stock, materials and supplies used in such production; or

B. For mercantile or non-manufacturing operations: the total net sales less cost of merchandise sold, materials and supplies consumed in the operations or services rendered by the NAMED INSURED.

~~13. **Reproduction Cost:** defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.~~

~~14.12. **Lease Interest:** the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the NAMED INSURED’S lease.~~

~~15.13. **Mobile Equipment:** equipment such as earthmovers, tractors, diggers, farm machinery, forklifts, heavy construction equipment, mobile medical equipment, etc., that, even when self-propelled, are not considered automobiles or **Vehicles**.~~

~~16.14. **Named Storm:** all loss or damage occurring during a period of 72 consecutive hours which is caused by or results from a storm or weather disturbance which is named as a Tropical Storm or Hurricane by the National Weather Service or any other recognized meteorological authority. Storm or weather disturbance includes all weather phenomenon associated with or occurring in conjunction with the storm or weather disturbance, including, but not limited to **Flood, Storm Surge**, wind driven rain, wind, hail, sleet, tornadoes, or lightning.~~

~~17.15. **Net Lease Interest:** that sum which placed at 3% interest rate compounded annually would equal the **Lease Interest** (less any amounts otherwise payable hereunder).~~

~~18.16. **New Madrid Earthquake Zone** (States and Applicable Counties / Parishes)~~

Arkansas	Arkansas, Ashley, Chicot, Clay, Cleburne, Cleveland, Craighead, Crittenden, Cross, Desha, Drew, Fulton, Grant, Greene, Independence, IZard, Jackson, Jefferson, Lawrence, Lee, Lincoln, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Pulaski, Randolph, Saline, Sharp, St. Francis, Stone, White, Woodruff
Illinois	Alexander, Calhoun, Crawford, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Madison, Marion, Massac, Monroe, Perry, Pike, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson
Indiana	Daviess, Gibson, Greene, Knox, Martin, Pike, Posey, Sullivan, Vanderburgh, Warrick
Kentucky	Ballard, Caldwell, Calloway, Carlisle, Crittenden, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, Trigg, Union, Webster
Mississippi	Bolivar, Coahoma, De Soto, Marshall, Tate, Tunica
Missouri	Audrain, Bollinger, Boone, Butler, Callaway, Cape Girardeau, Carter, Cole, Dunklin, Franklin, Gasconade, Howell, Iron, Jefferson, Lincoln, Madison, Marion, Mississippi, Monroe, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Pike, Ralls, Reynolds, Ripley, Scott, Shelby, St. Charles, St. Francois, St. Louis, St. Louis Independent City, St. Genevieve, Stoddard, Warren, Washington, Wayne
Tennessee	Carroll, Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, Obion, Shelby, Tipton, Weakley

~~19.17. **Normal:** the condition that would have existed had no physical loss or damage occurred.~~

~~20.18. **Occurrence:** 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, 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 72 hours. When filing proof of loss, the NAMED INSURED may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to the covered property occurs.

21.19. Ordinary Payroll: includes the NAMED INSURED'S payroll for all employees except officers, executives, department managers, and employees under contract. It is comprised of, but not limited to, the payroll, benefits paid for the payroll, social security (FICA), union dues paid for the payroll, and ~~workers~~workers' compensation paid for the payroll.

22.20. Pacific Northwest Earthquake Zone (States and Applicable Counties / Parishes):

Washington	Clallam, Jefferson, King, Kitsap, Mason, Pierce, San Juan, Skagit, Snohomish, Thurston, Whatcom
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23.21. Period of Service Interruption:

- A. The period starting with the time when an interruption of specified services occurs; and ending when with due diligence and dispatch the service could be wholly restored and the INSURED PROPERTY receiving the service could or would have resumed **Normal** operations following the restorations of service under the same or equivalent physical and operating conditions as provided by the PERIOD OF LIABILITY provision of this ~~Section~~section of this **Policy**.
- B. Is limited to only those hours during which the NAMED INSURED would or could have used services(s) if it had been available.
- C. Does not extend to include the interruption of operations caused by any reason other than interruption of the specified service(s).

22. Policy: the agreed terms and conditions contained herein, including any subsequent endorsements that define the COMPANY'S participation.

24.23. Pollutant: shall be any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, vaccines and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

24. Reproduction Cost: defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.

25. Schedule of Values: shall mean the latest schedule of values of INSURED PROPERTY on file with the COMPANY. The Schedule of Values shall include, but is not limited to, all buildings, structures, contents at buildings or structures, Vehicles, Mobile Equipment and property in the open.

25.26. Soft Costs:

- A. Interest expense;
- B. General overhead-developer expenses and additional real estate taxes;
- C. Legal or professional fees;
- D. Marketing expenses and advertising expenses;
- E. Debt service payments and insurance premiums;

- F. Refinancing charges and bond interest;
- G. Founders fees and miscellaneous operating expenses.

26-27. Special Flood Hazard Area: the areas of a **Flood Insurance Rate Map** which are identified as Zones A, AO, AH, AI — A30, AE, A99, AR, AR/A, AR/AE, AR/A1 — A30, AR/AH, AR/A0, V, V1-V30, and VE. For purposes of determining which areas qualify as **Special Flood Hazard Areas** as specified above, only those **Flood Insurance Rate Maps** which were in effect at the time of the **Flood** loss shall apply.

27-28. Storm Surge: water driven inland from coastal waters by high winds and low atmospheric pressure. **Storm Surge** shall not be considered **Flood**.

28-29. Terrorism: an act or series of acts, including the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for political, religious or ideological purposes including the intention to influence any government and/or to put the public or any section of the public in fear for such purposes. **Terrorism** shall also include any act which is verified or recognized by the United States Government as an act of **Terrorism**.

29-30. Tier One Counties: shall mean counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Baldwin, Mobile
Florida	Entire State
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
Hawaii	Entire State
Louisiana	Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Brunswick, Carteret, Craven, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pender
South Carolina	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy Note: for the purposes of this definition exposures declared by Harris County CSCD shall not be considered Tier 1 or Tier 2
Virginia	Including Independent Cities: Accomack, Northampton, Virginia Beach City, Chesapeake, Gloucester, Hampton City, Lancaster, Mathews, Middlesex, Newport News, Norfolk City, Northumberland, Poquoson City, Portsmouth City, Suffolk City, York

30-31. Tier Two Counties: counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Clarke, Covington, Escambia, Monroe, Washington
Georgia	Brantley, Bulloch, Charlton, Effingham, Evans, Long, Pierce, Tattnall, Wayne
Louisiana	Acadia, Beauregard, Iberville, Jefferson Davis, Lafayette
Mississippi	George, Pearl River, Stone
North Carolina	Bertie, Bladen, Camden, Chowan, Columbus, Duplin, Gates, Hertford, Jones, Lenoir, Martin, Pasquotank, Perquimans, Pitt, Sampson, Tyrell, Washington
South Carolina	Dorchester, Hampton, Marion, Williamsburg
Texas	Bee, Brooks, Fort Bend, Goliad, Hardin, Hidalgo, Jackson, Jasper, Jim Wells, Liberty, Live Oak, Orange, Victoria, Wharton

31.32. Unmanned Aircraft System: an unmanned aircraft and the equipment necessary for the safe and efficient operation of that aircraft. An unmanned aircraft is a component of an **Unmanned Aircraft System**. An unmanned aircraft is an aircraft that is operated without the possibility of direct human intervention from within or on the aircraft.

32.33. Vacant: a building is vacant if less than 10% of the total square footage owned, rented, or leased by the NAMED INSURED contains adequate contents to perform customary operations, excluding common areas such as lobbies and garages. Buildings under construction or renovation shall not be considered ~~vacant~~ **Vacant**.

33.34. Valuable Papers and Records: written, printed or otherwise inscribed documents, securities, and records including but not limited to books, maps, films, drawings, abstracts, evidence of debt, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

34.35. Vehicle: any automobile, truck, van, bus, motorcycle, or other conveyance licensed for use on public roads.

35.36. Waiting Period: the time period where the ~~Company~~ **COMPANY** shall have no liability for the Time Element loss when the PERIOD OF LIABILITY applicable to all Time Element loss is equal to or less than such time period. If, however, the PERIOD OF LIABILITY exceeds such time period then the ~~Company's~~ **COMPANY'S** liability for the Time Element loss shall otherwise apply and the PERIOD OF LIABILITY shall be measured from the inception of the **Occurrence** for which loss is being claimed. The applicable deductible shall then apply.

POLICY CHANGE ENDORSEMENT #1 – Equipment Breakdown – 4 Pages

When an applicable limit for Equipment Breakdown is shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section, this endorsement's intention is to clarify that the peril of **Breakdown** is included for **Covered Equipment**.

1. Limit of Liability:

The most the **CompanyCOMPANY** will pay for any and all coverages for loss or damage from any **One Breakdown** is the applicable Limit of Insurance shown for Equipment Breakdown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

2. Equipment Breakdown Coverage Extensions:

The limits for coverage extensions are part of, not in addition to, the Limit of Liability for Equipment Breakdown shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.

A. Spoilage:

- 1) This **Policy** covers the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
 - a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
 - b) The NAMED INSURED must own or be legally liable under written contract for the raw materials, property in process or finished products; and
 - c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- 2) This **Policy** also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The **CompanyCOMPANY** will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage form.

B. Service Interruption:

This **Policy** covers loss resulting from the interruption of utility services provided all of the following conditions are met:

- 1) The interruption is the direct result of a **Breakdown to Covered Equipment** owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which the NAMED INSURED receives;
- 2) The **Covered Equipment** is used to supply electricity, telecommunication services, air conditioning, heating, gas, fuel, sewer, water, refrigeration, or steam to the NAMED INSURED'S premises; and
- 3) The **Period of Service Interruption** lasts at least the consecutive period of time shown in item 9. **Waiting Period**. Once this **Waiting Period** is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

C. Business Income:

- 1) This **Policy** covers the NAMED INSURED'S actual loss of business income that results directly from the necessary total or partial interruption of the NAMED INSURED'S business caused by a **Breakdown**.
- 2) This **Policy** also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The CompanyCOMPANY will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- 3) The CompanyCOMPANY will consider the actual experience of the NAMED ~~INSURED'S~~INSURED'S business before the accident and the probable experience the NAMED INSURED would have had without the accident in determining the amount of its payment.
- 4) This coverage continues until the date the damaged property is repaired or replaced.

D. Expediting Expense:

This **Policy** covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to **Covered Equipment** and to expedite the permanent repair or replacement of such damaged property caused by a **Breakdown**.

This coverage extension does not cover costs:

- 1) Recoverable elsewhere in this **Policy**; or
- 2) Of permanent repair or replacement of damaged property.

E. Hazardous Substance:

This **Policy** covers any additional expenses incurred by the NAMED INSURED for the clean-up, repair or replacement or disposal of **Covered Equipment** that is damaged, contaminated or polluted by a **Hazardous Substance** caused by a **Breakdown**.

As used here, additional expenses mean the additional cost incurred over and above the amount that the CompanyCOMPANY would have paid had no **Hazardous Substance** been involved with the loss.

F. Ammonia Contamination:

This **Policy** covers the spoilage to **Covered Equipment** contaminated by ammonia, including any salvage expense caused by a **Breakdown**.

G. Water Damage:

This **Policy** covers the damage to **Covered Equipment** by water including any salvage expenses caused by a **Breakdown**, except no coverage applies to such damage resulting from leakage of a sprinkler system or domestic water piping.

H. Consequential Loss:

The **Policy** covers the reduction in the value of undamaged **Stock** parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of

the product.

I. Electronic Data and Media:

The **Policy** covers the NAMED INSURED'S cost to research, replace or restore damaged **Electronic Data and Media** including the cost to reprogram instructions used in any computer equipment if the loss is caused by a **Breakdown**.

J. CFC Refrigerants:

This **Policy** covers the additional cost to repair or replace **Covered Equipment** because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances if the loss is caused by a **Breakdown**. This means the additional expense to do the least expensive of the following:

- 1) Repair the damaged property and replace any lost CFC refrigerant;
- 2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- 3) Replace the system with one using a non-CFC refrigerant.

K. Computer Equipment:

This **Policy** covers direct damage to **Computer Equipment** that is damaged by a **Breakdown** to such equipment

3. Definitions relating only to this endorsement:

A. Breakdown means the direct physical loss resulting from one or more of the following items that causes damage to **Covered Equipment** and necessitates its repair or replacement:

- 1) Failure of pressure or vacuum equipment;
- 2) Mechanical failure including rupture or bursting caused by centrifugal force;
- 3) Electrical failure including arcing;
- 4) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
- 5) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- 6) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

Unless such loss or damage is otherwise excluded within the **Policy**.

Breakdown does not mean or include:

- 1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;

- 2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to **Covered Equipment**;
- 3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- 4) Damage to any vacuum tube, gas tube, or brush;
- 5) Damage to any structure or foundation supporting the **Covered Equipment** or any of its parts;
- 6) The functioning of any safety or protective device; or
- 7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

B. Covered Equipment is defined as

- 1) Equipment built to operate under internal pressure or vacuum other than weight of contents;
- 2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy; and
- 3) Communication equipment, and computer equipment.

Covered Equipment does not mean or include any:

- 1) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- 2) Insulating or refractory material, but not excluding the glass lining of any **Covered Equipment**;
- 3) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
- 4) Catalyst;
- 5) Vessels, piping and other equipment that is buried below ground and requires the excavation of materials to inspect, remove, repair or replace;
- 6) Structure, foundation, cabinet or compartment supporting or containing the **Covered Equipment** or part of the **Covered Equipment** including penstock, draft tube or well casing;
- 7) **Vehicle**, aircraft, self-propelled equipment or floating vessel including any **Covered Equipment** that is mounted upon or used solely with anyone or more vehicle(s), aircraft, self-propelled equipment or floating vessel;
- 8) Dragline, excavation, or construction equipment including any **Covered Equipment** that is mounted upon or used solely with any one or more dragline(s), excavation, or construction equipment;
- 9) Felt, wire screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement; or

- 10) Equipment or any part of such equipment manufactured by the NAMED INSURED for sale.
- 11) Power and gas generation utility equipment.
- C. **Hazardous Substance:** any substance other than ammonia that has been declared to be hazardous to health by a government agency. Ammonia is not considered to be a Hazardous Substance as respects this limitation.
- D. **One Breakdown:** if an initial **Breakdown** causes other **Breakdowns**, all will be considered **One Breakdown**. All **Breakdowns** at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered **One Breakdown**.
- E. **Computer Equipment:** covered property that is electronic computer or other electronic data processing equipment, including media and peripherals used in conjunction with such equipment.
- F. **Stock:** means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

All other terms and conditions of the **Policy** remain the same.

POLICY CHANGE ENDORSEMENT -#2- Upgrade to Green – 5 Pages

It is hereby agreed that the following coverage is added to this **Policy**.

The coverages and valuation provision provided by this endorsement only apply if direct physical loss or damage to covered real and/or personal property is caused by any of the perils covered by the **Policy** and replacement cost valuation applies. This coverage does not apply to: (1) personal property of others in the NAMED INSURED'S care, custody, and control, (2) leased personal property, and/or (3) finished or unfinished stock.

1. Notwithstanding the VALUATION or LIMITS OF LIABILITY clauses applicable to specific INSURED PROPERTY or perils, if replacement cost valuation applies to real and/or personal property, then the ~~Company's~~COMPANY'S liability for loss applicable to this endorsement shall be the cost to repair or replace the covered damaged property, subject to the applicable limit of liability, plus the least of the following amounts:
 - A. The reasonable and necessary amount to upgrade to green the covered damaged property as described in Coverage Section A - Non-LEED® Certified Coverage *or* as described in Coverage Section B - LEED® Certified Coverage, whichever is applicable; or
 - B. An additional 25% of the applicable limit of liability for the building and/or business personal property shown in the ~~Statement~~Schedule of Values or similar schedule to upgrade to green; or
 - C. \$100,000 to upgrade to green.

At the NAMED INSURED'S sole discretion, the NAMED INSURED may elect not to upgrade to green any or all property for which upgrade to green coverage is provided under this endorsement. In such case, the ~~Company~~COMPANY will adjust the claim in accordance with the standard provisions of the **Policy**, as modified by all other applicable endorsements.

Subject to the least of A., B., or C. above, if business interruption coverage is provided as part of this **Policy**, if necessary, the Period of Restoration shall be increased to allow for additional time to upgrade to green the damaged property plus up to an additional two week period to meet the requirements set forth in 4.B.

2. **COVERAGE SECTION A: NON-LEED CERTIFIED COVERAGE**

In the event of direct physical loss or damage by any of the perils covered by the **Policy** to a building that is not LEED certified at the time of the loss, or to the personal property within such a building, the ~~Company~~COMPANY will pay to repair or replace damaged or destroyed:

A. **Loss Settlement for Personal Property**

- (1) "Appliances" or "Office Equipment" with products of like kind and quality that have been identified as "ENERGY STAR®" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.
- (2) "Systems Furniture" or "Seating", with products of like kind and quality that are certified as GREENGUARD Indoor Air Quality Certified® or products with similar emissions characteristics. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

B. Loss Settlement for Your Building

i. Interior Finish Materials Upgrade

a. Lower Emissions Products Upgrade Coverage

"Defined Building Materials" with products of like kind and quality that have "Lower Emissions". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

b. Environmentally Preferable Products Upgrade Coverage

Interior wood, carpeting and flooring with products of like kind and quality that have "Lower Emissions", are "Sustainably Produced", are "Rapidly Renewable" or include "Recycled Content". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

ii. Interior Plumbing Systems Upgrade Coverage

Interior plumbing fixtures including, but not limited to, toilets, shower heads and lavatory faucets with products of like kind and quality that are more "Water Efficient". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. For damaged or destroyed faucets, the CompanyCOMPANY will also pay to install occupant sensors to reduce the potable water demand.

iii. Lighting Systems Upgrade Coverage

Lighting systems, with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. The CompanyCOMPANY will also pay to repair or replace damaged light bulbs with light bulbs which have low mercury content.

iv. Efficient Heating and Cooling Equipment Upgrade Coverage

"Heating and cooling equipment" with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

v. Building Reconstruction Following Total Loss

a. Solely with respect to a "Total Loss" to a building, the

CompanyCOMPANY will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that should satisfy the prerequisites and earn the minimum number of points required to qualify for LEED Silver certification using the LEED New Construction (LEED NC®) Rating System.

b. Certification Expenses

(i) The CompanyCOMPANY will pay the reasonable and necessary registration and certification fees charged by the United States Green Building Council (USGBC) that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED Silver certification. However, the CompanyCOMPANY will not pay to modify the reconstructed structure if it is not certified.

- (ii) The Sublimit of Insurance for this coverage is \$25,000.

3. **COVERAGE SECTION B: LEED CERTIFIED COVERAGE**

In addition to all Coverages provided in Coverage Section A (with the exception of 2.B.(5) Building Reconstruction Following a Total Loss) and in the event of direct physical loss or damage by any of the perils covered by the Policy to a building that is LEED certified at the time of the loss, or to the personal property within such building, the CompanyCOMPANY will pay to repair or replace damaged or destroyed:

A. Loss Settlement for Trees, Shrubs, and Vegetative Roofs

- (1) Trees and shrubs planted specifically to secure the Heat Island Effect: Non-Roof point as described in LEED NC. For the purposes of this coverage only, notwithstanding any other provision of the Policy to the contrary, trees and shrubs are Covered Property. The sublimit of insurance for this coverage is \$3,000 per tree or \$3,000 per shrub up to a maximum of \$25,000.
- (2) Vegetative roofs on LEED certified buildings. Notwithstanding any other provision of the Policy to the contrary, vegetative roofs are Covered Property.

B. Loss Settlement for Your Building

i. Recertification Expenses

- a. In the event of direct physical loss or damage by any of the perils covered by the Policy that necessitates recertification of the damaged building, the CompanyCOMPANY will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs as a result of the recertification process.
- b. The Sublimit of Insurance for this coverage is \$25,000.

ii. Building Reconstruction Following Total Loss

- a. Solely with respect to a "Total Loss" to a building that is LEED certified at the time of the loss, the CompanyCOMPANY will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that would satisfy the prerequisites and should earn the minimum number of points required to qualify for LEED certification at one level above the certification in effect at the time of the loss using the LEED NC Rating System.
- b. **Certification Expenses**
 - The CompanyCOMPANY will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED certification. However, the CompanyCOMPANY will not pay to modify the reconstructed structure if it is not certified.

- The Sublimit of Insurance for this coverage is \$25,000.

4. COVERAGES INCLUDED WITHIN COVERAGE SECTIONS A OR B AND APPLICABLE TO LEED® AND NON-LEED® CERTIFIED BUILDINGS

In the event of direct physical loss or damage by any of the perils covered by the **Policy** to a LEED or Non-LEED certified building:

A. Recycling Expenses

- i. The ~~Company~~COMPANY will pay the NAMED INSURED'S expenses to clean-up, sort, segregate, and transport debris from the NAMED INSURED'S damaged building to recycling facilities, if such debris can be recycled.
- ii. The Sublimit of Insurance for this coverage is \$25,000 and is in addition to the DEBRIS REMOVAL expense sublimit provided by the **Policy**, if any.
- iii. Any income or remuneration derived from this recycling shall be used to reduce the loss.

B. Air Testing and Outdoor Air Ventilation of the Reconstructed Space

- i. In accordance with the requirements for the Construction IAQ Management Plan: Before Occupancy Credit as described in the LEED NC rating system (hereinafter, "Construction IAQ"), the ~~Company~~COMPANY will pay to conduct air testing and a building flush-out (if required because of a failure to meet air quality standards set forth in the Construction IAQ) and follow-up air testing for a total period of time not to exceed two weeks.
- ii. After the two week period of increased outdoor air ventilation of the reconstructed space, the ~~Company~~COMPANY will pay to replace the filtration media with new media.
- iii. The Sublimit of Insurance for this coverage is \$25,000.

C. Professional Services

The ~~Company~~COMPANY will pay reasonable and necessary expenses to hire a LEED Accredited architect or engineer to participate in the design and/or construction administration of the damaged portion of the building or the entire building, whichever is applicable.

The Sublimit for this coverage is \$50,000.

D. Building Commissioning Expenses

- i. In the event of direct physical loss or damage to mechanical, electrical, or electronic building systems, by any of the perils covered by the **Policy** which necessitates the commissioning or re-commissioning of those systems, the ~~Company~~COMPANY will pay reasonable and necessary expenses of a Professional Engineer to commission or re-commission those damaged systems in accordance with LEED protocols.

- ii. The Sublimit of Insurance for this coverage is \$25,000.

5. Additional Definitions

- A. "Appliances" means products including, but not limited to, dishwashers, refrigerators, freezers, ovens, microwave ovens, room air conditioners, room air cleaners and water heaters.
- B. "Defined Building Materials" means: (1) all carpet and floor coverings, including, adhesives to affix them to the floor, (2) all interior paints, architectural coatings, primers, undercoatings, adhesives, sealants, and (3) permanently installed composite wood fixtures, including, counters, cabinets, and partitions.
- C. "ENERGY STAR" means any product that has been identified by the United States Government Department of Energy, Environmental Protection Agency as ENERGY STAR qualified at the time of the loss.
- D. "Heating and Cooling Equipment" means products including, but not limited to, heat pumps, boilers, central air conditioning, ceiling fans, dehumidifiers, exhaust fans, furnaces, thermostats, and ventilating fans.
- E. "Lower emissions" means:
 - i. With respect to adhesive and sealant products, such as, general construction adhesives, flooring adhesives, fire-stopping sealants, caulking, duct sealants, plumbing adhesives, and cove base adhesives, products that meet the requirements of South Coast Air Quality Management District (SCAQMD) Rule # 1168; with respect to aerosol adhesives, products that meet Green Seal Standard GS-36 requirements;
 - ii. With respect to architectural paints, coatings, and primers, products that do not exceed the volatile organic compound (VOC) content limits established in Green Seal Standard GS-11, with respect to anti-corrosive and anti-rust paints, products that do not exceed the VOC content limits established in Green Seal Standard GS-03; and with respect to clear wood finishes, floor coatings, stains, and shellacs, products that do not exceed the VOC content limits established by SCAQMD Rule #1113;
 - iii. With respect to carpet and carpet cushion, products that meet the requirements of the Carpet and Rug Institute's Green Label Plus Program; and
 - iv. With respect to composite wood and agrifiber products such as particleboard, medium density fiberboard (MDF), plywood, wheatboard, strawboard, panel substrates and door cores as well as laminating adhesives used to fabricate on-site and shop-applied composite wood and agrifiber assemblies, products that contain no added urea- formaldehyde resins.
- F. "Office Equipment" means electronic products including, but not limited to, desktop computers, laptop computers, monitors, printers, fax machines, scanners, copiers, and telephones.

- G.** "Recycled Content" means those products that contain at least 20% post-consumer recycled content.
- H.** "Rapidly Renewable" means products that are made from plant resources that are harvested within a ten-year cycle or shorter, including, but not limited to, bamboo, eucalyptus, wheat straw, sunflower hulls, cork oak, wheatboard, linoleum, and sorghum.
- I.** "Seating" means task and guest chairs used with "System Furniture".
- J.** "Sustainably Produced" means those products certified by the Forest Stewardship Council ("FSC").
- K.** "System Furniture" means either a panel-based workstation comprised of modular interconnecting panels, hang-on components and drawer/filing components of a freestanding grouping of furniture items and their components that have been designed to work in concert.
- L.** "Total Loss" means:
- i.** The covered building is completely destroyed regardless of whether any damage is done to the foundation or slab, or
 - ii.** The covered building is in such condition after the loss that the standard method of rebuilding or repairing the covered building is to raze the structure except for the foundation or slab or including all or part of the foundation or slab and rebuild the entire structure, whether such structure is actually rebuilt or not.
- M.** "Water Efficient" means dry fixtures such as composting toilet systems and non-water using urinals, flush toilets using no more than 1.6 gallons of water per flush, and shower heads and faucets with a flow rate of no more than 2.2 gallons per minute.

All other terms and conditions of the **Policy** remain the same.

POLICY CHANGE ENDORSEMENT #3 – Communicable Disease Exclusion – 1 Page

This endorsement modifies insurance provided by this **Policy**:

1. Notwithstanding any other provision of this **Policy** to the contrary, the ~~Company~~COMPANY excludes 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 a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease regardless of any other cause or event contributing concurrently or in any other sequence thereto.
2. 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:
 - 2.1. 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
 - 2.2. 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
 - 2.3. 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.

All other terms and conditions of the **Policy** remain the same.



**NEW MEXICO
COUNTIES**

33 STRONG

**New Mexico County Insurance Authority
(NMCIA)**

PROPERTY COVERAGE AGREEMENT

Effective: July 1, 2026 – July 1, 2027

CRL

Master Property Policy (Non-Convective Storm Designated States) AL, GA, NM, NC, OH, UT

Effective 7/1/2026

This policy is to be used by CRL Property program participants and is the coverage that is reinsured by the Panel in its unamended form.

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DECLARATIONS - SECTION A

1. NAMED INSURED AND MAILING ADDRESS

2. COMPANY

The terms Company or Company's shall mean _____.

3. POLICY PERIOD

FROM: XX/XX/XXXX at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TO: XX/XX/XXXX at 12:01 A.M. at the address of the INSURED PROPERTY involved in the loss

TERM: 1 year

4. TERRITORY

This Policy covers INSURED PROPERTY in The United States of America and Canada.

5. INSURANCE PROVIDED

The coverage under this **Policy** applies to property described on the **Schedule of Values** on file with the COMPANY or covered under the terms and conditions of the AUTOMATIC COVERAGE (NEWLY ACQUIRED), ERRORS AND OMISSIONS, or MISCELLANEOUS UNNAMED PROPERTY provisions, unless otherwise provided.

6. LIMITS OF LIABILITY

The COMPANY'S maximum Limit of Liability in a single **Occurrence** regardless of the number of INSURED PROPERTY or coverages involved will not exceed the total value reported in the **Schedule of Values** on file with the COMPANY.

In the event of loss hereunder, the LIMITS OF LIABILITY shall be limited to the least of the following:

1. The actual adjusted amount of loss, less applicable deductible(s); or
2. 150% of the real and personal property values combined, inclusive of property in the open, for each reported Location. Location shall mean each individual line item reported on the latest **Schedule of Values** on file with the COMPANY as of the date of loss. However, this limitation shall not apply to coverages provided within this **Policy** as respects to Property and Time Element coverage extensions where values for such are not reportable including, but not limited to, Demolition and Increased Cost of Construction, Debris Removal, Accounts Receivable, Valuable Papers and Records, Decontamination Expense and Extra Expense, et al., and as further described within this **Policy**.
3. The Limit of Liability shown on the Declarations page of this **Policy** or endorsed onto this **Policy** after inception.

The terms and conditions in this **Policy**, including the sublimits below, constitute the program as a whole for the NAMED INSURED. The sublimits stated below are a part of, and do not increase, any LIMITS OF LIABILITY of the program.

The following sublimits apply on a per **Occurrence** basis, unless otherwise stated.

Each sublimit stated in this **Policy** applies as part of, and not in addition to, the overall policy limit for an **Occurrence** insured hereunder. Each sublimit is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to that aspect of the **Occurrence**, including but not limited to type of property, construction, geographic area, zone, location, or peril.

If insured under this **Policy**, any sublimit for **Earthquake, Flood or Named Storm** is the maximum amount potentially recoverable for all insured loss, damage, expense, time element or other insured interest arising from or relating to such an **Occurrence**. All other sublimits are a part of, and do not increase the **Earthquake, Flood or Named Storm** sublimit.

Further, if **Flood** occurs in conjunction with a **Named Storm or Earthquake**, the **Flood** sublimit applies within and erodes the sublimit for that windstorm, named storm, named windstorm, earthquake or earth movement.

When a Sublimit is shown as applying as an annual aggregate, the COMPANY'S maximum LIMIT OF LIABILITY will not exceed such limit during any POLICY PERIOD regardless of the number of INSURED PROPERTY and coverages involved.

Sublimits:

\$2,500,000	ACCOUNTS RECEIVABLE	
\$1,000,000	ANIMALS	
\$5,000,000	AUTOMATIC COVERAGE (NEWLY ACQUIRED)	
\$10,000,000	BUSINESS INCOME AND EXTRA EXPENSE COMBINED	
\$500,000	CLAIM PREPARATION FEES AND EXPENSES	
\$250,000	CONTINGENT BUSINESS INCOME AND CONTINGENT EXTRA EXPENSE COMBINED	
\$100,000	CONTINGENT TAX REVENUE INTERRUPTION	
\$2,500,000	DEBRIS REMOVAL (GREATER OF 25% OF PROPERTY DAMAGE LOSS OR THE LIMIT SHOWN)	
\$500,000	DECONTAMINATION COSTS	
\$100,000	DEFERRED PAYMENTS	
\$10,000,000	EARTHQUAKE – SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$2,500,000	ELECTRONIC DATA AND MEDIA	
\$50,000,000	EQUIPMENT BREAKDOWN, INCLUDING	
	SPOILAGE	\$500,000
	SERVICE INTERRUPTION	\$2,500,000
	BUSINESS INCOME AND EXTRA EXPENSE	\$1,000,000

	EXPEDITING EXPENSE	\$500,000
	HAZARDOUS SUBSTANCE	\$1,000,000
	AMMONIA CONTAMINATION	\$500,000
	ELECTRONIC DATA AND MEDIA	\$1,000,000
	CFC REFRIGERANTS	\$100,000
	COMPUTER EQUIPMENT	\$50,000,000
\$2,500,000	ERRORS AND OMISSIONS	
\$250,000	EVACUATION EXPENSE	
\$1,000,000	EXPEDITING EXPENSE	
\$1,000,000	EXTENDED PERIOD OF INDEMNITY (LESSER OF ACTUAL LOSS SUSTAINED FOR 180 CONSECUTIVE DAYS OR LIMIT SHOWN)	
\$10,000,000	FLOOD - SUBJECT TO A \$10,000,000 ANNUAL AGGREGATE	
\$2,500,000	FLOOD – SUBJECT TO A \$2,500,000 ANNUAL AGGREGATE AS RESPECTS INSURED PROPERTY SITUATED WHOLLY OR PARTIALLY WITHIN SPECIAL FLOOD HAZARD AREAS	
\$2,500,000	INCREASED COST OF CONSTRUCTION	
\$2,500,000	INGRESS/EGRESS	
\$250,000	INSECT, ANIMAL, AND VERMIN DAMAGE TO MOBILE EQUIPMENT AND VEHICLES	
\$2,500,000	INTERRUPTION BY CIVIL AUTHORITY	
\$100,000	LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL, SUBJECT TO A \$500,000 ANNUAL AGGREGATE	
\$100,000	LANDSCAPING, SUBJECT TO \$15,000 ANY ONE SHRUB OR TREE, CAUSED BY OR RESULTING FROM A DEFINED PERIL	
\$2,500,000	LEASEHOLD INTEREST	
\$500,000	MISCELLANEOUS UNNAMED PROPERTY	
\$1,000,000	MOLD RESULTING FROM A DEFINED PERIL	
\$50,000,000	NAMED STORM	
\$10,000	PERSONAL PROPERTY OF OFFICERS AND EMPLOYEES OF THE NAMED INSURED WHILE ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED	

\$10,000	PERSONAL PROPERTY OF LAW ENFORCEMENT AND FIRE DEPARTMENT EMPLOYEES, INCLUDING VOLUNTEER LAW ENFORCEMENT AND VOLUNTEER FIRE DEPARTMENT PERSONNEL WHILE ACTING WITHIN THE SCOPE OF DUTIES ON BEHALF OF THE NAMED INSURED
\$2,500,000	PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS – ANY ONE INSURED PROPERTY
\$2,500,000	SERVICE INTERRUPTION - PROPERTY DAMAGE AND TIME ELEMENT COMBINED
\$2,500,000	TRANSIT - PROPERTY DAMAGE AND TIME ELEMENT COMBINED – PER CONVEYANCE
\$2,500,000	UNSCHEDULED FINE ARTS – SUBJECT TO A MAXIMUM OF \$250,000 PER ITEM
\$250,000	UNSCHEDULED TUNNELS, BRIDGES, AIRPORT RUNWAYS, AND DAMS (EXCLUDING COVERAGE FOR THE PERILS OF EARTHQUAKE, FLOOD, AND NAMED STORM)
\$100,000	UNSCHEDULED UNMANNED AIRCRAFT SYSTEMS , INCLUDING ATTACHED EQUIPMENT
\$500,000	UNSCHEDULED WATERCRAFT
\$250,000	UNSCHEDULED WHARVES, PIERS, DOCKS, PILINGS, AND BULKHEADS
\$100,000	UPGRADE TO GREEN
\$2,500,000	VALUABLE PAPERS AND RECORDS

Time Limits

In addition to the time limits shown elsewhere in this Policy, the following apply:

- 30 Day Period: INTERRUPTION BY CIVIL AUTHORITY
- 30 Day Period: INGRESS/EGRESS
- 180 Day Period: EXTENDED PERIOD OF INDEMNITY

7. PREMIUM

This **Policy** is issued in consideration of an annual premium of _____.

8. WAITING PERIOD

For the purposes of applying SERVICE INTERRUPTION, CIVIL AUTHORITY AND INGRESS/EGRESS Coverage, the **Waiting Period** is twenty-four (24) hours.

9. DEDUCTIBLES

In each case of loss covered by this **Policy**, the COMPANY will be liable only if the NAMED INSURED sustains a loss in a single **Occurrence** greater than the underlying limit or the applicable deductible specified below, and only for its share of that greater amount.

A. Named Storm

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the deductible for **Named Storm** in **Tier One Counties**.

For INSURED PROPERTY wholly or partially situated in **Tier One Counties**, the deductible shall be 2% of the total actual value of all INSURED PROPERTY per **Occurrence** irrespective of the number of locations. If the claim as respects Losses from a **Named Storm** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single **Occurrence** with respect to such losses be less than the minimum amount of \$ _____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

As respects **Named Storm** losses in all other counties, a \$ _____ deductible per **Occurrence** for all INSURED PROPERTY and coverages, combined, shall apply.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the perils of **Flood** or **Storm Surge** resulting from a **Named Storm**:

- (1) for all coverages insured against under this **Policy**, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this **Policy**, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section A. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section A. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the **Policy**.

B. Flood

Property consisting of **Vehicles** and **Mobile Equipment** shall not be subject to the **Special Flood Hazard Area** deductible detailed below.

As respects buildings or structures wholly or partially situated in a **Special Flood Hazard Area** the following deductibles shall apply separately for loss from the peril of **Flood**, as covered and defined under the National Flood Insurance Program:

- (1) for all coverages insured against under this **Policy**, if the NAMED INSURED purchases coverage from the National Flood Insurance Program, the deductible shall be the greater of the amount recoverable from the National Flood Insurance Program or the **Actual Cash Value**, not to exceed \$500,000. This deductible shall apply for each building or each structure for real property, and for contents at each building or each structure.
- (2) for all coverages insured against under this **Policy**, if the NAMED INSURED does not purchase coverage from the National Flood Insurance Program, or the property is not eligible for coverage from the National Flood Insurance Program, or in the event the National Flood Insurance Program lapses or is discontinued, the deductible shall be \$ 500,000 at each building or each structure for real property, \$ 500,000 for contents at each building or each structure, and \$500,000 each for any other INSURED PROPERTY.
- (3) If the community is participating in the Emergency Program under the National Flood Insurance Program, \$500,000 as noted within this Section B. (1) is replaced with \$100,000. If the property is eligible for coverage in the Emergency Program, \$500,000 as noted within Section B. (2) is replaced with \$100,000.

However, these deductibles shall not apply to INSURED PROPERTY located outside of an area designated as a **Special Flood Hazard Area** nor to ensuing physical loss, or damage or destruction not otherwise excluded herein. Further, the deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the **Policy**.

For all other **Flood** losses, the deductible shall be \$ _____.

The deductibles described under paragraphs (1), (2), and (3) above shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the **Policy**.

C. Earthquake in New Madrid Counties

For INSURED PROPERTY wholly or partially situated in **New Madrid Counties**, the deductible shall be 2% of the total actual value of all INSURED PROPERTY per **Occurrence** irrespective of the number of locations. If the claim as respects Losses from an **Earthquake in New Madrid Counties** involves loss or damage at more than one INSURED PROPERTY, the deductible amount shall be calculated separately for each INSURED PROPERTY suffering loss or damage and applied separately to the adjusted loss at each INSURED PROPERTY, but in no event shall the total deductible to be applied to a single Occurrence with respect to such losses be less than the minimum amount of \$ _____, for all such loss or damage at all INSURED PROPERTY, and coverages, combined.

The deductibles described under this section C shall apply individually and supersede the "two or more deductible provision" under the Deductible Conditions of the **Policy**.

D. All Other Perils

As respects losses from any other peril, a \$_____ deductible per **Occurrence** for all INSURED PROPERTY, and coverages, combined shall apply.

E. Deductible Conditions

(1) Two or More Deductibles

In the event of any **Occurrence** resulting in loss or damage insured against under this **Policy** for which two or more deductibles apply, the total deductible shall not exceed the single largest deductible applicable to the **Occurrence**.

However, in any **Occurrence** where loss or damage is caused by more than one peril insured against under this Policy, the NAMED INSURED shall have the right to separate the loss amount by peril for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles.

(2) Percentage Deductibles

For any deductible expressed as a percentage of actual value at the time when such loss occurs, the percentage deductible shall apply against those values reported in the latest **Schedule of Values** on file with the COMPANY for the INSURED PROPERTY which is affected and being reported for loss.

If the property affected and being reported for loss is not so reported in the **Schedule of Values** on file with the COMPANY, the percentage deductible shall apply against the total cost, per the VALUATION clause of the LOSS ADJUSTMENT AND SETTLEMENT section of the Policy, as of the date of the loss at the INSURED PROPERTY where physical damage occurred and for which the NAMED INSURED is making a claim for loss.

PROPERTY DAMAGE - SECTION B

This **Policy** covers property, as described in this **Policy**, against all risks of direct physical loss or direct physical damage, except as hereinafter excluded, while located as described in this **Policy**.

1. INSURED PROPERTY

This **Policy** insures the following property, unless otherwise excluded elsewhere in this **Policy**, anywhere within the **Policy** TERRITORY, to the extent of the interest of the NAMED INSURED in such property.

- A. Real Property, including but not limited to buildings, remodeling, installations, and construction in which the NAMED INSURED has an insurable interest.
- B. Personal Property:
 - 1) Owned by the NAMED INSURED, including the NAMED INSURED'S interest as a tenant in improvements and betterments. In the event of physical loss or damage, the COMPANY agrees to accept and consider the NAMED INSURED as sole and unconditional owner of improvements and betterments, notwithstanding any contract or lease to the contrary;
 - 2) Of officers and employees of the NAMED INSURED, while acting within the scope of duties on behalf of the NAMED INSURED, at or within 100 feet of an insured building;

- 3) Of law enforcement and fire department employees, including volunteer law enforcement and volunteer fire department personnel, within the coverage TERRITORY while acting within the scope of duties on behalf of the NAMED INSURED.
- 4) Of others in the NAMED INSURED'S custody to the extent the NAMED INSURED is under obligation to keep insured for physical loss or damage insured by this **Policy**; or
- 5) Of others in the NAMED INSURED'S custody to the extent of the NAMED INSURED'S legal liability for physical loss or damage to personal property. The COMPANY will defend that portion of any suit against the NAMED INSURED that alleges such liability and seeks damages for such insured physical loss or damage. The COMPANY may, without prejudice, investigate, negotiate and settle any claim or suit as the COMPANY deems expedient.
- 6) **Mobile Equipment, Vehicles, Unmanned Aircraft Systems**, and watercraft owned, rented, or leased by the NAMED INSURED.

This Policy also insures the interest of contractors and subcontractors in INSURED PROPERTY during construction at an INSURED PROPERTY to the extent of the NAMED INSURED'S legal liability for insured physical loss or damage to such property. Such interest of contractors and subcontractors is limited to the property for which they have been hired to perform work and such interest will not extend to any TIME ELEMENT coverage provided under this **Policy**.

2. PROPERTY EXCLUDED

This **Policy** excludes:

- A. Currency, money, precious metal in bullion form, notes, or securities.
- B. Land, water or any other substance in or on land; except this exclusion does not apply to loss or damage caused by or resulting from a **Defined Peril** for the following items:
 - 1) Land improvements consisting of landscaping including trees and shrubs, tunnels, piers, docks, pilings, bulkheads, wharves, piping, fiber optic cable, and retaining walls, but not including any land beneath such property.
 - 2) Bridges and dams (including earthen dams) but not including coverage for the peril of **Flood**.
 - 3) Pavements, sidewalks, parking lots, and culverts at an INSURED PROPERTY, but not including roadways, highways, and streets.
 - 4) Athletic Fields including necessary materials, fill, and substrate beneath such fields.
 - 5) Water that is contained within any enclosed tank, piping system or any other processing equipment.
- C. Animals, but not including animals used for research and animals used for the operations of the NAMED INSURED.
- D. Spacecraft, satellites, or aircraft except **Unmanned Aircraft Systems**.
- E. Underground mines, mineshafts or caverns or any property within such mine, shaft or cavern.
- F. Canals, off shore drilling rigs, or reservoirs.

- G. Property sold by the NAMED INSURED under conditional sale, trust agreement, installment plan or other deferred payment plan after delivery to customers except as provided by the DEFERRED PAYMENT coverage of this **Policy**.
- H. Overhead transmission and distribution lines located more than 1 mile from an insured building.
- I. Standing timber, growing crops, sod, grass, or greens and tees at golf courses.
- J. Landfill original material (i.e. trash and debris), landfill liners or similar landfill barrier(s), natural or manmade.
- K. Equipment used to produce power or gas primarily for distribution to third parties.

3. ADDITIONAL COVERAGES

This Policy includes the following Additional Coverages for physical loss or damage insured by this **Policy**. These Additional Coverages:

Are subject to the applicable limit of liability;

Will not increase the **Policy** limit of liability; and

Are subject to the **Policy** provisions, including applicable exclusions and deductibles;

all as shown in this Section and elsewhere in this **Policy**.

A. ACCOUNTS RECEIVABLE

This **Policy** covers any shortage in the collection of accounts receivable, resulting from insured physical loss or damage to accounts receivable records while anywhere within the **Policy** TERRITORY, including while in transit. The COMPANY will be liable for the interest charges on any loan to offset impaired collections pending repayment of such sum uncollectible as the result of such loss or damage. Unearned interest and service charges on deferred payment accounts and **Normal** credit losses on bad debts will be deducted in determining the recovery.

- 1) In the event of loss to accounts receivable records, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding accounts receivable.
- 2) The NAMED INSURED agrees to use any suitable property or service:
 - a. Owned or controlled by the NAMED INSURED; or
 - b. obtainable from other sources;

in reducing the loss under this Additional Coverage.
- 3) This **Policy** covers any other necessary and reasonable costs incurred to reduce the loss, to the extent the losses are reduced.
- 4) If it is possible to reconstruct accounts receivable records so that no shortage is sustained, the COMPANY will be liable only for the reasonable and necessary cost incurred for material and time required to re-establish or reconstruct such records, and not for any costs covered by any other insurance.

- 5) ACCOUNTS RECEIVABLE exclusions: The following exclusions are in addition to the EXCLUSIONS clause of this Section:

This ADDITIONAL COVERAGE does not insure against shortage resulting from:

- a. Bookkeeping, accounting or billing errors or omissions; or
- b. (i) Alteration, falsification, manipulation; or
(ii) Concealment, destruction or disposal;

of accounts receivable records committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property; but only to the extent of such wrongful giving, taking, obtaining or withholding.

- 6) The settlement of loss will be made within 90 days from the date of physical loss or damage. All amounts recovered by the NAMED INSURED on outstanding accounts receivable on the date of loss will belong and be paid to the COMPANY up to the amount of loss paid by the COMPANY. All recoveries exceeding the amount paid will belong to the NAMED INSURED.

B. ANIMALS

This **Policy** covers insured physical loss or damage to animals used for research and animals used for the operations of the NAMED INSURED.

As respects ANIMALS, the following additional exclusions apply:

This **Policy** excludes the following unless directly resulting from other physical damage not excluded by this **Policy**:

- 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 on the part of the NAMED INSURED to provide nourishment, medicine or sanitary conditions.
- 5) Contamination of animals, food or medicine.

C. AUTOMATIC COVERAGE (NEWLY ACQUIRED)

This **Policy** covers INSURED PROPERTY rented, leased, purchased, or newly constructed by the NAMED INSURED after the inception date of this **Policy** within the **Policy** TERRITORY.

This Additional Coverage does not apply to property insured in whole or in part by any other insurance policy.

This coverage will apply until the date the INSURED PROPERTY is reported to the COMPANY or 120 days from the date of acquisition, whichever comes first.

D. BRANDS AND LABELS

If branded or labeled property insured by this **Policy** is physically damaged and the COMPANY elects to take all or any part of that property, the NAMED INSURED may at the COMPANY'S expense:

- 1) Stamp "salvage" on the property or its containers; or
- 2) Remove or obliterate the brands or labels;

if doing so will not damage the property. In either event, the NAMED INSURED must relabel such property or its containers to be in compliance with any applicable law.

E. CLAIM PREPARATION FEES AND EXPENSES

This **Policy** covers the actual costs incurred by the NAMED INSURED, of reasonable fees payable to the NAMED INSURED'S accountants, architects, auditors, engineers, or other professionals and the cost of using the NAMED INSURED'S employees, for producing and certifying any particulars or details contained in the NAMED INSURED'S books or documents, or such other proofs, information or evidence required by the COMPANY resulting from insured loss payable under this **Policy** for which the COMPANY has accepted liability.

Coverage will not include the fees and costs of attorneys, public adjusters, and loss appraisers, all including any of their subsidiary, related or associated entities either partially or wholly owned by them or retained by them for the purpose of assisting them.

F. CONSEQUENTIAL REDUCTION IN VALUE

This **Policy** covers the reduction in value of insured merchandise that is a part of pairs, sets or components, directly resulting from physical loss or damage insured by this **Policy** to other insured parts of pairs, sets or components of such merchandise. If settlement is based on a constructive total loss, the NAMED INSURED will surrender the undamaged parts of such merchandise to the COMPANY.

G. DEBRIS REMOVAL

This **Policy** covers the reasonable and necessary costs incurred to remove debris from INSURED PROPERTY that remains as a direct result of physical loss or damage insured by this **Policy**.

This Additional Coverage does not cover the costs of removal of:

- 1) Contaminated uninsured property; or
- 2) The contaminant in or on uninsured property;

whether or not the contamination results from insured physical loss or damage. Contamination includes, but is not limited to, the presence of **Pollutants** or hazardous material.

H. DECONTAMINATION COSTS

If INSURED PROPERTY is contaminated as a direct result of physical damage insured by this **Policy** and there is in force at the time of the loss any law or ordinance regulating contamination, including but not limited to the presence of **Pollutants** or hazardous material, then this **Policy**

covers, as a direct result of enforcement of such law or ordinance, the increased cost of decontamination and/or removal of such contaminated INSURED PROPERTY in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of INSURED PROPERTY so contaminated as a direct result of insured physical damage.

The COMPANY is not liable for the costs required for removing contaminated uninsured property nor the contaminant therein or thereon, whether or not the contamination results from an insured event.

I. DEFERRED PAYMENTS

This **Policy** covers insured physical loss or damage to personal property of the type insured sold by the NAMED INSURED under a conditional sale or trust agreement or any installment or deferred payment plan and after such property has been delivered to the buyer. Coverage is limited to the unpaid balance for such property.

In the event of loss to property sold under deferred payment plans, the NAMED INSURED will use all reasonable efforts, including legal action, if necessary, to effect collection of outstanding amounts due or to regain possession of the property.

There is no liability under this **Policy** for loss:

- 1) Pertaining to products recalled including, but not limited to, the costs to recall, test or to advertise such recall by the NAMED INSURED.
- 2) From theft or conversion by the buyer of the property after the buyer has taken possession of such property.
- 3) To the extent the buyer continues payments.
- 4) Not within the **Policy** TERRITORY.

J. EARTH MOVEMENT

This **Policy** covers physical loss or damage caused by or resulting from **Earth Movement**.

K. ELECTRONIC DATA AND MEDIA

This **Policy** covers physical loss or damage to **Electronic Data and Media** while anywhere within the **Policy** TERRITORY, including while in transit.

- 1) This Additional Coverage excludes:
 - a. Property held as samples or for sale or for delivery after sale.
 - b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this **Policy** results, in which event, this coverage will insure only such resulting damage.

L. ERRORS AND OMISSIONS

If physical loss or damage is not payable under this **Policy** solely due to an error or unintentional omission:

- 1) In the description of where INSURED PROPERTY is physically located;
- 2) To include any INSURED PROPERTY:
 - a. Owned, rented or leased by the NAMED INSURED on the effective date of this **Policy**; or
 - b. Purchased, rented or leased by the NAMED INSURED during the term of this **Policy**; or
- 3) That results in cancellation of the property insured under this **Policy**;

This **Policy** covers such physical loss or damage, to the extent it would have provided coverage had such error or unintentional omission not been made.

It is a condition of this Additional Coverage that any error or unintentional omission be reported by the NAMED INSURED to the COMPANY when discovered and corrected.

M. EXPEDITING EXPENSE

This **Policy** covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to INSURED PROPERTY and to expedite the permanent repair or replacement of such damaged property.

This Additional Coverage does not cover costs:

- 1) Recoverable elsewhere in this **Policy**; or
- 2) Of permanent repair or replacement of damaged property.

N. FINE ARTS

This **Policy** covers physical loss or damage to **Fine Arts** articles while anywhere within the Policy TERRITORY, including while in transit.

- 1) This additional coverage excludes loss or damage if the **Fine Arts** cannot be replaced with other of like kind and quality.
- 2) In addition, as respects FINE ARTS, the following exclusions apply:
 - a. Loss or damage from any repairing, restoration or retouching process.

O. FIRE BRIGADE CHARGES AND EXTINGUISHING EXPENSES

This **Policy** covers the following expenses resulting from a covered loss:

- 1) fire brigade charges and any extinguishing expenses which the NAMED INSURED incurs;
- 2) loss and disposal of fire extinguishing materials expended.

P. FLOOD

This **Policy** covers physical loss or damage caused by or resulting from **Flood**.

Q. INCREASED COST OF CONSTRUCTION

- 1) This **Policy** covers the reasonable and necessary costs incurred, described in Item 3) below, to satisfy the minimum requirements of the enforcement of any law or ordinance regulating the demolition, construction, repair, replacement or use of buildings or structures, provided:
 - a. Such law or ordinance is in force on the date of insured physical loss or damage; and
 - b. Its enforcement is a direct result of such insured physical loss or damage; and
- 2) This Additional Coverage does not cover any loss due to any law or ordinance with which the NAMED INSURED should have complied before the loss.
- 3) This Additional Coverage, as respects the property insured in Item 1) above, covers:
 - a. The cost to repair or rebuild the physically damaged portion of such property with materials and in a manner to satisfy such law or ordinance; and
 - b. The cost:
 - (i) to demolish the physically undamaged portion of such property insured; and
 - (ii) to rebuild it with materials and in a manner to satisfy such law or ordinance;to the extent that such costs result when the total demolition of the physically damaged INSURED PROPERTY is required to satisfy such law or ordinance.
- 4) This Additional Coverage excludes any costs incurred as a direct or indirect result of enforcement of any laws or ordinances regulating any form of contamination including but not limited to the presence of **Pollutants** or hazardous material.
- 5) The COMPANY'S maximum liability for this Additional Coverage at each INSURED PROPERTY in any **Occurrence** will not exceed the actual cost incurred in demolishing the physically undamaged portion of the property insured in Item 1) above plus the lesser of:
 - a. The reasonable and necessary cost incurred, excluding the cost of land, in rebuilding on another site; or
 - b. The cost of rebuilding on the same site.

If the coverage under this clause is subject to a sublimit, such sublimit shall only apply with respects to paragraph 3) a. above. Such sublimit shall not apply with respect to paragraph 3) b. above where coverage described therein shall be included within the **Policy** limit.

R. LAND AND WATER CONTAMINANT OR POLLUTANT CLEANUP, REMOVAL & DISPOSAL

This **Policy** covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, including water or any other substance in land, and water on land, at the INSURED PROPERTY if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to INSURED PROPERTY.

This **Policy** does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) At any INSURED PROPERTY for personal property only; or
- 2) When the NAMED INSURED fails to give written notice of loss to the COMPANY within 180 days after inception of the loss.

S. MISCELLANEOUS UNNAMED PROPERTY

This **Policy** covers the NAMED INSURED'S interest in covered property within the **Policy** TERRITORY which is not specifically on file, identified, or scheduled by the NAMED INSURED with the COMPANY. No coverage is provided under this provision on property while waterborne.

This provision does not cover any property insured or excluded under any other item of this **Policy**.

T. PROPERTY IN THE COURSE OF CONSTRUCTION AND SOFT COSTS

This **Policy** covers projects in the course of construction.

This Additional Coverage also covers the necessary **Soft Costs**.

U. PROTECTION AND PRESERVATION OF PROPERTY

This **Policy** covers:

- 1) Reasonable and necessary costs incurred for actions to temporarily protect or preserve INSURED PROPERTY, provided such actions are necessary due to actual, or to prevent immediately impending, insured physical loss or damage to such INSURED PROPERTY.
- 2) Reasonable and necessary includes, but is not limited to:
 - a. Fire department fire-fighting charges imposed as a result of responding to a fire in, on or exposing the INSURED PROPERTY;
 - b. Costs incurred of restoring and recharging fire protection systems following an insured loss; and
 - c. Costs incurred for the water used for fighting a fire in, on or exposing the INSURED PROPERTY.

This Additional Coverage is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

V. SERVICE INTERRUPTION PROPERTY DAMAGE

- 1) This **Policy** covers physical loss or damage to INSURED PROPERTY when such physical loss or damage results from the interruption of the specified incoming or outgoing services consisting of electricity, telecommunications, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the supplier of such service located within the **Policy** TERRITORY, that immediately prevents in whole or in part the delivery of such usable service.

- 2) This Additional Coverage will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The COMPANY will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

W. TERRORISM

This **Policy** covers physical loss or damage caused by or resulting from **Terrorism**.

X. TRANSIT

- 1) This **Policy** covers the following INSURED PROPERTY within the **Policy** TERRITORY, except as excluded by this Policy, while in transit:
 - a. Owned by the NAMED INSURED within the **Policy** TERRITORY of this **Policy**.
 - b. Shipped to customers under F.O.B., C & F or similar terms. The NAMED INSURED'S contingent interest in such shipments is admitted.
 - c. Of others in the actual or constructive custody of the NAMED INSURED to the extent of the NAMED INSURED'S interest or legal liability.
 - d. Of others sold by the NAMED INSURED that the NAMED INSURED has agreed prior to the loss to insure during course of delivery.
- 2) This Additional Coverage excludes:
 - a. Samples in the custody of salespeople or selling agents.
 - b. Property insured under import or export ocean marine insurance.
 - a. Waterborne shipments, unless:
 - i) by inland water; or
 - ii) by coastal shipments.
 - d. Airborne shipments unless by regularly scheduled passenger airlines or air freight carriers.
 - e. Property of others, including the NAMED INSURED'S legal liability for it, hauled on **Vehicles** owned, leased or operated by the NAMED INSURED when acting as a common or contract carrier.
 - f. Any transporting **Vehicle**.

g. Property shipped between continents, except by land or air between Europe and Asia.

3) Coverage Attachment and Duration

- a. This Additional Coverage covers from the time the property leaves the original point of shipment for transit until the property arrives at destination.
- b. However, coverage on export shipments not insured under ocean cargo policies ends when the property is loaded on board overseas vessels or aircraft. Coverage on import shipments not insured under ocean cargo policies begins after discharge from overseas vessels or aircraft.

4) This Additional Coverage:

- a. Covers general average and salvage charges on shipments covered while waterborne.
- b. Insures physical loss or damage caused by or resulting from:
 - i) Unintentional acceptance of fraudulent bills of lading, shipping or messenger receipts;
 - ii) Improper parties having gained possession of property through fraud or deceit.

5) Additional General Provisions

- a. This Additional Coverage will not inure directly or indirectly to the benefit of any carrier or bailee.
- b. The NAMED INSURED has permission, without prejudicing this insurance, to accept:
 - i) Ordinary bills of lading used by carriers;
 - ii) Released bills of lading;
 - iii) Undervalued bills of lading; and
 - iv) Shipping or messenger receipts.
- c. The NAMED INSURED may waive subrogation against railroads under sidetrack agreements.

Except as otherwise stated, the NAMED INSURED will not enter into any special agreement with carriers releasing them from their common law or statutory liability.

Y. VALUABLE PAPERS AND RECORDS

This **Policy** covers physical loss or damage to **Valuable Papers and Records** while anywhere within the **Policy** TERRITORY, including while in transit.

1) This Additional Coverage excludes:

- a. Property held as samples or for sale or for delivery after sale, and

- b. Errors or omissions in processing, programming or copying unless physical damage not excluded by this **Policy** results, in which event, this coverage will insure only such resulting damage.

4. EXCLUSIONS

The following exclusions apply unless specifically stated elsewhere in this **Policy**.

A. This **Policy** excludes:

- 1) Indirect or remote loss or damage.
- 2) Interruption of business; except to the extent provided by this **Policy**.
- 3) Loss of market or loss of use.
- 4) Loss or damage or deterioration arising from any delay.
- 5) Mysterious disappearance, loss or shortage disclosed on taking inventory for which the loss can be proven solely on the inventory records, or any unexplained loss.
- 6) Loss from enforcement of any law or ordinance:
 - a. Regulating the construction, repair, replacement, use or removal, including debris removal, of any property; or
 - b. Requiring the demolition of any property, including the cost in removing its debris;except as provided by the DEBRIS REMOVAL, DECONTAMINATION COSTS and INCREASED COST OF CONSTRUCTION coverages of the PROPERTY DAMAGE Section of this **Policy**.
- 7) Loss from the accumulated effects of smog, smoke, vapor, liquid or dust.

B. This **Policy** excludes loss or damage directly or indirectly caused by or resulting from any of the following regardless of any other cause or event, whether or not insured under this **Policy**, contributing concurrently or in any other sequence to the loss:

- 1) Nuclear reaction or nuclear radiation or radioactive contamination. However:
 - a. If physical damage by fire or sprinkler leakage results, then only that resulting damage is insured; but not including any loss or damage due to nuclear reaction, radiation or radioactive contamination.
 - b. This **Policy** does insure physical damage directly caused by sudden and accidental radioactive contamination, including resultant radiation damage, from material used or stored or from processes conducted on the INSURED PROPERTY, provided that on the date of loss, there is neither a nuclear reactor nor any new or used nuclear fuel on the INSURED PROPERTY.
- 2) a. 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:
 - (i) Government or sovereign power (de jure or de facto);

- (ii) Military, naval or air force; or
 - (iii) Agent or authority of any party specified in (i) or (ii) above.
 - b. Discharge, explosion or use of any nuclear device, weapon or material employing or involving nuclear fission, fusion or radioactive force, whether in time of peace or war and regardless of who commits the act.
 - c. Insurrection, rebellion, revolution, civil war, usurped power, or action taken by governmental authority in hindering, combating or defending against such an event.
 - d. Seizure or destruction under quarantine or custom regulation, or confiscation by order of any governmental or public authority.
 - e. Risks of contraband, or illegal transportation or trade.
- 3) Any dishonest act, including but not limited to theft, committed alone or in collusion with others, at any time:
- a. By a NAMED INSURED or any proprietor, partner, director, trustee, officer, or employee of a NAMED INSURED; or
 - b. By any proprietor, partner, director, trustee, or officer of any business or entity (other than a common carrier) engaged by a NAMED INSURED to do anything in connection with property insured under this **Policy**.

This **Policy** does insure acts of direct insured physical damage intentionally caused by an employee of a NAMED INSURED or any individual specified in b. above, and done without the knowledge of the NAMED INSURED. In no event does this **Policy** cover loss by theft by any individual specified in a. or b. above.

- 4) Lack of the following services:
- a) incoming or outgoing electricity, fuel, water, gas, steam, refrigerant;
 - b) incoming or outgoing sewerage;
 - c) incoming or outgoing telecommunications;

all when caused by an **Occurrence** off the INSURED PROPERTY, except as provided in SERVICE INTERRUPTION in the PROPERTY DAMAGE or TIME ELEMENT Section of this **Policy**. But, if the lack of such a service directly causes physical damage insured by this **Policy** on the INSURED PROPERTY, then only that resulting damage is insured.

- 5) The unlawful possession, use, release, discharge, dispersal or disposal of any chemical or similar agent or matter regardless of who is responsible for the act and whether war has been declared or not, and regardless of any other cause or event contributing concurrently or in any other sequence thereto.

C. This **Policy** excludes the following, but, if physical damage not excluded by this **Policy** results, then only that resulting damage is insured:

- 1) Faulty workmanship, material, construction or design from any cause.
 - 2) Loss or damage to stock or material attributable to manufacturing or processing operations while such stock or material is being processed, manufactured, tested, or otherwise worked on.
 - 3) Deterioration, depletion, rust, corrosion or erosion, wear and tear, inherent vice or latent defect.
 - 4) Settling, cracking, shrinking, bulging, or expansion of foundations (including any pedestal, pad, platform or other property supporting machinery), floors, pavements, walls, ceilings or roofs.
 - 5) Changes of temperature damage (except to machinery or equipment); or changes in relative humidity damage; all whether atmospheric or not.
 - 6) Insect, animal or vermin damage, except damage to **Mobile Equipment** and **Vehicles**.
- D. This **Policy** excludes the following unless directly resulting from other physical damage not excluded by this **Policy**:
- 1) Contamination including but not limited to the presence of **Pollutants** or hazardous material.
 - 2) Shrinkage; changes in color, flavor, texture or finish.
 - 3) Asbestos material defects, treatment, abatements or removal.
- E. This **Policy** excludes the following, but, if physical damage results from a **Defined Peril**, then only that resulting damage is insured.
- 1) Any functioning or malfunctioning of the internet or similar facility, or of any intranet or private network or similar facility, including but not limited to Computer Virus. Computer Virus shall mean a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. Computer Virus includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.
 - 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 NAMED INSURED to conduct business.
 - 4) The failure of any of the following, whether owned by you or others:
 - (a) Data processing equipment, software, data, or media;
 - (b) Hardware or software based computer operating systems;
 - (c) Microprocessors;
 - (d) Integrated circuits; or,
 - (e) Any other electronic equipment, computerized equipment, or similar devices;

due to the inability of these items to correctly recognize, process, or accept one or more dates or times as their true calendar date or time.

- 5) Fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such fungus, mold(s), mildew or yeast;
 - (a) 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;
 - (b) mold(s) includes, but is not limited to, any superficial growth produced on damp or decaying organic matter or on living organisms, and fungi that produce mold(s);
 - (c) spores means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildew, plants, organisms or microorganisms.

TIME ELEMENT - SECTION C

1. LOSS INSURED

- A. This **Policy** insures TIME ELEMENT loss, as provided in the TIME ELEMENT COVERAGES, directly resulting from physical loss or damage of the type insured by this **Policy**:
 - 1) To property described elsewhere in this **Policy** and not otherwise excluded by this **Policy** or otherwise limited in the TIME ELEMENT COVERAGES below; and
 - 2) Used by the NAMED INSURED, or for which the NAMED INSURED has contracted use; and
 - 3) Located at an INSURED PROPERTY or in the case of PERSONAL PROPERTY within the **Policy** TERRITORY; and
 - 4) While in transit as provided by this **Policy**; and
 - 5) During the Periods of Liability described in this Section.
- B. This **Policy** insures TIME ELEMENT loss only to the extent it cannot be reduced through:
 - 1) The use of any property or service owned or controlled by the NAMED INSURED;
 - 2) The use of any property or service obtainable from other sources;
 - 3) Working extra time or overtime; or
 - 4) The use of inventory;

all whether at an INSURED PROPERTY or at any other location. The COMPANY reserves the right to take into consideration the combined operating results of all associated, affiliated or subsidiary companies of the NAMED INSURED in determining the TIME ELEMENT loss.

- C. This **Policy** covers expenses reasonably and necessarily incurred by the NAMED INSURED to reduce the loss otherwise payable under this section of this **Policy**. The amount of such recoverable expenses will not exceed the amount by which the loss has been reduced.

- D. Except as respects LEASEHOLD INTEREST, in determining the amount of loss payable, the COMPANY will consider the experience of the business before and after and the probable experience during the PERIOD OF LIABILITY.

2. TIME ELEMENT COVERAGES

A. BUSINESS INCOME

1) Measurement of Loss:

- a. The recoverable BUSINESS INCOME loss is the actual loss sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:
 - i) **Gross Earnings** including **Ordinary Payroll**;
 - ii) Less all charges and expenses that do not necessarily continue during the interruption of production or suspension of business operations or services;
 - iii) Plus all other earnings derived from the operation of the business;
- b. In determining the indemnity payable as the actual loss sustained, the COMPANY will consider the continuation of only those **Normal** charges and expenses that would have been earned had no interruption of production or suspension of business operations or services occurred.
- c. There is recovery hereunder only to the extent that the NAMED INSURED is:
 - i) Wholly or partially prevented from producing goods or continuing business operations or services;
 - ii) Unable to make up lost production within a reasonable period of time, not limited to the period during which production is interrupted;
 - iii) Unable to continue such operations or services during the PERIOD OF LIABILITY; and
 - iv) Able to demonstrate a loss of sales for the services or production prevented.

B. EXTRA EXPENSE

1) Measurement of Loss:

The recoverable EXTRA EXPENSE loss will be the reasonable and necessary extra costs incurred by the NAMED INSURED of the following during the PERIOD OF LIABILITY:

- a. Extra expenses to temporarily continue as nearly **Normal** as practicable the conduct of the NAMED INSURED'S business; and
- b. Extra costs of temporarily using property or facilities of the NAMED INSURED or others;

less any value remaining at the end of the PERIOD OF LIABILITY for property obtained in connection with the above.

- 2) EXTRA EXPENSE exclusions: As respects EXTRA EXPENSE, the following are also excluded:
 - a. Any loss of income.
 - b. Costs that **Normally** would have been incurred in conducting the business during the same period had no physical loss or damage occurred.
 - c. Cost of permanent repair or replacement of property that has been damaged or destroyed.
 - d. Any expense recoverable elsewhere in this **Policy**.

C. LEASEHOLD INTEREST

- 1) Measurement of Loss: The recoverable LEASEHOLD INTEREST loss is as follows:
 - a. If the lease agreement requires continuation of rent; and if the property is wholly untenable or unusable, the actual rent payable for the unexpired term of the lease; or if the property is partially untenable or unusable, the proportion of the rent payable for the unexpired term of the lease.
 - b. If the lease is canceled by the lessor pursuant to the lease agreement or by the operation of law; the **Lease Interest** for the first three months following the loss; and the **Net Lease Interest** for the remaining unexpired term of the lease.
- 2) LEASEHOLD INTEREST exclusions: As respects LEASEHOLD INTEREST, TIME ELEMENT EXCLUSIONS A, B, and C do not apply and the following applies instead:

This **Policy** does not insure any increase in loss resulting from the suspension, lapse or cancellation of any license, or from the NAMED INSURED exercising an option to cancel the lease; or from any act or omission of the NAMED INSURED that constitutes a default under the lease.

In addition, there is no coverage for the NAMED INSURED'S loss of LEASEHOLD INTEREST directly resulting from damage to Personal Property.

D. RENTAL INSURANCE

- 1) Measurement of Loss: The recoverable RENTAL INSURANCE loss is the actual loss sustained by the NAMED INSURED of the following during the PERIOD OF LIABILITY:
 - a. The fair rental value of any portion of the property occupied by the NAMED INSURED;
 - b. The income reasonably expected from rentals of unoccupied or unrented portions of such property; and
 - c. The rental income from the rented portions of such property according to bona fide leases, contracts or agreements in force at the time of loss;

all not to include noncontinuing charges and expenses.

- 1) RENTAL INSURANCE exclusions: As respects RENTAL INSURANCE, TIME ELEMENT EXCLUSION A does not apply and the following applies instead:

This **Policy** does not insure any loss of rental income during any period in which the INSURED PROPERTY would not have been tenantable for any reason other than an insured loss.

E. CONTINGENT TAX REVENUE INTERRUPTION (EXCLUDING EARTH MOVEMENT, NAMED STORM, AND FLOOD)

This **Policy** insures against loss resulting directly from necessary interruption of sales, property or other tax revenue collected by or due the NAMED INSURED caused by damage, or destruction by a peril not excluded from this **Policy** to property which is not operated by the insured and which wholly or partially prevents the generation of revenue for the account of the insured.

- 1) In the event of such damage or destruction, the COMPANY shall be liable, with limitations as indicated, if the following conditions a and b are both met:
 - a. The total revenue is reduced to less than 97.5% of the NAMED INSURED'S anticipated revenue had no loss occurred.
 - b. The COMPANY shall be liable for the actual loss sustained for only the length of time as would be required with exercise of due diligence and dispatch to rebuild, replace or repair the contributing property commencing with the date of damage to the contributing property, but not limited by the expiration date of this **Policy**.
- 2) Deductible: Each loss or series of losses arising out of one event at INSURED PROPERTY shall be adjusted separately and from the aggregated amount of all such losses 2.50% of the annual revenue value shall be deducted.

3. TIME ELEMENT COVERAGE EXTENSIONS

A. CONTINGENT BUSINESS INCOME AND EXTRA EXPENSE

This **Policy** covers the actual loss sustained and EXTRA EXPENSE incurred by the NAMED INSURED during the PERIOD OF LIABILITY:

- 1) Directly resulting from physical loss or damage of the type insured; and
- 2) To property of the type insured, at direct supplier or customer locations located within the **Policy** TERRITORY.

The term "supplier or customer" does not include any company supplying to or receiving from the INSURED PROPERTY, as described elsewhere in this **Policy**, electricity, fuel, gas, water, steam, refrigeration, sewage or telecommunications.

B. EXTENDED PERIOD OF INDEMNITY

The BUSINESS INCOME and RENTAL INSURANCE coverages are extended to cover the reduction in sales resulting from:

- 1) The interruption of business as covered by BUSINESS INCOME:

- 2) For such additional length of time as would be required with the exercise of due diligence and dispatch to restore the NAMED INSURED'S business to the condition that would have existed had no loss occurred; and
- 3) Commencing with the date on which the liability of the COMPANY for loss resulting from interruption of business would terminate if this Extension had not been included herein.
- 4) The loss or rental income or rental value as covered by RENTAL INSURANCE.

EXTENDED PERIOD OF INDEMNITY exclusions: As respects EXTENDED PERIOD OF INDEMNITY, the TIME ELEMENT EXCLUSION for increase in loss due to suspension, lapse of any lease, contract or license or order does not apply.

This **Policy** does not insure against any increase in loss due to fines or damages for breach of contract or for late or noncompletion of orders, or penalties of any nature.

Coverage under this Extension for the reduction in sales due to contract cancellation will be limited to only those sales that would have been earned under the contract during the EXTENDED PERIOD OF INDEMNITY.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in LIMITS OF LIABILITY clause of the DECLARATIONS Section.

C. INGRESS/EGRESS

This **Policy** covers the actual loss sustained and EXTRA EXPENSE incurred by the NAMED INSURED due to the necessary interruption of the NAMED INSURED'S business due to prevention of ingress to or egress from an INSURED PROPERTY, provided that such prevention is a direct result of physical damage of the type insured by this **Policy**, to the kind of property not excluded by this **Policy**, and which is located within five (5) statute mile of the INSURED PROPERTY incurring loss.

INGRESS/EGRESS exclusions: As respects INGRESS/EGRESS, the following exclusions are applicable:

This **Policy** does not insure loss resulting from:

- 1) lack of incoming or outgoing service consisting of electric, fuel, gas, water, steam, refrigerant, sewerage and telecommunications.
- 2) picketing or other action by strikers except for physical damage not excluded by this **Policy**.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

D. INTERRUPTION BY CIVIL AUTHORITY

This **Policy** covers the actual loss sustained and EXTRA EXPENSE incurred by the NAMED INSURED during the PERIOD OF LIABILITY when access to INSURED PROPERTY is specifically prohibited by order of civil authority, provided such order is a direct result of actual loss or damage from a peril covered under this **Policy** to property of the type insured against under this **Policy** which is located within five (5) statute miles of the INSURED PROPERTY to which access is prohibited.

This **Policy** does not provide coverage under this extension for more than the number of consecutive days shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

E. ON PREMISES SERVICES

This **Policy** covers the actual loss sustained by the NAMED INSURED during the PERIOD OF LIABILITY directly resulting from physical loss or damage of the type insured to the following property located on the NAMED INSURED'S premises:

- 1) Electrical and telecommunications equipment.
- 2) Electrical, telecommunications, fuel, gas, water, steam, refrigeration and sewerage transmission lines.

F. EVACUATION EXPENSE

In the case of actual or imminent loss or damage of the type insured against by this **Policy**, or a Mandatory Evacuation Order, this **Policy** will pay the expenses incurred by the NAMED INSURED for the emergency evacuation of patients, inmates, and juvenile detainees from INSURED PROPERTY.

Mandatory Evacuation Order means the first public broadcast of a compulsory evacuation made by the responsible civil authority that is specific as to the effective date, time and area affected and which arises out of a peril for which coverage would have been provided if such peril had caused loss or damage to INSURED PROPERTY. The Mandatory Evacuation Order must commence during the POLICY PERIOD. Recommended, advisory, precautionary, or voluntary evacuation is not included in the definition of Mandatory Evacuation Order.

This additional coverage does not apply to any expenses incurred for: scheduled evacuation drills, fire or safety drills, or the evacuation of a patient due to a medical condition. This coverage also includes expenses incurred to return patients, inmates, and juvenile detainees to INSURED PROPERTY.

G. PROTECTION AND PRESERVATION OF PROPERTY – TIME ELEMENT

This **Policy** covers the actual loss sustained by the NAMED INSURED for the temporary protection and preservation of property insured by this **Policy** provided such action is necessary to prevent immediately impending physical loss or damage insured by this **Policy** at such INSURED PROPERTY.

This extension is subject to the deductible provisions that would have applied had the physical loss or damage occurred.

H. RESEARCH AND DEVELOPMENT

The BUSINESS INCOME coverage is extended to insure the actual loss sustained by the NAMED INSURED of continuing fixed charges and **Ordinary Payroll** directly attributable to the interruption of research and development activities that in themselves would not have produced income during the PERIOD OF LIABILITY.

The PERIOD OF LIABILITY for this TIME ELEMENT COVERAGE EXTENSION will be the period from the time of direct physical loss or damage of the type insured by this **Policy** to the time

when the property could be repaired or replaced and made ready for operations under the same or equivalent physical and operating conditions that existed prior to damage.

I. SERVICE INTERRUPTION TIME ELEMENT

- 1) This **Policy** covers the actual loss sustained and EXTRA EXPENSE incurred by the NAMED INSURED during the **Period of Service Interruption** at INSURED PROPERTY when the loss is caused by the interruption of incoming or outgoing services consisting of electricity, gas, fuel, steam, water, refrigeration or from the lack of incoming or outgoing sewerage service by reason of physical loss or damage of the type insured against to real and personal property of the type covered to the facilities of the utility supplier of such service located within the **Policy TERRITORY**, that immediately prevents in whole or in part the delivery of such usable services.
- 2) This extension will apply when the **Period of Service Interruption** is in excess of the time shown as **Waiting Period** in the WAITING PERIOD clause of the DECLARATIONS Section.
- 3) Additional General Provisions:
 - a. The NAMED INSURED will immediately notify the suppliers of services of any interruption of such services.
 - b. The COMPANY will not be liable if the interruption of such services is caused directly or indirectly by the failure of the NAMED INSURED to comply with the terms and conditions of any contracts the NAMED INSURED has for the supply of such specified services.

4. PERIOD OF LIABILITY

- A. The PERIOD OF LIABILITY applying to all TIME ELEMENT COVERAGES, except LEASEHOLD INTEREST and as shown below, or if otherwise provided under the TIME ELEMENT COVERAGE EXTENSIONS, is as follows:
 - 1) For building and equipment, the period:
 - a. Starting from the time of physical loss or damage of the type insured against; and
 - b. Ending when with due diligence and dispatch the building and equipment could be:
 - i) Repaired or replaced; and
 - ii) Made ready for operations;
under the same or equivalent physical and operating conditions that existed prior to the damage.
 - c. Not to be limited by the expiration of this **Policy**.
 - 2) For building and equipment under construction:
 - a. The equivalent of the above period of time will be applied to the level of business that would have been reasonably achieved after construction and startup would have been completed had no physical damage happened; and
 - b. Due consideration will be given to the actual experience of the business compiled after completion of the construction and startup.

- 3) For stock-in-process and mercantile stock, including finished goods not manufactured by the NAMED INSURED, the time required with the exercise of due diligence and dispatch:
- a. To restore stock in process to the same state of manufacture in which it stood at the inception of the interruption of production or suspension of business operations or services; and
 - b. To replace physically damaged mercantile stock.

This item does not apply to RENTAL INSURANCE.

- 4) For raw materials and supplies, the period of time:
- a. Of actual interruption of production or suspension of operations or services resulting from the inability to get suitable raw materials and supplies to replace similar ones damaged; but
 - b. Limited to that period for which the damaged raw material and supplies would have supplied operating needs.

- 5) If water:
- a. Used for any manufacturing purpose, including but not limited to as a raw material or for power;
 - b. Stored behind dams or in reservoirs; and
 - c. At any INSURED PROPERTY;

is released as the result of physical damage of the type insured against under this **Policy** to such dam, reservoir or connected equipment, the COMPANY'S liability due to inadequate water supply is limited to 30 consecutive days after the damaged dam, reservoir or connected equipment has been repaired or replaced.

This item does not apply to RENTAL INSURANCE.

- 6) For physically damaged exposed film, records, manuscripts and drawings, the time required to copy from backups or from originals of a previous generation. This time does not include research, engineering or any other time necessary to restore or recreate lost information.

This item does not apply to RENTAL INSURANCE.

- 7) For physically damaged or destroyed data, programs or other software stored on electronic, electro-mechanical, electro-magnetic data processing or production equipment, the time to recreate or restore including the time for researching or engineering lost information.

This item does not apply to RENTAL INSURANCE.

- 8) If an order of civil authority prohibits access to the INSURED PROPERTY and provided such order is the direct result of physical damage of the type insured against under this **Policy** at the INSURED PROPERTY or within 5 statute miles of it, the period of time:

- a. Starting at the time of physical damage; but

- b. Not to exceed 30 consecutive days.
- B. The PERIOD OF LIABILITY does not include any additional time due to the NAMED INSURED'S inability to resume operations for any reason, including but not limited to:
 - 1) Making changes to equipment.
 - 2) Making changes to the buildings or structures except as provided in the INCREASED COST OF CONSTRUCTION provision.
 - 3) Restaffing or retraining employees.

If two or more Periods of Liability apply, such periods will not be cumulative.

5. TIME ELEMENT EXCLUSIONS

In addition to exclusion elsewhere in this **Policy**, the following exclusions apply to TIME ELEMENT loss:

This **Policy** does not insure against:

- A. Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to:
 - 1) Physical loss or damage not insured by this **Policy** on or off the INSURED PROPERTY.
 - 2) Planned or rescheduled shutdown.
 - 3) Strikes or other work stoppage.
 - 4) Any other reason other than physical loss or damage insured by this **Policy**.
- B. Any increase in loss due to:
 - 1) Suspension, cancellation or lapse of any lease, contract, license or orders; or
 - 2) Fines or damages for breach of contract or for late or noncompletion of orders; or
 - 3) For penalties of any nature; or
 - 4) Any other consequential or remote loss.
- C. Any loss resulting from loss or damage to finished goods manufactured by the NAMED INSURED, nor the time required for their reproduction.

LOSS ADJUSTMENT AND SETTLEMENT - SECTION D

1. LOSS ADJUSTMENT/PAYABLE

Loss, if any, will be adjusted with and payable to the NAMED INSURED or as may be directed by the NAMED INSURED. Additional insured interests will also be included in loss payment as their interests may appear when named as additional named insured, lender, mortgagee and/or loss payee in the certificates of insurance on file with the COMPANY or named below.

2. CURRENCY FOR LOSS PAYMENT

Losses will be adjusted and paid in the currency of the United States of America, except in Canada where losses will be paid in Canadian currency, unless directed otherwise by the NAMED INSURED.

3. VALUATION

Adjustment of the physical damage loss amount under this **Policy** will be computed as of the date of loss at the INSURED PROPERTY, and for no more than the interest of the NAMED INSURED, subject to the following:

- A. On stock in process, the value of raw materials and labor expended plus the proper proportion of overhead charges.
- B. On finished goods manufactured by the NAMED INSURED, the regular cash selling price at the INSURED PROPERTY where the loss happens, less all discounts and charges to which the finished goods would have been subject had no loss happened.
- C. On raw materials, supplies and other merchandise not manufactured by the NAMED INSURED:
 - 1) If repaired or replaced, the actual expenditure incurred in repairing or replacing the damaged or destroyed property; or
 - 2) If not repaired or replaced, the **Actual Cash Value**
- D. On property covered under DEFERRED PAYMENTS, the lesser of the:
 - 1) Total amount of unpaid installments less finance charges;
 - 2) **Actual Cash Value** of the property at the time of loss; or
 - 3) Cost to repair or replace with material of like size, kind and quality.
- E. On FINE ARTS articles, the lesser of:
 - 1) The reasonable and necessary cost to repair or restore such property to the physical condition that existed on the date of loss;
 - 2) Cost to replace the article; or
 - 3) Current market value at the time of the loss.
 - 4) The value reported for such property on the latest **Schedule of Values** on file with the COMPANY.

In the event a **Fine Arts** article is part of a pair or set, and a physically damaged article cannot be replaced, or repaired or restored to the condition that existed immediately prior to the loss, the COMPANY will be liable for the lesser of the full value of such pair or set or the amount designated on the schedule. The NAMED INSURED agrees to surrender the pair or set to the COMPANY.

- F. On VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA:

On data, programs or software stored on electronic, electro-mechanical, or electro-magnetic data processing or production equipment:

- 1) The cost to repair, replace or restore data, programs or software including the costs to recreate, research and engineer;
 - 2) If not repaired, replaced or restored within two years from the date of loss, the blank value of the media.
- G. On all other VALUABLE PAPERS AND RECORDS, and ELECTRONIC DATA AND MEDIA, the lesser of the following:
- 1) The cost to repair or restore, including the cost to recreate, research and engineer the item to the condition that existed immediately prior to the loss;
 - 2) The cost to replace the item.
- H. On **Mobile Equipment**, watercraft, and **Vehicles**:
- 1) The cost to repair or replace the owned property with new **Mobile Equipment**, watercraft, or **Vehicles** of like kind and quality at the time of loss, if less than or equal to two years from December 31 of the model year.
 - 2) When replacement cost is declared for **Mobile Equipment**, watercraft, or emergency **Vehicles** (limited to ambulances, Fire Trucks and Mobile Command Centers) on the **Schedule of Values**, loss or damage shall be based on the lesser of the following at the time of loss regardless of age:
 - a. The cost to repair;
 - b. The cost to replace the property with new **Mobile Equipment**, watercraft, or emergency **Vehicle(s)** of like kind and quality;
 - c. The **Actual Cash Value** if not repaired or replaced within two years from the date of loss.
 - 3) The lesser of the **Actual Cash Value** at the time of loss or the cost to repair if greater than two years from December 31 of the model year.
 - 4) If not repaired or replaced, the **Actual Cash Value**.
- I. On historical property, valuation will be based upon the following requirements:
- 1) The NAMED INSURED shall provide written notice to the COMPANY, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon **Reproduction Cost** that was conducted within five (5) years of the Effective Date of this **Policy**.
 - 2) At the time of loss, the basis of valuation for historical property, when the NAMED INSURED has not complied, will be replacement cost as defined in L. below. Where the NAMED INSURED has complied with the requirements, the basis of valuation will be **Reproduction Cost**, or, if not replaced, at **Actual Cash Value**.
- J. On property in transit:
- 1) Property shipped to or for the account of the NAMED INSURED will be valued at actual invoice to the NAMED INSURED. Included in the value are accrued costs and charges legally due. Charges may include the NAMED INSURED'S commission as selling agent.

- 2) Property sold by the NAMED INSURED and shipped to or for the purchaser's account will be valued at the NAMED INSURED'S selling invoice amount. Prepaid or advanced freight costs are included.
- 3) Property not under invoice will be valued at the actual cash market value at the destination point on the date of **Occurrence**, less any charges saved which would have become due and payable upon arrival at destination.

K. On **Vacant** property:

- 1) If the building or leased premises has been **Vacant** for a period of more than 90 consecutive days before the loss or damage occurs, the COMPANY will not pay for any loss or damage caused by any of the following:
 - a. Vandalism
 - b. Sprinkler leakage
 - c. Building glass breakage
 - d. Water damage
 - e. Theft, or attempted theft
- 2) With respect to direct physical loss or damage, other than from causes listed in 1) a. through 1) e. above, and not otherwise excluded by this policy, the COMPANY will reduce the amount the COMPANY would otherwise pay for the loss or damage by 15%.

L. On all other property, the loss amount will not exceed the lesser of the following:

- 1) The cost to repair;
- 2) The cost to rebuild or replace on the same site with new materials of like size, kind and quality;
- 3) The cost in rebuilding, repairing or replacing on the same or another site, but not to exceed the size and operating capacity that existed on the date of loss;
- 4) The selling price of real property or machinery and equipment, other than stock, offered for sale on the date of loss;
- 5) The cost to replace unrepairable electrical or mechanical equipment, including computer equipment, with equipment that is the most functionally equivalent to that damaged or destroyed, even if such equipment has technological advantages and/or represents an improvement in function and/or forms part of a program of system enhancement.
- 6) The increased cost of demolition, if any, resulting from loss covered by this **Policy**, if such property is scheduled for demolition;
- 7) The unamortized value of improvements and betterments, if such property is not repaired or replaced at the NAMED INSURED'S expense; or
- 8) The **Actual Cash Value** if such property is:
 - a. Useless to the NAMED INSURED; or

- b. Not repaired, replaced or rebuilt on the same or another site within two years from the date of loss.

The NAMED INSURED may elect to provide **Reproduction Cost** for non-historical property, in which case valuation will be based upon the following requirements:

- 1) The NAMED INSURED shall provide written notice to the COMPANY, which specifically identifies where the property is located, when it was built, its total square footage with an attached appraisal based upon **Reproduction Cost** that was conducted within five (5) years of the Effective Date of this **Policy**.

The NAMED INSURED may elect not to repair or replace the insured real and/or personal property lost, damaged or destroyed. Loss settlement may be elected on the lesser of the cost to repair or replace if the proceeds of such loss settlement are expended on other capital expenditures related to the NAMED INSURED'S operations within two years from the date of loss. As a condition of collecting under this item, such expenditure must be unplanned as of the date of loss and be made at an INSURED PROPERTY under this **Policy**. This item does not extend to INCREASED COST OF CONSTRUCTION.

4. LOSS CONDITIONS

A. REQUIREMENTS IN CASE OF LOSS

The NAMED INSURED will:

- 1) Give written notice to the COMPANY of any loss as soon as practicable.
- 2) Protect the property from further loss or damage.
- 3) Promptly separate the damaged and undamaged property; put it in the best possible order; and furnish a complete inventory of the lost, destroyed, damaged and undamaged property showing in detail the quantities, costs, **Actual Cash Value**, replacement value and amount of loss claimed.
- 4) Give a signed and sworn proof of loss to the COMPANY within 90 days after the loss, unless that time is extended in writing by the COMPANY. The proof of loss must state the knowledge and belief of the NAMED INSURED as to:
 - a. The time and origin of the loss;
 - b. The NAMED INSURED'S interest and that of all others in the property;
 - c. The **Actual Cash Value** and replacement value of each item and the amount of loss to each item; all encumbrances; and all other contracts of insurance, whether valid or not, covering any of the property;
 - d. Any changes in the title, use, occupation, location, possession or exposures of the property since the effective date of this **Policy**; and
 - e. By whom and for what purpose any INSURED PROPERTY was occupied on the date of loss, and whether or not it then stood on leased ground.
- 5) Include a copy of all the descriptions and schedules in all policies and, if required, provide verified plans and specifications of any buildings, fixtures, machinery or equipment destroyed or

damaged.

- 6) Further, the NAMED INSURED will as often as may be reasonably required:
- a. Exhibit to any person designated by the COMPANY all that remains of any property;
 - b. Submit to examinations under oath by any person designated by the COMPANY and sign the written records of examinations; and
 - c. Produce for examination at the request of the COMPANY:
 - i) All books of accounts, business records, bills, invoices and other vouchers; or
 - ii) Certified copies if originals are lost;

at such reasonable times and places that may be designated by the COMPANY or its representative and permit extracts and machine copies to be made.

B. COMPANY OPTION

The COMPANY has the option to take all or any part of damaged Personal Property at the agreed or appraised value. The COMPANY must give notice to the NAMED INSURED of its intention to do so within 30 days after receipt of proof of loss.

C. ABANDONMENT

There may be no abandonment of any property to the COMPANY.

D. SUBROGATION

The NAMED INSURED is required to cooperate in any subrogation proceedings. The COMPANY may require from the NAMED INSURED an assignment or other transfer of all rights of recovery against any party for loss to the extent of the COMPANY'S payment.

The COMPANY will not acquire any rights of recovery that the NAMED INSURED has expressly waived prior to a loss in writing, nor will such waiver affect the NAMED INSURED'S rights under this **Policy**.

Any recovery from subrogation proceedings, less costs incurred by the COMPANY in such proceedings, will be payable to the NAMED INSURED in the proportion that the amount of any applicable deductible bears to the entire covered loss amount.

E. APPRAISAL

The appraisal process is available to determine the value of a covered loss but is not available to determine whether a loss is covered. If the NAMED INSURED and the COMPANY fail to agree on the amount of loss, each will, on the written demand of either, select a competent and disinterested appraiser, but only after:

- 1) The NAMED INSURED has fully complied with all provisions of this **Policy**, including REQUIREMENTS IN CASE OF LOSS; and
- 2) The COMPANY has received a signed and sworn proof of loss from the NAMED INSURED.

Each will notify the other of the appraiser selected within 30 days of such demand.

The appraisers will first select a competent and disinterested umpire. If the appraisers fail to agree upon an umpire within 30 days the NAMED INSURED and the COMPANY shall jointly move to have an umpire selected by a judge of a court of record in the jurisdiction in which the appraisal is pending. The appraisers will then identify each item of physical damage or loss and appraise the amount of loss. The appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item, and shall state separately the **Actual Cash Value** and replacement cost value as of the date of loss and the amount of loss, for each item of physical loss or damage or if, for TIME ELEMENT loss, the amount of loss for each TIME ELEMENT coverage of this **Policy**.

If the appraisers fail to agree, they will submit their differences to the umpire. The Umpire shall review the appraisals prepared by the appraisers selected by the NAMED INSURED and the COMPANY and shall inspect the property prior to preparing his appraisal. The appraisers for the NAMED INSURED and the COMPANY shall be afforded the opportunity to attend the Umpire's inspection of the property and provide sufficient input to allow the Umpire to understand the nature and reasons for the differences between the appraisals. After inspecting the property and receiving input from the appraisers, the Umpire shall identify each item of physical loss or damage and shall appraise the amount of the loss for each item. The Umpire's appraisal shall include a detailed breakdown of the costs necessary to repair or replace the item and shall state separately the **Actual Cash Value** and replacement cost value as of the date of the loss. An award agreed to in writing by any two of the three appraisers will determine the amount of loss. The appraisal award is subject to all terms of the coverage document and may be reduced by the application of a deductible called for by the coverage document.

The NAMED INSURED and the COMPANY will each:

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

A demand for APPRAISAL shall not relieve the NAMED INSURED of its continuing obligation to comply with the terms and conditions of this **Policy**, including as provided under REQUIREMENTS IN CASE OF LOSS.

The COMPANY will not be held to have waived any of its rights by any act relating to appraisal.

F. SUIT AGAINST THE COMPANY/ARBITRATION

In the event of a dispute between a **Member** and NMCIA, the dispute shall be subject to arbitration and all parties shall be bound by the findings and decision of the arbitrator(s), unless the member chooses to resolve the dispute through the NMCIA's Policy on the Denial of Coverage. Otherwise, all such disputes shall be subject to binding arbitration including, but not limited to, disputes relating to this **Agreement** including compliance with its conditions, the interpretation and extension of coverage, the actions or omissions to act of NMCIA and any **Member** in connection with any **Claim** or **Suit**, or potential **Claim**, **Suit**, or **Occurrence**, including prompt notice of a **Claim** or **Suit**, cooperation in the defense or resolution of a **Claim** or **Suit**, and settlement and indemnification of a **Claim** or **Suit**, whether a first party **Claim** or involving a third party **Claim**. NMCIA shall also have the right to determine when a **Claim** or **Suit** should be settled and may proceed to settle a **Claim** or **Suit** within its **Coverage Limit**, and any dispute between NMCIA and any **Member** as to the settlement of a **Claim** or **Suit** shall also be subject to binding arbitration. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request.

Unless NMCIA and the **Member** agree to use three arbitrators, the dispute shall be decided by one arbitrator. The arbitration shall be conducted by JAMS, unless another arbitral agency is agreed in writing between NMCIA and the **Member** and, to the extent not inconsistent with the Bylaws and operative Member agreements, shall be governed by the JAMS' arbitration rules and procedures, including the rules governing the identification and selection of arbitration panel members (unless another agency is selected by mutual agreement, in which case that agency's rules shall apply unless otherwise agreed to between NMCIA and the **Member**). Regardless of the outcome of the arbitration, NMCIA and the **Member** shall share equally in the costs of the arbitration and in the compensation of the arbitrators, which fees and costs shall not be subject to reallocation based upon whether NMCIA or the **Member** is the prevailing party.

The arbitration shall take place in the County of Santa Fe. The decision of the majority of the arbitrators shall be final and binding upon both parties and not subject to appeal.

A judgment based on the majority decision of the arbitrators may be entered in any court having jurisdiction upon the request of the **Member** or NMCIA.

No suit, action or proceeding for the recovery of any claim will be sustained in any court of law or equity unless the following adjudication procedures are satisfied:

- 1) As a condition precedent to filing suit, the NAMED INSURED has fully complied with all the provisions of this **Policy**, including providing Proof of Loss;
- 2) As a condition precedent to filing suit, the NAMED INSURED must attend at least a one-day mediation before a mutually agreeable mediator, unless this provision is waived by both NAMED INSURED and the COMPANY;
- 3) Any suit against the COMPANY arising from a claim or loss must be filed within 12 months of the date the COMPANY takes its final action with respect to the claim or loss.

If under the insurance laws of the jurisdiction in which the property is located, such 12 months' limitation is invalid, then any such legal action needs to be started within the shortest limit of time permitted by such laws.

5. SETTLEMENT OF CLAIMS

The amount of loss, except for ACCOUNTS RECEIVABLE coverage, for which the COMPANY may be liable will be paid within 45 days after:

- A. Proof of loss as described in this **Policy** is received and approved by the COMPANY; and
- B. When a resolution of the amount of loss is made either by:
 - 1) Written agreement between the NAMED INSURED and the COMPANY; or
 - 2) The filing with the COMPANY of an award as provided in the APPRAISAL provisions of this Section.

6. COLLECTION FROM OTHERS

The COMPANY will not be liable for any loss to the extent that the NAMED INSURED has collected such loss from others.

7. PARTIAL PAYMENT OF LOSS SETTLEMENT

In the event of a loss occurring which has been ascertained to be insured loss or damage under this **Policy** and determined by the COMPANY'S representatives to be in excess of the applicable **Policy** deductible, the COMPANY will advance mutually agreed upon partial payment(s) on the insured loss or damage, subject to the **Policy**'s provisions. To obtain said partial payments, the NAMED INSURED will submit a signed and sworn Proof of Loss as described in this **Policy**, with adequate supporting documentation.

8. JURISDICTION

This **Policy** will be governed by United States of America Law. Any disputes arising hereunder will be exclusively subject to United States of America jurisdiction.

GENERAL PROVISIONS - SECTION E

1. ADDITIONAL INSURED INTERESTS/CERTIFICATES OF INSURANCE

Any certificate of insurance issued in connection with this **Policy** shall be issued solely as a matter of convenience or information for the addressee(s) or holder(s) of said certificate of insurance, except where any additional insured(s), loss payee(s) or mortgagee(s) are named pursuant to the Special Provisions of said certificate of insurance. In the event any additional insured(s) or loss payee(s) are so named, this **Policy** shall be deemed to have been endorsed accordingly, subject to all other terms, conditions and exclusions stated herein.

2. CANCELLATION

This **Policy** may be:

- A. Cancelled at any time at the request of the NAMED INSURED by surrendering this **Policy** to the COMPANY or by giving written notice to the COMPANY stating when such cancellation will take effect; or
- B. Cancelled by the COMPANY by giving the NAMED INSURED not less than:
 - 1) 90 days written notice of cancellation; or
 - 2) 10 days written notice of cancellation if the NAMED INSURED fails to remit, when due, premium for this **Policy**; or

Return of any unearned premium will be calculated on the customary short rate basis if the NAMED INSURED cancels and on a pro-rata basis if the COMPANY cancels this **Policy**. Return of any unearned premium will be made by the COMPANY as soon as practicable.

3. INSPECTIONS

The COMPANY, at all reasonable times, will be permitted, but will not have the duty, to inspect INSURED PROPERTY.

The COMPANY'S:

- A. Right to make inspections;
- B. Making of inspections; or
- C. Analysis, advice or inspection report;

will not constitute an undertaking, on behalf of or for the benefit of the NAMED INSURED or others, to determine or warrant that the INSURED PROPERTY is safe or healthful. This COMPANY will have no liability to the NAMED INSURED or any other person because of any inspection or failure to inspect.

When the COMPANY is not providing jurisdictional inspections, the Owner/Operator has the responsibility to assure that jurisdictional inspections are performed as required, and to assure that required jurisdictional operating certificates are current for their pressure equipment.

4. MISREPRESENTATION AND FRAUD

This **Policy** will be void in entirety if, whether before or after a loss, a NAMED INSURED has:

- A. Willfully concealed or misrepresented any material fact or circumstance concerning this insurance, the subject thereof, any insurance claim, or the interest of a NAMED INSURED;
- B. Made any attempt to defraud the COMPANY; or
- C. Made any false swearing.

5. LENDERS LOSS PAYEE AND MORTGAGEE INTERESTS AND OBLIGATIONS

- A. The COMPANY will pay for loss to specified property insured under this **Policy** to each specified lender loss payee (hereinafter referred to as lender) as its interest may appear, and to each specified mortgagee as its interest may appear, under all present or future mortgages upon such property, in order of precedence of the mortgages.
- B. The interest of the lender or mortgagee (as the case may be) in property insured under this **Policy** will not be invalidated by:
 - 1) Any act or neglect of the debtor, mortgagor, or owner (as the case may be) of the property.
 - 2) Foreclosure, notice of sale, or similar proceedings with respect to the property.
 - 3) Change in the title or ownership of the property.
 - 4) Change to a more hazardous occupancy.

The lender or mortgagee will notify the COMPANY of any known change in ownership, occupancy, or hazard and, within 10 days of written request by the COMPANY, may pay the increased premium associated with such known change. If the lender or mortgagee fails to pay the increased premium, all coverage under this **Policy** will cease.

- C. If this **Policy** is cancelled at the request of the NAMED INSURED or its agent, the coverage for the interest of the lender or mortgagee will terminate 10 days after the COMPANY sends to the lender or mortgagee written notice of cancellation, unless:

- 1) Sooner terminated by authorization, consent, approval, acceptance, or ratification of the NAMED INSURED'S action by the lender or mortgagee, or its agent.
 - 2) This **Policy** is replaced by the NAMED INSURED, with a policy providing coverage for the interest of the lender or mortgagee, in which event coverage under this **Policy** with respect to such interest will terminate as of the effective date of the replacement policy, notwithstanding any other provision of this **Policy**.
- D. The COMPANY may cancel this **Policy** and/or the interest of the lender or mortgagee under this **Policy**, by giving the lender or mortgagee written notice 90 days prior to the effective date of cancellation, if cancellation is for any reason other than non-payment. If the debtor, mortgagor, or owner has failed to pay any premium due under this **Policy**, the COMPANY may cancel this **Policy** for such non-payment, but will give the lender or mortgagee written notice 10 days prior to the effective date of cancellation. If the lender or mortgagee fails to pay the premium due by the specified cancellation date, all coverage under this **Policy** will cease.
- E. The COMPANY has the right to invoke this **Policy's** SUSPENSION clause. The suspension of insurance will apply to the interest of the lender or mortgagee in any machine, vessel, or part of any machine or vessel, subject to the suspension. The COMPANY will provide the lender or mortgagee at the last known address a copy of the suspension notice.
- F. If the COMPANY pays the lender or mortgagee for any loss, and denies payment to the debtor, mortgagor or owner, the COMPANY will, to the extent of the payment made to the lender or mortgagee be subrogated to the rights of the lender or mortgagee under all securities held as collateral to the debt or mortgage. No subrogation will impair the right of the lender or mortgagee to sue or recover the full amount of its claim. At its option, the COMPANY may pay to the lender or mortgagee the whole principal due on the debt or mortgage plus any accrued interest. In this event, all rights and securities will be assigned and transferred from the lender or mortgagee to the COMPANY, and the remaining debt or mortgage will be paid to the COMPANY.
- G. If the NAMED INSURED fails to render proof of loss, the lender or mortgagee, upon notice of the NAMED INSURED'S failure to do so, will render proof of loss within 60 days of notice and will be subject to the provisions of this **Policy** relating to APPRAISAL, SETTLEMENT OF CLAIMS, and SUIT AGAINST THE COMPANY.
- H. Other provisions relating to the interests and obligations of the lender or mortgagee may be added to this **Policy** by agreement in writing.

6. OTHER INSURANCE

- A. If there is any other insurance that would apply in the absence of this **Policy**, this **Policy** will apply only after such insurance whether collectible or not.
- B. In no event will this **Policy** apply as contributing insurance.
- C. The NAMED INSURED is permitted to have other insurance over any limits or sublimits of liability specified elsewhere in this **Policy** without prejudice to this **Policy**. The existence of any such insurance will not reduce any limit or sublimit of liability in this **Policy**. Any other insurance that would have provided primary coverage in the absence of this **Policy** will not be considered excess.
- D. The NAMED INSURED is permitted to have other insurance for all, or any part, of any deductible in this **Policy**. The existence of such other insurance will not prejudice recovery under this **Policy**. If the

limits of liability of such other insurance are greater than this **Policy's** applicable deductible, this **Policy's** insurance will apply only after such other insurance has been exhausted.

- E. If this **Policy** is deemed to contribute with other insurance, the limit of liability applicable at each INSURED PROPERTY, for purposes of such contribution with other insurers, will be the latest amount described in this **Policy** or the latest INSURED PROPERTY value on file with the COMPANY.

7. POLICY MODIFICATION

This **Policy** contains all of the agreements between the NAMED INSURED and the COMPANY concerning this insurance. The NAMED INSURED and the COMPANY may request changes to this **Policy**. This **Policy** can be changed only by endorsements issued by the COMPANY and made a part of this **Policy**.

Notice to any agent or knowledge possessed by any agent or by any other person will not:

- A. Create a waiver, or change any part of this **Policy**; or
- B. Prevent the COMPANY from asserting any rights under the provisions of this **Policy**.

8. REDUCTION BY LOSS

Claims paid under this **Policy** will not reduce its limit of liability, except claims paid will reduce any policy year aggregate limit of liability.

9. SUSPENSION

On discovery of a dangerous condition, this COMPANY may immediately suspend EQUIPMENT BREAKDOWN insurance on any machine, vessel or part thereof by giving written notice to the NAMED INSURED. The suspended insurance may be reinstated by the COMPANY. Any unearned premium resulting from such suspension will be returned by the COMPANY.

10. TITLES

The titles in this **Policy** are only for reference. The titles do not in any way affect the provisions of this **Policy**.

DEFINITIONS - SECTION F

1. **Actual Cash Value:** the amount it would cost to repair or replace INSURED PROPERTY, on the date of loss, with material of like kind and quality, with proper deduction for obsolescence and physical depreciation.
2. **Defined Peril: Earth Movement,** explosion, falling aircraft, fire, **Flood,** hail, lightning, **Named Storm,** smoke, tornado, **vehicle** impact, wind-driven water, and windstorm.
3. **Earthquake:** a shaking or trembling of the earth that is tectonic or seismic in origin.
4. **Earth Movement:** any natural or man-made earth movement including, but not limited to **Earthquake,** landslide, subsidence or volcanic eruption regardless of any other cause or event contributing concurrently or in any other sequence of loss.

However, physical damage by fire, explosion, or sprinkler leakage resulting from **Earth Movement** will not be considered to be loss by **Earth Movement** within the terms and conditions of this **Policy**. All **Earth Movement** within a continuous 168 hour period will be considered a single **Earth Movement**; the beginning of such period shall be determined by the NAMED INSURED.

5. **Electronic Data and Media:** all forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.
6. **Federal Emergency Management Agency:** the federal agency under which the National Flood Insurance Program is administered.
7. **Federal Insurance Administration:** the federal entity within the **Federal Emergency Management Agency** that directly administers the National Flood Insurance Program (NFIP).
8. **Fine Arts:** manuscripts; paintings; etchings; pictures; murals; tapestries; rare or art glass; art glass windows; valuable rugs; statuary; sculptures; antique furniture; antique jewelry; bric-a-brac; porcelains; and similar property of rarity, historical value, or artistic merit, excluding automobiles, coins, stamps, furs, jewelry, precious stones, precious metals, watercraft, aircraft, money, securities.
9. **Flood:**
 - A. A general and temporary condition of partial or complete inundation of normally dry land areas from:
 - 1) **Flood**, or rising waters, waves, tide, or tidal water;
 - 2) the unusual and rapid accumulation or runoff of surface waters from any source; or,
 - 3) mudslide or mud flow caused by accumulation of water on or under the ground.
 - B. the release of water, the rising, overflowing or breaking of boundaries of natural or man-made bodies of water, or the spray therefrom.

However, physical damage by fire, explosion or sprinkler leakage resulting from **Flood** is not considered to be loss by **Flood** within the terms and conditions of this **Policy**.

All flooding within a continuous 168 hour period will be considered a single **Flood**; the beginning of such period shall be determined by the NAMED INSURED.

10. **Flood Insurance Rate Map:** the official map of a community on which the administrator has designated the special hazards area applicable to the community.
11. **Gross Earnings:**
 - A. For manufacturing operations: the net sales value of production less the cost of all raw stock, materials and supplies used in such production; or
 - B. For mercantile or non-manufacturing operations: the total net sales less cost of merchandise sold, materials and supplies consumed in the operations or services rendered by the NAMED INSURED.
12. **Lease Interest:** the excess rent paid for the same or similar replacement property over actual rent payable plus cash bonuses or advance rent paid (including maintenance or operating charges) for each month during the unexpired term of the NAMED INSURED'S lease.
13. **Mobile Equipment:** equipment such as earthmovers, tractors, diggers, farm machinery, forklifts, heavy construction equipment, mobile medical equipment, etc., that, even when self-propelled, are not considered automobiles or **Vehicles**.

- 14. Named Storm:** all loss or damage occurring during a period of 72 consecutive hours which is caused by or results from a storm or weather disturbance which is named as a Tropical Storm or Hurricane by the National Weather Service or any other recognized meteorological authority. Storm or weather disturbance includes all weather phenomenon associated with or occurring in conjunction with the storm or weather disturbance, including, but not limited to **Flood, Storm Surge**, wind driven rain, wind, hail, sleet, tornadoes, or lightning.
- 15. Net Lease Interest:** that sum which placed at 3% interest rate compounded annually would equal the **Lease Interest** (less any amounts otherwise payable hereunder).
- 16. New Madrid Earthquake Zone** (States and Applicable Counties / Parishes)

Arkansas	Arkansas, Ashley, Chicot, Clay, Cleburne, Cleveland, Craighead, Crittenden, Cross, Desha, Drew, Fulton, Grant, Greene, Independence, IZard, Jackson, Jefferson, Lawrence, Lee, Lincoln, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Pulaski, Randolph, Saline, Sharp, St. Francis, Stone, White, Woodruff
Illinois	Alexander, Calhoun, Crawford, Edwards, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Jersey, Johnson, Lawrence, Madison, Marion, Massac, Monroe, Perry, Pike, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson
Indiana	Daviess, Gibson, Greene, Knox, Martin, Pike, Posey, Sullivan, Vanderburgh, Warrick
Kentucky	Ballard, Caldwell, Calloway, Carlisle, Crittenden, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, Trigg, Union, Webster
Mississippi	Bolivar, Coahoma, De Soto, Marshall, Tate, Tunica
Missouri	Audrain, Bollinger, Boone, Butler, Callaway, Cape Girardeau, Carter, Cole, Dunklin, Franklin, Gasconade, Howell, Iron, Jefferson, Lincoln, Madison, Marion, Mississippi, Monroe, Montgomery, New Madrid, Oregon, Osage, Pemiscot, Perry, Pike, Ralls, Reynolds, Ripley, Scott, Shelby, St. Charles, St. Francois, St. Louis, St. Louis Independent City, St. Genevieve, Stoddard, Warren, Washington, Wayne
Tennessee	Carroll, Chester, Crockett, Dyer, Fayette, Gibson, Hardeman, Haywood, Henderson, Henry, Lake, Lauderdale, Madison, Obion, Shelby, Tipton, Weakley

- 17. Normal:** the condition that would have existed had no physical loss or damage occurred.
- 18. Occurrence:** 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, 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 72 hours. When filing proof of loss, the NAMED INSURED may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to the covered property occurs.
- 19. Ordinary Payroll:** includes the NAMED INSURED’S payroll for all employees except officers, executives, department managers, and employees under contract. It is comprised of, but not limited to, the payroll, benefits paid for the payroll, social security (FICA), union dues paid for the payroll, and workers’ compensation paid for the payroll.
- 20. Pacific Northwest Earthquake Zone** (States and Applicable Counties / Parishes):

Washington	Clallam, Jefferson, King, Kitsap, Mason, Pierce, San Juan, Skagit, Snohomish, Thurston, Whatcom
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21. Period of Service Interruption:

- A. The period starting with the time when an interruption of specified services occurs; and ending when with due diligence and dispatch the service could be wholly restored and the INSURED PROPERTY receiving the service could or would have resumed **Normal** operations following the restorations of service under the same or equivalent physical and operating conditions as provided by the PERIOD OF LIABILITY provision of this section of this **Policy**.
- B. Is limited to only those hours during which the NAMED INSURED would or could have used services(s) if it had been available.
- C. Does not extend to include the interruption of operations caused by any reason other than interruption of the specified service(s).

22. Policy: the agreed terms and conditions contained herein, including any subsequent endorsements that define the COMPANY'S participation.

23. Pollutant: shall be any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals, vaccines and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

24. Reproduction Cost: defined as the cost to repair, rebuild or replace with material of like, kind and quality compatible to those originally used, including the cost of skilled labor and/or authentic materials necessary to restore the INSURED PROPERTY as nearly as possible to its original condition.

25. Schedule of Values: shall mean the latest schedule of values of INSURED PROPERTY on file with the COMPANY. The **Schedule of Values** shall include, but is not limited to, all buildings, structures, contents at buildings or structures, **Vehicles, Mobile Equipment** and property in the open.

26. Soft Costs:

- A. Interest expense;
- B. General overhead-developer expenses and additional real estate taxes;
- C. Legal or professional fees;
- D. Marketing expenses and advertising expenses;
- E. Debt service payments and insurance premiums;
- F. Refinancing charges and bond interest;
- G. Founders fees and miscellaneous operating expenses.

27. Special Flood Hazard Area: the areas of a **Flood Insurance Rate Map** which are identified as Zones A, AO, AH, AI — A30, AE, A99, AR, AR/A, AR/AE, AR/A1 — A30, AR/AH, AR/A0, V, V1-V30, and VE. For purposes of determining which areas qualify as **Special Flood Hazard Areas** as specified above, only those **Flood Insurance Rate Maps** which were in effect at the time of the **Flood** loss shall apply.

28. Storm Surge: water driven inland from coastal waters by high winds and low atmospheric pressure. **Storm Surge** shall not be considered **Flood**.

29. Terrorism: an act or series of acts, including the use of force or violence, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s), committed for

political, religious or ideological purposes including the intention to influence any government and/or to put the public or any section of the public in fear for such purposes. **Terrorism** shall also include any act which is verified or recognized by the United States Government as an act of **Terrorism**.

30. Tier One Counties: shall mean counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Baldwin, Mobile
Florida	Entire State
Georgia	Bryan, Camden, Chatham, Glynn, Liberty, McIntosh
Hawaii	Entire State
Louisiana	Ascension, Assumption, Calcasieu, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington
Mississippi	Hancock, Harrison, Jackson
North Carolina	Beaufort, Brunswick, Carteret, Craven, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pender
South Carolina	Beaufort, Berkley, Charleston, Colleton, Georgetown, Horry, Jasper
Texas	Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Refugio, San Patricio, Willacy Note: for the purposes of this definition exposures declared by Harris County CSCD shall not be considered Tier 1 or Tier 2
Virginia	Including Independent Cities: Accomack, Northampton, Virginia Beach City, Chesapeake, Gloucester, Hampton City, Lancaster, Mathews, Middlesex, Newport News, Norfolk City, Northumberland, Poquoson City, Portsmouth City, Suffolk City, York

31. Tier Two Counties: counties in **Named Storm** Designated Wind Areas (States and Applicable Counties/Parishes)

Alabama	Clarke, Covington, Escambia, Monroe, Washington
Georgia	Brantley, Bulloch, Charlton, Effingham, Evans, Long, Pierce, Tattnall, Wayne
Louisiana	Acadia, Beauregard, Iberville, Jefferson Davis, Lafayette
Mississippi	George, Pearl River, Stone
North Carolina	Bertie, Bladen, Camden, Chowan, Columbus, Duplin, Gates, Hertford, Jones, Lenoir, Martin, Pasquotank, Perquimans, Pitt, Sampson, Tyrell, Washington
South Carolina	Dorchester, Hampton, Marion, Williamsburg
Texas	Bee, Brooks, Fort Bend, Goliad, Hardin, Hidalgo, Jackson, Jasper, Jim Wells, Liberty, Live Oak, Orange, Victoria, Wharton

32. Unmanned Aircraft System: an unmanned aircraft and the equipment necessary for the safe and efficient operation of that aircraft. An unmanned aircraft is a component of an **Unmanned Aircraft System**. An unmanned aircraft is an aircraft that is operated without the possibility of direct human intervention from within or on the aircraft.

33. Vacant: a building is vacant if less than 10% of the total square footage owned, rented, or leased by the NAMED INSURED contains adequate contents to perform customary operations, excluding common areas such as lobbies and garages. Buildings under construction or renovation shall not be considered **Vacant**.

34. Valuable Papers and Records: written, printed or otherwise inscribed documents, securities, and records including but not limited to books, maps, films, drawings, abstracts, evidence of debt, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

- 35. Vehicle:** any automobile, truck, van, bus, motorcycle, or other conveyance licensed for use on public roads.
- 36. Waiting Period:** the time period where the COMPANY shall have no liability for the Time Element loss when the PERIOD OF LIABILITY applicable to all Time Element loss is equal to or less than such time period. If, however, the PERIOD OF LIABILITY exceeds such time period then the COMPANY'S liability for the Time Element loss shall otherwise apply and the PERIOD OF LIABILITY shall be measured from the inception of the **Occurrence** for which loss is being claimed. The applicable deductible shall then apply.

POLICY CHANGE ENDORSEMENT #1 – Equipment Breakdown – 4 Pages

When an applicable limit for Equipment Breakdown is shown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section, this endorsement's intention is to clarify that the peril of **Breakdown** is included for **Covered Equipment**.

1. Limit of Liability:

The most the COMPANY will pay for any and all coverages for loss or damage from any **One Breakdown** is the applicable Limit of Insurance shown for Equipment Breakdown in the LIMITS OF LIABILITY clause of the DECLARATIONS Section.

2. Equipment Breakdown Coverage Extensions:

The limits for coverage extensions are part of, not in addition to, the Limit of Liability for Equipment Breakdown shown in the LIMITS OF LIABILITY clause of the DECLARATIONS section.

A. Spoilage:

- 1) This **Policy** covers the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
 - a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
 - b) The NAMED INSURED must own or be legally liable under written contract for the raw materials, property in process or finished products; and
 - c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- 2) This **Policy** also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The COMPANY will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage form.

B. Service Interruption:

This **Policy** covers loss resulting from the interruption of utility services provided all of the following conditions are met:

- 1) The interruption is the direct result of a **Breakdown to Covered Equipment** owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which the NAMED INSURED receives;
- 2) The **Covered Equipment** is used to supply electricity, telecommunication services, air conditioning, heating, gas, fuel, sewer, water, refrigeration, or steam to the NAMED INSURED'S premises; and
- 3) The **Period of Service Interruption** lasts at least the consecutive period of time shown in item 9. **Waiting Period**. Once this **Waiting Period** is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

C. Business Income:

- 1) This **Policy** covers the NAMED INSURED'S actual loss of business income that results directly from the necessary total or partial interruption of the NAMED INSURED'S business caused by a **Breakdown**.
- 2) This **Policy** also covers any necessary expenses the NAMED INSURED incurs to reduce the amount of loss under this coverage. The COMPANY will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
- 3) The COMPANY will consider the actual experience of the NAMED INSURED'S business before the accident and the probable experience the NAMED INSURED would have had without the accident in determining the amount of its payment.
- 4) This coverage continues until the date the damaged property is repaired or replaced.

D. Expediting Expense:

This **Policy** covers the reasonable and necessary costs incurred to pay for the temporary repair of insured damage to **Covered Equipment** and to expedite the permanent repair or replacement of such damaged property caused by a **Breakdown**.

This coverage extension does not cover costs:

- 1) Recoverable elsewhere in this **Policy**; or
- 2) Of permanent repair or replacement of damaged property.

E. Hazardous Substance:

This **Policy** covers any additional expenses incurred by the NAMED INSURED for the clean-up, repair or replacement or disposal of **Covered Equipment** that is damaged, contaminated or polluted by a **Hazardous Substance** caused by a **Breakdown**.

As used here, additional expenses mean the additional cost incurred over and above the amount that the COMPANY would have paid had no **Hazardous Substance** been involved with the loss.

F. Ammonia Contamination:

This **Policy** covers the spoilage to **Covered Equipment** contaminated by ammonia, including any salvage expense caused by a **Breakdown**.

G. Water Damage:

This **Policy** covers the damage to **Covered Equipment** by water including any salvage expenses caused by a **Breakdown**, except no coverage applies to such damage resulting from leakage of a sprinkler system or domestic water piping.

H. Consequential Loss:

The **Policy** covers the reduction in the value of undamaged **Stock** parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of the product.

I. **Electronic Data and Media:**

The **Policy** covers the NAMED INSURED'S cost to research, replace or restore damaged **Electronic Data and Media** including the cost to reprogram instructions used in any computer equipment if the loss is caused by a **Breakdown**.

J. CFC Refrigerants:

This **Policy** covers the additional cost to repair or replace **Covered Equipment** because of the use or presence of a refrigerant containing CFC (chlorinated fluorocarbon) substances if the loss is caused by a **Breakdown**. This means the additional expense to do the least expensive of the following:

- 1) Repair the damaged property and replace any lost CFC refrigerant;
- 2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
- 3) Replace the system with one using a non-CFC refrigerant.

K. **Computer Equipment:**

This **Policy** covers direct damage to **Computer Equipment** that is damaged by a **Breakdown** to such equipment

3. Definitions relating only to this endorsement:

A. **Breakdown** means the direct physical loss resulting from one or more of the following items that causes damage to **Covered Equipment** and necessitates its repair or replacement:

- 1) Failure of pressure or vacuum equipment;
- 2) Mechanical failure including rupture or bursting caused by centrifugal force;
- 3) Electrical failure including arcing;
- 4) Explosion of steam boilers, steam piping, steam engines or steam turbines owned or leased by you, or operated under your control;
- 5) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- 6) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.

Unless such loss or damage is otherwise excluded within the **Policy**.

Breakdown does not mean or include:

- 1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;

- 2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to **Covered Equipment**;
- 3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- 4) Damage to any vacuum tube, gas tube, or brush;
- 5) Damage to any structure or foundation supporting the **Covered Equipment** or any of its parts;
- 6) The functioning of any safety or protective device; or
- 7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

B. Covered Equipment is defined as

- 1) Equipment built to operate under internal pressure or vacuum other than weight of contents;
- 2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy; and
- 3) Communication equipment, and computer equipment.

Covered Equipment does not mean or include any:

- 1) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- 2) Insulating or refractory material, but not excluding the glass lining of any **Covered Equipment**;
- 3) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
- 4) Catalyst;
- 5) Vessels, piping and other equipment that is buried below ground and requires the excavation of materials to inspect, remove, repair or replace;
- 6) Structure, foundation, cabinet or compartment supporting or containing the **Covered Equipment** or part of the **Covered Equipment** including penstock, draft tube or well casing;
- 7) **Vehicle**, aircraft, self-propelled equipment or floating vessel including any **Covered Equipment** that is mounted upon or used solely with anyone or more vehicle(s), aircraft, self-propelled equipment or floating vessel;
- 8) Dragline, excavation, or construction equipment including any **Covered Equipment** that is mounted upon or used solely with any one or more dragline(s), excavation, or construction equipment;
- 9) Felt, wire screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement; or

- 10) Equipment or any part of such equipment manufactured by the NAMED INSURED for sale.
- 11) Power and gas generation utility equipment.
- C. **Hazardous Substance:** any substance other than ammonia that has been declared to be hazardous to health by a government agency. Ammonia is not considered to be a Hazardous Substance as respects this limitation.
- D. **One Breakdown:** if an initial **Breakdown** causes other **Breakdowns**, all will be considered **One Breakdown**. All **Breakdowns** at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered **One Breakdown**.
- E. **Computer Equipment:** covered property that is electronic computer or other electronic data processing equipment, including media and peripherals used in conjunction with such equipment.
- F. **Stock:** means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

All other terms and conditions of the **Policy** remain the same.

POLICY CHANGE ENDORSEMENT #2 – Upgrade to Green – 5 Pages

It is hereby agreed that the following coverage is added to this **Policy**.

The coverages and valuation provision provided by this endorsement only apply if direct physical loss or damage to covered real and/or personal property is caused by any of the perils covered by the **Policy** and replacement cost valuation applies. This coverage does not apply to: (1) personal property of others in the NAMED INSURED'S care, custody, and control, (2) leased personal property, and/or (3) finished or unfinished stock.

1. Notwithstanding the VALUATION or LIMITS OF LIABILITY clauses applicable to specific INSURED PROPERTY or perils, if replacement cost valuation applies to real and/or personal property, then the COMPANY'S liability for loss applicable to this endorsement shall be the cost to repair or replace the covered damaged property, subject to the applicable limit of liability, plus the least of the following amounts:
 - A. The reasonable and necessary amount to upgrade to green the covered damaged property as described in Coverage Section A - Non-LEED® Certified Coverage *or* as described in Coverage Section B - LEED® Certified Coverage, whichever is applicable; or
 - B. An additional 25% of the applicable limit of liability for the building and/or business personal property shown in the **Schedule of Values** or similar schedule to upgrade to green; or
 - C. \$100,000 to upgrade to green.

At the NAMED INSURED'S sole discretion, the NAMED INSURED may elect not to upgrade to green any or all property for which upgrade to green coverage is provided under this endorsement. In such case, the COMPANY will adjust the claim in accordance with the standard provisions of the **Policy**, as modified by all other applicable endorsements.

Subject to the least of A., B., or C. above, if business interruption coverage is provided as part of this **Policy**, if necessary, the Period of Restoration shall be increased to allow for additional time to upgrade to green the damaged property plus up to an additional two week period to meet the requirements set forth in 4.B.

2. **COVERAGE SECTION A: NON-LEED CERTIFIED COVERAGE**

In the event of direct physical loss or damage by any of the perils covered by the **Policy** to a building that is not LEED certified at the time of the loss, or to the personal property within such a building, the COMPANY will pay to repair or replace damaged or destroyed:

A. **Loss Settlement for Personal Property**

- (1) "Appliances" or "Office Equipment" with products of like kind and quality that have been identified as "ENERGY STAR®" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.
- (2) "Systems Furniture" or "Seating", with products of like kind and quality that are certified as GREENGUARD Indoor Air Quality Certified® or products with similar emissions characteristics. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

B. Loss Settlement for Your Building

i. Interior Finish Materials Upgrade

a. Lower Emissions Products Upgrade Coverage

"Defined Building Materials" with products of like kind and quality that have "Lower Emissions". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

b. Environmentally Preferable Products Upgrade Coverage

Interior wood, carpeting and flooring with products of like kind and quality that have "Lower Emissions", are "Sustainably Produced", are "Rapidly Renewable" or include "Recycled Content". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

ii. Interior Plumbing Systems Upgrade Coverage

Interior plumbing fixtures including, but not limited to, toilets, shower heads and lavatory faucets with products of like kind and quality that are more "Water Efficient". If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. For damaged or destroyed faucets, the COMPANY will also pay to install occupant sensors to reduce the potable water demand.

iii. Lighting Systems Upgrade Coverage

Lighting systems, with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply. The COMPANY will also pay to repair or replace damaged light bulbs with light bulbs which have low mercury content.

iv. Efficient Heating and Cooling Equipment Upgrade Coverage

"Heating and cooling equipment" with products of like kind and quality that have been identified as "ENERGY STAR" or equivalent products of such energy efficiency. If there are no such products available at the time of the loss, this upgrade to green coverage does not apply.

v. Building Reconstruction Following Total Loss

a. Solely with respect to a "Total Loss" to a building, the COMPANY will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that should satisfy the prerequisites and earn the minimum number of points required to qualify for LEED Silver certification using the LEED New Construction (LEED NC®) Rating System.

b. Certification Expenses

(i) The COMPANY will pay the reasonable and necessary registration and certification fees charged by the United States Green Building Council (USGBC) that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED Silver certification. However, the COMPANY will not pay to modify the reconstructed structure if it is not certified.

- (ii) The Sublimit of Insurance for this coverage is \$25,000.

3. **COVERAGE SECTION B: LEED CERTIFIED COVERAGE**

In addition to all Coverages provided in Coverage Section A (with the exception of 2.B.(5) Building Reconstruction Following a Total Loss) and in the event of direct physical loss or damage by any of the perils covered by the Policy to a building that is LEED certified at the time of the loss, or to the personal property within such building, the COMPANY will pay to repair or replace damaged or destroyed:

A. Loss Settlement for Trees, Shrubs, and Vegetative Roofs

- (1) Trees and shrubs planted specifically to secure the Heat Island Effect: Non-Roof point as described in LEED NC. For the purposes of this coverage only, notwithstanding any other provision of the Policy to the contrary, trees and shrubs are Covered Property. The sublimit of insurance for this coverage is \$3,000 per tree or \$3,000 per shrub up to a maximum of \$25,000.
- (2) Vegetative roofs on LEED certified buildings. Notwithstanding any other provision of the Policy to the contrary, vegetative roofs are Covered Property.

B. Loss Settlement for Your Building

i. Recertification Expenses

- a. In the event of direct physical loss or damage by any of the perils covered by the Policy that necessitates recertification of the damaged building, the COMPANY will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs as a result of the recertification process.
- b. The Sublimit of Insurance for this coverage is \$25,000.

ii. Building Reconstruction Following Total Loss

- a. Solely with respect to a "Total Loss" to a building that is LEED certified at the time of the loss, the COMPANY will pay to replace the building on its existing foundation using the most cost effective techniques, products and materials that would satisfy the prerequisites and should earn the minimum number of points required to qualify for LEED certification at one level above the certification in effect at the time of the loss using the LEED NC Rating System.
- b. **Certification Expenses**
 - The COMPANY will pay the reasonable and necessary registration and certification fees charged by the USGBC that the NAMED INSURED incurs should the NAMED INSURED decide to seek LEED certification. However, the COMPANY will not pay to modify the reconstructed structure if it is not certified.
 - The Sublimit of Insurance for this coverage is \$25,000.

4. COVERAGES INCLUDED WITHIN COVERAGE SECTIONS A OR B AND APPLICABLE TO LEED® AND NON-LEED® CERTIFIED BUILDINGS

In the event of direct physical loss or damage by any of the perils covered by the **Policy** to a LEED or Non-LEED certified building:

A. Recycling Expenses

- i.** The COMPANY will pay the NAMED INSURED'S expenses to clean-up, sort, segregate, and transport debris from the NAMED INSURED'S damaged building to recycling facilities, if such debris can be recycled.
- ii.** The Sublimit of Insurance for this coverage is \$25,000 and is in addition to the DEBRIS REMOVAL expense sublimit provided by the **Policy**, if any.
- iii.** Any income or remuneration derived from this recycling shall be used to reduce the loss.

B. Air Testing and Outdoor Air Ventilation of the Reconstructed Space

- i.** In accordance with the requirements for the Construction IAQ Management Plan: Before Occupancy Credit as described in the LEED NC rating system (hereinafter, "Construction IAQ"), the COMPANY will pay to conduct air testing and a building flush-out (if required because of a failure to meet air quality standards set forth in the Construction IAQ) and follow-up air testing for a total period of time not to exceed two weeks.
- ii.** After the two week period of increased outdoor air ventilation of the reconstructed space, the COMPANY will pay to replace the filtration media with new media.
- iii.** The Sublimit of Insurance for this coverage is \$25,000.

C. Professional Services

The COMPANY will pay reasonable and necessary expenses to hire a LEED Accredited architect or engineer to participate in the design and/or construction administration of the damaged portion of the building or the entire building, whichever is applicable.

The Sublimit for this coverage is \$50,000.

D. Building Commissioning Expenses

- i.** In the event of direct physical loss or damage to mechanical, electrical, or electronic building systems, by any of the perils covered by the **Policy** which necessitates the commissioning or re-commissioning of those systems, the COMPANY will pay reasonable and necessary expenses of a Professional Engineer to commission or re-commission those damaged systems in accordance with LEED protocols.
- ii.** The Sublimit of Insurance for this coverage is \$25,000.

5. Additional Definitions

- A.** "Appliances" means products including, but not limited to, dishwashers, refrigerators, freezers, ovens, microwave ovens, room air conditioners, room air cleaners and water heaters.
- B.** "Defined Building Materials" means: (1) all carpet and floor coverings, including, adhesives to affix them to the floor, (2) all interior paints, architectural coatings, primers, undercoatings, adhesives, sealants, and (3) permanently installed composite wood fixtures, including, counters, cabinets, and partitions.
- C.** "ENERGY STAR" means any product that has been identified by the United States Government Department of Energy, Environmental Protection Agency as ENERGY STAR qualified at the time of the loss.
- D.** "Heating and Cooling Equipment" means products including, but not limited to, heat pumps, boilers, central air conditioning, ceiling fans, dehumidifiers, exhaust fans, furnaces, thermostats, and ventilating fans.
- E.** "Lower emissions" means:
- i.** With respect to adhesive and sealant products, such as, general construction adhesives, flooring adhesives, fire-stopping sealants, caulking, duct sealants, plumbing adhesives, and cove base adhesives, products that meet the requirements of South Coast Air Quality Management District (SCAQMD) Rule # 1168; with respect to aerosol adhesives, products that meet Green Seal Standard GS-36 requirements;
 - ii.** With respect to architectural paints, coatings, and primers, products that do not exceed the volatile organic compound (VOC) content limits established in Green Seal Standard GS-11, with respect to anti-corrosive and anti-rust paints, products that do not exceed the VOC content limits established in Green Seal Standard GS-03; and with respect to clear wood finishes, floor coatings, stains, and shellacs, products that do not exceed the VOC content limits established by SCAQMD Rule #1113;
 - iii.** With respect to carpet and carpet cushion, products that meet the requirements of the Carpet and Rug Institute's Green Label Plus Program; and
 - iv.** With respect to composite wood and agrifiber products such as particleboard, medium density fiberboard (MDF), plywood, wheatboard, strawboard, panel substrates and door cores as well as laminating adhesives used to fabricate on-site and shop-applied composite wood and agrifiber assemblies, products that contain no added urea- formaldehyde resins.
- F.** "Office Equipment" means electronic products including, but not limited to, desktop computers, laptop computers, monitors, printers, fax machines, scanners, copiers, and telephones.
- G.** "Recycled Content" means those products that contain at least 20% post-consumer recycled content.

- H.** "Rapidly Renewable" means products that are made from plant resources that are harvested within a ten-year cycle or shorter, including, but not limited to, bamboo, eucalyptus, wheat straw, sunflower hulls, cork oak, wheatboard, linoleum, and sorghum.
- I.** "Seating" means task and guest chairs used with "System Furniture".
- J.** "Sustainably Produced" means those products certified by the Forest Stewardship Council ("FSC").
- K.** "System Furniture" means either a panel-based workstation comprised of modular interconnecting panels, hang-on components and drawer/filing components of a freestanding grouping of furniture items and their components that have been designed to work in concert.
- L.** "Total Loss" means:
 - i.** The covered building is completely destroyed regardless of whether any damage is done to the foundation or slab, or
 - ii.** The covered building is in such condition after the loss that the standard method of rebuilding or repairing the covered building is to raze the structure except for the foundation or slab or including all or part of the foundation or slab and rebuild the entire structure, whether such structure is actually rebuilt or not.
- M.** "Water Efficient" means dry fixtures such as composting toilet systems and non-water using urinals, flush toilets using no more than 1.6 gallons of water per flush, and shower heads and faucets with a flow rate of no more than 2.2 gallons per minute.

All other terms and conditions of the **Policy** remain the same.

POLICY CHANGE ENDORSEMENT #3 – Communicable Disease Exclusion – 1 Page

This endorsement modifies insurance provided by this **Policy**:

1. Notwithstanding any other provision of this **Policy** to the contrary, the COMPANY excludes 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 a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease regardless of any other cause or event contributing concurrently or in any other sequence thereto.
2. 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:
 - 2.1. 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
 - 2.2. 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
 - 2.3. 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.

All other terms and conditions of the **Policy** remain the same.

SCHEDULE A

Catron	County Manager	PO Box 507	Reserve, NM 87830
Chaves	County Manager	#1 St. Mary's Place	Roswell, NM 88203
Cibola	County Manager	515 W High St.	Grants, NM 87020
Colfax	County Manager	230 N Third St.	Raton, NM 87740
Curry	County Manager	417 Gidding Street, Suite #100	Clovis, NM 88101
De Baca	County Manager	248 E. Avenue C/PO Box 347	Fort Sumner, NM 88119
Dona Ana	County Manager	845 N. Motel Blvd.	Las Cruces, NM 88007
Eddy	County Manager	101 W Greene St., Suite 110	Carlsbad, NM 88220
Grant	County Manager	PO Box 898	Silver City, NM 88062
Guadalupe	County Manager	130 S 4th Street	Santa Rosa, NM 88435
Harding	County Manager	35 Pine St.	Mosquero, NM 87733
Hidalgo	County Manager	305 Pyramid St.	Lordsburg, NM 88045
Lincoln	County Manager	PO Box 711	Carrizozo , NM 88301
Luna	County Manager	PO Drawer 551	Deming, NM 88030
McKinley	County Manager	PO Box 70	Gallup, NM 87301
Mora	County Manager	PO Box 580	Mora, NM 87732
Otero	County Manager	1101 New York Ave.	Alamogordo, NM 88310
Quay	County Manager	PO Box 1246	Tucumcari, NM 87401
Roosevelt	County Manager	109 W First St.	Portales, NM 88130
San Miguel	County Manager	500 W National Ave., Ste. 200	Las Vegas, NM 87701
Sandoval	County Manager	PO Box 40	Bernalillo, NM 87004
Santa Fe	County Manager	102 Grant Ave.	Santa Fe, NM 87501
Sierra	County Manager	855 Van Patten	T or C, NM 87901
Socorro	County Manager	PO Box I	Socorro, NM 87801
Taos	County Manager	105 Albright St., Ste. G	Taos, NM 87571
Torrance	County Manager	PO Box 48	Estancia, NM 87016
Union	County Manager	PO Box 430	Clayton, NM 88415
Valencia	County Manager	PO Box 1119	Los Lunas, NM 87031

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.C.	<u>Item Title:</u> Approve 2026-2027 Property Coverage Contributions
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

Property and APD 2026-27 Funding

	APD	Property	Combined	Combined	Recommended	
	Deductible	Deductible	Property	Property for	Minimum	Recommended
	2025-26	2025-26	Actual	a Full Year	At Current	Minimum
			Funding	2025-26	Deductible	Funding
			1/1/26 -		(no Investment	% Change
			6/30/26		Income)	
Catron	5,000	5,000	68,965	137,930	163,427	18.5%
Chaves	25,000	25,000	200,294	400,588	388,733	-3.0%
Cibola	5,000	5,000	109,447	218,894	253,547	15.8%
Colfax	5,000	5,000	86,012	172,023	165,278	-3.9%
Curry	10,000	10,000	260,046	520,092	326,298	-37.3%
De Baca	5,000	5,000	57,164	114,328	95,522	-16.4%
Dona Ana	10,000	50,000	330,038	660,076	893,928	35.4%
Eddy	5,000	5,000	323,033	646,066	615,030	-4.8%
Grant	5,000	5,000	116,297	232,594	337,625	45.2%
Guadalupe	5,000	5,000	87,665	175,330	118,130	-32.6%
Harding	5,000	5,000	23,683	47,366	43,150	-8.9%
Hidalgo	5,000	5,000	56,071	112,141	147,367	31.4%
Lincoln	5,000	5,000	148,199	296,398	290,999	-1.8%
Luna	5,000	5,000	115,715	231,430	252,198	9.0%
McKinley	5,000	5,000	266,838	533,675	363,911	-31.8%
Mora	5,000	5,000	76,434	152,869	123,287	-19.4%
Otero	5,000	5,000	378,399	756,798	796,550	5.3%
Quay	5,000	5,000	73,149	146,297	195,580	33.7%
Roosevelt	5,000	5,000	112,974	225,947	145,784	-35.5%
San Miguel	5,000	5,000	132,239	264,478	223,669	-15.4%
Sandoval	10,000	50,000	250,105	500,210	526,630	5.3%
Santa Fe	50,000	100,000	325,282	650,564	685,336	5.3%
Sierra	5,000	5,000	60,111	120,223	107,661	-10.4%
Socorro	5,000	5,000	82,785	165,570	146,090	-11.8%
Taos	5,000	5,000	113,119	226,238	261,285	15.5%
Torrance	5,000	5,000	79,120	158,240	141,926	-10.3%
Union	5,000	5,000	68,974	137,948	111,246	-19.4%
Valencia	5,000	5,000	171,683	343,367	255,510	-25.6%
Grand Total			4,173,840	8,347,679	8,175,697	
YoY Percent Change					-2.1%	
YoY Dollar Change					(171,982)	

APD Deductibles No Investment Income

County	Recommended	Recommended	Recommended	Recommended	Recommended
	Minimum	Minimum	Minimum	Minimum	Minimum
	Funding	Funding	Funding	Funding	Funding
	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
	Deductible	Deductible	Deductible	Deductible	Deductible
	2026/27	2026/27	2026/27	2026/27	2026/27
Catron	99,074	83,386	57,861	40,845	28,227
Chaves	186,324	156,820	108,817	76,814	53,085
Cibola	47,352	39,854	27,655	19,522	13,491
Colfax	70,379	59,235	41,103	29,015	20,052
Curry	74,301	62,535	43,393	30,632	21,169
DeBaca	39,146	32,947	22,862	16,139	11,153
Dona Ana	329,488	277,314	192,427	135,836	93,874
Eddy	332,072	279,489	193,936	136,901	94,610
Grant*	142,169	119,657	83,030	58,611	40,505
Guadalupe**	20,963	17,643	12,243	8,642	5,973
Harding	17,360	14,611	10,139	7,157	4,946
Hidalgo	39,773	33,475	23,228	16,397	11,332
Lincoln	87,034	73,252	50,830	35,881	24,797
Luna***	45,719	38,479	26,701	18,848	13,026
McKinley	86,758	73,020	50,669	35,767	24,718
Mora	72,890	61,348	42,569	30,050	20,767
Otero	261,545	220,130	152,748	107,826	74,517
Quay	102,252	86,060	59,717	42,155	29,132
Roosevelt	23,148	19,483	13,519	9,543	6,595
San Miguel	95,052	80,001	55,512	39,187	27,081
Sandoval	254,921	214,555	148,879	105,095	72,629
Santa Fe	197,463	166,195	115,322	81,407	56,259
Sierra	52,491	44,179	30,656	21,640	14,955
Socorro	55,193	46,454	32,234	22,754	15,725
Taos	50,743	42,708	29,635	20,919	14,457
Torrance	63,820	53,714	37,272	26,311	18,183
Union	39,412	33,171	23,018	16,248	11,229
Valencia	94,805	79,793	55,368	39,085	27,011
Total	2,981,649	2,509,511	1,741,341	1,229,225	849,499

Property Deductibles No Investment Income

County	Recommended	Recommended	Recommended	Recommended	Recommended
	Minimum	Minimum	Minimum	Minimum	Minimum
	Funding	Funding	Funding	Funding	Funding
	\$5,000	\$10,000	\$25,000	\$50,000	\$100,000
	Deductible	Deductible	Deductible	Deductible	Deductible
	2026/27	2026/27	2026/27	2026/27	2026/27
Catron	64,353	62,995	60,035	56,441	52,297
Chaves	300,051	293,721	279,917	263,163	243,840
Cibola	206,195	201,844	192,358	180,845	167,566
Colfax	94,899	92,897	88,531	83,232	77,120
Curry	269,447	263,763	251,366	236,321	218,969
DeBaca	56,375	55,186	52,592	49,445	45,814
Dona Ana	703,047	688,214	655,869	616,614	571,337
Eddy	282,958	276,989	263,971	248,171	229,949
Grant*	195,455	191,332	182,339	171,426	158,838
Guadalupe**	97,167	95,117	90,647	85,222	78,964
Harding	25,790	25,245	24,059	22,619	20,958
Hidalgo	107,594	105,324	100,374	94,367	87,438
Lincoln	203,965	199,662	190,279	178,890	165,754
Luna***	206,479	202,123	192,623	181,094	167,797
McKinley	277,153	271,305	258,555	243,080	225,231
Mora	50,397	49,333	47,015	44,201	40,955
Otero	535,005	523,718	499,104	469,232	434,777
Quay	93,328	91,359	87,065	81,854	75,844
Roosevelt	122,636	120,049	114,407	107,559	99,661
San Miguel	128,617	125,904	119,986	112,805	104,522
Sandoval	355,819	348,312	331,942	312,075	289,160
Santa Fe	743,152	727,474	693,284	651,789	603,930
Sierra	55,170	54,006	51,468	48,387	44,834
Socorro	90,897	88,979	84,797	79,722	73,868
Taos	210,543	206,101	196,414	184,659	171,099
Torrance	78,106	76,458	72,865	68,504	63,473
Union	71,834	70,318	67,014	63,003	58,377
Valencia	160,704	157,314	149,920	140,947	130,598
Total	5,787,136	5,665,042	5,398,795	5,075,667	4,702,970
	7.8%	13.8%	27.0%	43.0%	61.4%

**True-Up for Building and Content
Coverage Period 7/1/25-7/1/26**

Member	Renewal	True-Up	Delta
Bernalillo County	930,388,600	1,058,129,500	127,740,900
Catron County	32,662,300	33,323,300	661,000
Chaves County	152,440,200	155,373,100	2,932,900
Cibola County	90,114,600	106,772,000	16,657,400
Colfax County	48,188,300	49,140,600	952,300
Curry County	136,848,800	139,525,600	2,676,800
De Baca County	28,673,400	29,192,400	519,000
Dona Ana County	298,813,100	364,052,700	65,239,600
Eddy County	143,667,000	146,521,900	2,854,900
Grant County	99,314,200	101,210,900	1,896,700
Guadalupe County	46,260,700	50,315,300	4,054,600
Harding County	13,097,800	13,354,400	256,600
Hidalgo County	55,427,300	56,448,600	1,021,300
Lincoln County	103,512,800	105,617,700	2,104,900
Luna County	104,968,700	106,919,200	1,950,500
McKinley County	109,847,000	143,515,600	33,668,600
Mora County	25,608,900	26,096,400	487,500
Otero County	271,458,500	277,037,100	5,578,600
Quay County	47,322,500	48,327,200	1,004,700
Roosevelt County	62,322,400	63,503,500	1,181,100
San Miguel County	65,352,200	66,600,700	1,248,500
Sandoval County	147,632,700	184,250,900	36,618,200
Santa Fe County	374,142,600	384,820,200	10,677,600
Sierra County	28,021,200	28,568,100	546,900
Socorro County	46,175,900	47,068,200	892,300
Taos County	106,941,600	109,023,500	2,081,900
Torrance County	31,602,800	40,444,900	8,842,100
Union County	40,998,200	37,197,200	(3,801,000)
Valencia County	76,215,900	83,216,200	7,000,300
Total	3,718,020,200	4,055,566,900	337,546,700

True-Up for Bridges
Coverage Period 7/1/25-7/1/26

Member	Renewal	True-Up	Delta
Bernalillo County	15,595,667	15,595,667	-
Catron County	10,800,000	10,800,000	-
Chaves County	15,326,963	16,483,804	1,156,841
Cibola County			
Colfax County	8,469,750	8,469,750	-
Curry County			
De Baca County	4,000,000	4,000,000	-
Dona Ana County	109,586,000	109,586,000	-
Eddy County	3,500,000	3,500,000	-
Grant County	42,574,975	42,574,975	-
Guadalupe County	6,834,000	6,834,000	-
Harding County			
Hidalgo County			
Lincoln County			
Luna County			
McKinley County	98,000,000	98,000,000	-
Mora County			
Otero County			
Quay County	21,510,296	21,510,296	-
Roosevelt County			
San Miguel County	25,800,000	25,800,000	-
Sandoval County			
Santa Fe County	35,137,849	36,271,328	1,133,479
Sierra County	19,283,479	23,783,479	4,500,000
Socorro County			
Taos County			
Torrance County			
Union County	360,000	1,000,000	640,000
Valencia County			
Total	416,778,979	424,209,299	7,430,320

True-Up for Drones
Coverage Period 7/1/25-7/1/26

Member	Renewal	True-Up	Delta
Bernalillo County	21,600	21,600	-
Catron County			
Chaves County	37,850	37,850	-
Cibola County			
Colfax County	7,508	7,508	-
Curry County		12,000	12,000
De Baca County			
Dona Ana County	142,053	142,053	-
Eddy County	159,305	226,805	67,500
Grant County			
Guadalupe County			
Harding County			
Hidalgo County			
Lincoln County	4,449	4,449	-
Luna County	15,000	22,500	7,500
McKinley County	41,994	41,994	-
Mora County			
Otero County			
Quay County			
Roosevelt County	100,140	100,140	-
San Miguel County	2,400	-	(2,400)
Sandoval County	3,287	13,000	9,713
Santa Fe County	40,582	40,582	-
Sierra County		23,400	23,400
Socorro County			
Taos County	10,966	10,966	-
Torrance County	2,449	2,449	-
Union County			
Valencia County	2,000	18,000	16,000
Total	591,583	725,296	133,713

**True-Up for Fine Art
Coverage Period 7/1/25-7/1/26**

Member	Renewal	True-Up	Delta
Bernalillo County	6,084,802	6,256,227	171,425
Catron County	62,500	62,500	-
Chaves County	654,975	654,975	-
Cibola County	17,000	61,200	44,200
Colfax County	2,368	2,368	-
Curry County	43,856	43,856	-
De Baca County	15,000	25,000	10,000
Dona Ana County	183,500	195,200	11,700
Eddy County			
Grant County	1,017,850	1,017,850	-
Guadalupe County	19,400	19,400	-
Harding County	6,200	6,200	-
Hidalgo County	50,415	50,415	-
Lincoln County	6,585	6,585	-
Luna County	150,045	150,045	-
McKinley County	269,920	269,920	-
Mora County			
Otero County	913,000	913,000	-
Quay County			
Roosevelt County	87,250	87,250	-
San Miguel County	13,500	13,500	-
Sandoval County	217,794	217,794	-
Santa Fe County	350,000	350,000	-
Sierra County			
Socorro County		5,000	5,000
Taos County	224,600	224,600	-
Torrance County	372,500	372,500	-
Union County	36,500	36,500	-
Valencia County	58,180	58,180	-
Total	10,857,739	11,100,064	242,325

**True-Up for Mobile Equipment
Coverage Period 7/1/25-7/1/26**

Member	Renewal	True-Up	Delta
Bernalillo County	14,422,636	15,703,294	1,280,658
Catron County	5,060,400	4,170,668	(889,731)
Chaves County	2,132,254	3,073,880	941,626
Cibola County	1,470,438	1,674,498	204,060
Colfax County	322,527	322,527	-
Curry County	2,820,354	2,820,606	252
De Baca County	2,681,225	1,957,602	(723,623)
Dona Ana County	3,348,156	4,420,397	1,072,241
Eddy County	7,340,026	9,107,428	1,767,403
Grant County	1,010,913	1,242,741	231,828
Guadalupe County	1,183,411	2,015,847	832,436
Harding County	437,603	437,603	-
Hidalgo County	591,842	592,769	927
Lincoln County	1,840,288	2,124,135	283,847
Luna County	963,001	963,001	-
McKinley County	259,316	267,816	8,500
Mora County	1,770,204	1,770,204	-
Otero County	4,720,968	4,774,450	53,482
Quay County	3,494,901	3,714,835	219,934
Roosevelt County	3,310,472	1,559,351	(1,751,121)
San Miguel County	786,063	805,052	18,989
Sandoval County	9,503,376	9,522,416	19,040
Santa Fe County	781,698	2,563,580	1,781,882
Sierra County	1,795,643	1,795,643	-
Socorro County	3,123,776	3,123,776	-
Taos County	2,175,290	2,813,862	638,572
Torrance County	2,617,363	2,626,963	9,600
Union County	507,987	507,987	-
Valencia County	485,395	635,170	149,775
Total	80,957,526	87,108,103	6,150,577

True-Up for Vehicles
Coverage Period 7/1/25-7/1/26

Member	Renewal	True-Up	Delta
Bernalillo County	92,723,598	96,860,862	4,137,264
Catron County	7,191,726	10,474,568	3,282,842
Chaves County	13,166,978	13,294,007	127,029
Cibola County	2,413,365	4,837,495	2,424,131
Colfax County	8,646,237	8,707,901	61,664
Curry County	6,203,128	7,038,276	835,148
De Baca County	2,514,231	4,253,728	1,739,497
Dona Ana County	39,154,002	41,087,823	1,933,821
Eddy County	29,257,612	32,030,810	2,773,198
Grant County	16,757,607	18,882,330	2,124,722
Guadalupe County	2,006,029	2,249,191	243,162
Harding County	2,403,029	2,403,329	300
Hidalgo County	3,636,741	3,648,541	11,800
Lincoln County	10,663,748	11,172,047	508,299
Luna County	2,880,721	4,344,694	1,463,972
McKinley County	8,339,292	8,687,861	348,569
Mora County	7,879,519	8,295,530	416,011
Otero County	31,394,538	35,701,913	4,307,375
Quay County	11,198,199	11,644,760	446,561
Roosevelt County	3,877,959	1,470,543	(2,407,416)
San Miguel County	10,137,622	10,373,813	236,190
Sandoval County	21,436,790	23,000,856	1,564,065
Santa Fe County	21,647,558	26,699,843	5,052,286
Sierra County	4,666,789	5,142,064	475,275
Socorro County	5,740,946	5,740,946	-
Taos County	2,924,705	5,467,858	2,543,154
Torrance County	5,211,209	6,563,849	1,352,640
Union County	3,640,739	3,640,739	-
Valencia County	6,718,400	9,867,705	3,149,305
Total	384,433,018	423,583,882	39,150,863

**True-Up for Watercraft
Coverage Period 7/1/25-7/1/26**

Member	Renewal	True-Up	Delta
Bernalillo County	26,111	26,111	-
Bernalillo County	30,000	30,000	-
Eddy County	34,901	34,901	-
Eddy County	14,279	14,279	-
Sierra County		3,500	3,500
Sierra County	35,000	35,000	-
Total	140,291	143,791	3,500

2025-26 Property True-Up by Member

	Rates	5.3227	1.3373	0.78739	1.5868	
Member	Delta	General Account	Property Plus	Property Plus Stop Loss	Panel premium	Total
Bernalillo County	133,330,248	70,968	17,830	10,498	21,157	120,453
Catron County	3,054,110	1,626	408	240	485	2,759
Chaves County	5,158,396	2,746	690	406	819	4,660
Cibola County	19,329,791	10,289	2,585	1,522	3,067	17,463
Colfax County	1,013,964	540	136	80	161	916
Curry County	3,524,200	1,876	471	277	559	3,184
De Baca County	1,544,873	822	207	122	245	1,396
Dona Ana County	68,257,362	36,331	9,128	5,375	10,831	61,665
Eddy County	7,463,000	3,972	998	588	1,184	6,742
Grant County	4,253,250	2,264	569	335	675	3,842
Guadalupe County	5,130,198	2,731	686	404	814	4,635
Harding County	256,900	137	34	20	41	232
Hidalgo County	1,034,027	550	138	81	164	934
Lincoln County	2,897,046	1,542	387	228	460	2,617
Luna County	3,421,972	1,821	458	269	543	3,091
McKinley County	34,025,669	18,111	4,550	2,679	5,399	30,739
Mora County	903,511	481	121	71	143	816
Otero County	9,939,457	5,290	1,329	783	1,577	8,979
Quay County	1,671,195	890	223	132	265	1,510
Roosevelt County	(2,977,437)	(1,585)	(398)	(234)	(472)	(2,690)
San Miguel County	1,501,279	799	201	118	238	1,356
Sandoval County	38,211,018	20,339	5,110	3,009	6,063	34,521
Santa Fe County	18,645,247	9,924	2,493	1,468	2,959	16,844
Sierra County	5,549,075	2,954	742	437	881	5,013
Socorro County	897,300	478	120	71	142	811
Taos County	5,263,626	2,802	704	414	835	4,755
Torrance County	10,204,340	5,431	1,365	803	1,619	9,219
Union County	(3,161,000)	(1,683)	(423)	(249)	(502)	(2,856)
Valencia County	10,315,380	5,491	1,379	812	1,637	9,319
Totals	390,657,998	207,936	52,243	30,760	61,990	352,928



County Reinsurance, Limited
6201 Towncenter Dr Ste 240
Clemmons, NC 27012 US

INVOICE

BILL TO

New Mexico County
444 Galisteo Street
Santa Fe, NM 87505

INVOICE # 2026-537
DATE 02/19/2026
DUE DATE 03/21/2026
TERMS Net 30

ACTIVITY	DESCRIPTION	AMOUNT
Premiums Written - PR	Property True Up - Coverage Period: 07.01.25 - 07.01.26	352,925.00

Payment can be wired or mailed, per the following instructions:

Wire/ACH Instructions:

Bank Name: US Bank NA

Bank Address: 425 Walnut Street

Cincinnati, OH 45202

ABA: 091 000 022

Credit Account (beneficiary): 173103781832

Credit Name (beneficiary): ITC South & East Depository Account

FFC/REF: County Re 001050985783

BALANCE DUE

\$352,925.00

Check Instructions:

Payable to: County Reinsurance, Limited

Mail to: PO Box 274

Brattleboro, VT 05302-0274

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.E.	<u>Item Title:</u> Approve 2026-2027 Workers' Compensation and Employers' Liability Memorandum of Coverage
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

**NEW MEXICO COUNTY
INSURANCE AUTHORITY**

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY PROGRAM

MEMORANDUM OF COVERAGE

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NEW MEXICO COUNTY INSURANCE AUTHORITY
WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY PROGRAM DECLARATION

MEMORANDUM NUMBER: NMCIA-WC-001-070126

MEMBER: NEW MEXICO COUNTY INSURANCE AUTHORITY MEMBERS – SEE NAMED MEMBERS

MAILING ADDRESS: 444 GALISTEO STREET, SANTA FE, NM 87501

COVERAGE PERIOD: **12:01 A.M. JULY 1, 2026 to 12:01 A.M. JULY 1, 2027**

DEPOSIT PREMIUM, SUBJECT TO AUDIT: TBD

COVERAGE DESCRIPTIONS

LIMITS OF COVERAGE

A. Workers' Compensation NM Workers' Compensation Act

B. Employer's Liability

Bodily Injury by Accident: \$2,000,000 Each Accident

Bodily Injury by Disease: \$2,000,000 Each **Employee**

\$2,000,000 Coverage Period **Aggregate**

C. Other States

All states, other than New Mexico, Ohio,
North Dakota, Washington and Wyoming

Member Deductible

Varies by Member, see named members

July 1, 2026

AUTHORIZED SIGNATURE

DATE

MEMORANDUM OF

WORKERS' COMPENSATION AND EMPLOYER'S LIABILITY COVERAGES

Throughout this **Memorandum**, words or phrases that appear in **bold** have special meaning and are defined in the Definitions section of this **Memorandum**. These defined words are controlling as to their meaning and effect in this **Memorandum** and in the interpretation of NMCI's coverage.

In consideration of the timely payment of the **Member's** annual contribution premium, compliance with the provisions of the Joint Powers Agreement and By-laws, and satisfaction of the terms and conditions in this **Memorandum**, NMCI provides the following coverages:

- A. Workers' Compensation Coverage
- B. Employer's Liability Coverage
- C. Other States Coverage

I. Coverage Limits

The **Coverage Limits** shown in the Workers' Compensation and Employer's Liability Declarations for the **Coverage Period** apply as shown for the coverages under this **Memorandum**.

II. Coverage Provided

A. Workers' Compensation Coverage

1. NMCI will pay benefits on behalf of the **Member** for **Bodily Injury** to an **Employee** of the **Member** as required under the New Mexico Workers' Compensation Act NMSA 1978 § 52-1-1 et seq.
2. **Bodily Injury** caused by an **Accident** or disease that must occur during the **Coverage Period** and within the **Coverage Territory**. **Bodily Injury** by disease must be caused by, arise out of, or be aggravated by, and in the course and scope of, the **Employee's** employment by the **Member**. The **Employee's** last day of last exposure to the conditions causing or aggravating such **Bodily Injury** by disease must occur during the **Coverage Period**.
3. Benefits are not provided in the states of Ohio, North Dakota, Washington and Wyoming.

B. Employer's Liability Coverage Agreement

1. NMCIA will pay on behalf of the **Member**, subject to the **Coverage Limit** shown in the Workers' Compensation and Employer's Liability Declarations, all sums that the **Member** is legally obligated to pay as **Damages** arising out of **Bodily Injury** to an **Employee** to which this **Memorandum** applies.
2. This coverage applies to **Bodily Injury** that occurs during the **Coverage Period** and within the United States of America, caused by, arising out of, or aggravated by, and in the course and scope of the **Employee's** employment by the **Member**. The **Employee's** last day of last exposure to the conditions causing or aggravating such **Bodily Injury** by disease must occur during the **Coverage Period**.

C. Other States Coverage Agreement

1. NMCIA will pay benefits on behalf of the **Member** for **Bodily Injury** to an **Employee** who, in the course of their employment by the **Member**, is temporarily performing duties in a state other than New Mexico, or while traveling to or from any state other than New Mexico.
2. NMCIA will pay the benefits as imposed in accordance with applicable state law.
3. This coverage provision shall not apply to employees living and working in the states of Ohio, North Dakota, Washington and Wyoming.

III. Exclusions Applicable to all Coverage Agreements

These exclusions apply to all coverages in each of the Coverage Agreements of this **Memorandum**. Coverage does not apply to:

1. **Bodily Injury**, whether by **Accident** or disease, where to provide coverage would violate any legal proscription against coverage or indemnity for serious and willful misconduct by the **Member**, intentional torts, and intentional acts or omissions, committed by the **Member**, resulting in **Bodily Injury**, or substantially certain to result in **Bodily Injury**, regardless of whether or not said acts or omissions may be classified in the state as intentional torts.
2. Salaries, wages, and remuneration provided to **Employees**, except as provided under Coverages A., B., and C.;
3. Fees paid to NMCIA or its designee;
4. Any obligation of the **Member** under the Merchant Marine Act of 1916 and 1920, Admiralty or Maritime Law, the Federal Employers' Liability Act, Federal Employees' Compensation Act, the Defense Base Act, the U. S. Longshore and Harbor Workers' Compensation Act, or any other similar or related Federal law;
5. Any amount owed by or assessed to the **Member** pursuant to a provision of any law that provides non-occupational disability benefits;

6. **Damages** arising out of coercion, criticism, demotion, evaluation, failure to promote, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any **Employee** or related personnel practices, policies, acts or omissions by the **Member**.
7. **Bodily Injury** to an **Employee** while employed in violation of law with the actual knowledge of the **Member** or with the actual knowledge of any human resources personnel or other administrative personnel of the **Member**;
8. **Bodily Injury** to an **Independent Contractor, Leased Employee** or **Temporary Employee**, unless the individual is deemed an **Employee** by a court decision, arbitration proceeding to which NMCI has consented, or a ruling from the New Mexico Workers' Compensation Appeals Board.
9. Liability or loss assumed under a contract or agreement by the **Member**, whether the contract or agreement is express or implied.
10. Punitive or exemplary damages, including, but not limited to, punitive or exemplary damages arising out of **Bodily Injury** to an **Employee** employed in violation of law, or additional compensation imposed upon the **Member** under any law;
11. Assessments and taxes made upon NMCI or the **Member** as a self-insurer whether imposed by statute, regulation or otherwise;
12. Any amount required to be paid by the **Member** to any person or entity other than an Employee for failure to comply with any health, safety, or notification law or regulation;
13. **Bodily Injury** arising from any direct or indirect consequence of war, invasion, act of foreign enemy, hostilities (whether war is declared or not), civil war, rebellion, revolution, insurrection, or military or usurped power;
14. Compensation or benefits imposed by any occupational disease, disability benefits law, or any similar law or plan;
15. Fines or penalties imposed upon the **Member** for failure to comply with the requirements of any workers' compensation, labor code, or occupational disease law of any state or country.

IV. Workers' Compensation and Employer's Liability Coverage Conditions and Responsibilities

This **Memorandum** is subject to conditions and responsibilities as shown below.

1. Duties in The Event of an **Occurrence, Claim** or **Suit** and Notice of Legal Representation:

The following duties apply, even if the **Member** is subject to a **Deductible**.

- a. The **Member** shall provide the **Employee** immediate access to medical and other services required by the workers' compensation law of the State of New Mexico and also provide the injured **Employee** with the "Workers' Compensation Claim Form" (Form E1.2 or First Report of Injury (FROI)) within seventy-two (72) hours of the **Member's** knowledge of an alleged occupational injury or illness.
- b. The **Member** must notify NMCI, or its designee, with a notice of injury via submission of a completed "Employer's Report of Occupational Injury or Illness" (Form E1.2 or First Report of Injury (FROI)) within seventy-two (72) hours of the **Member's** knowledge.
- c. The **Member** must report any serious injury or illness immediately to NMCI, or its designee, within seventy-two hours of knowledge by the **Member**. Following are the categories of serious injury or illness:
 - i. Fatalities;
 - ii. Injuries requiring immediate hospitalization;
 - iii. Possible or actual paraplegia and quadriplegia;
 - iv. Serious burns, defined as 2nd or 3rd degree burns involving 25% or more of the body;
 - v. Serious exposure, such as but not necessarily limited to, heat exposure or chemical exposure;
 - vi. Brain injury;
 - vii. Spinal cord injury;
 - viii. Temporary, permanent, or possible paralysis, whether partial or complete;
 - ix. Loss of sight or hearing;
 - x. Amputation of a major extremity; and
 - xi. Any occurrence which results in an injury to two or more **Employees**.
- d. If a **Claim** is made by a Notice of Legal Representation and or Application for Adjudication of **Claim** against the **Member**, the **Member** must immediately forward to NMCI, or its designee, every demand, notice, summons and other legal documents received by the **Member**.
- e. The **Member** shall cooperate with NMCI and its designee in the investigation, defense and settlement of any claim.
- f. The **Member** shall authorize NMCI, or its designee, to obtain records and other information upon request;

The **Member** shall assist NMCIA, if requested by NMCIA, to enforce any right against any person or organization including, but not limited to, any right of contribution or indemnity for which that person or organization may be liable to the **Member** because of **Bodily Injury** to which this **Memorandum** applies;

- g. The **Member** shall attend hearings, trials or other proceedings, assist in securing evidence, give evidence and obtain the attendance of witnesses at such hearings or trials or other proceedings;
 - h. The **Member** shall not, except at its or their own cost and without any right of reimbursement from or recourse against NMCIA, voluntarily make any payment, assume any obligation, admit to any liability, settle any claim or incur any expense with the prior written consent of NMCIA.
2. Authority to Act: NMCIA has the sole discretion and authority to control any **Claim** payments, to assign legal counsel, to settle any **Claim** or **Suit**, and otherwise manage the **Claim** or **Suit** until the **Claim** or **Suit** is completed, settled or adjudicated, even if the conclusion of the **Claim** or **Suit** does not take place until after the end of the **Coverage Period**.
 3. **Deductible**: If the **Member** has selected a **Deductible**, all of the terms and conditions of this **Memorandum** apply, including the Authority to Act. NMCIA, or its designee, may pay any part or all of the **Deductible** amount to effect the settlement or management of a **Claim** or **Suit**, subject to reimbursement to NMCIA by the **Member**.
 4. Examination of books and records: The **Member** shall, as often as may be reasonably required during the term of this **Memorandum** and up to three years from the expiration date of this **Memorandum**, produce for examination by NMCIA, or its duly authorized representative, all the books and records, inventories and accounts of the **Member** containing information needed by NMCIA to compute deposit and final premiums for the **Coverage Period**.
 5. Inspections: NMCIA shall be permitted, but is not obligated, at all reasonable times, to inspect any **Member's** location listed in the schedule on file with NMCIA. Neither NMCIA's right to make inspections, nor the making thereof, nor any report, warrants or implies that hazards or conditions are under control at the time of the inspection on behalf of or for the benefit of the **Member** or others; nor are such inspections for compliance with OSHA regulations or other similar laws.
 6. Excess Insurance: Permission is hereby granted to the **Member** to purchase excess insurance or reinsurance. Such Excess Insurance or reinsurance shall not be considered Other Insurance for the purposes of the Other Insurance Condition 7.
 7. Other Insurance: If other collectible insurance, self-insurance or other coverage from any other source is available to the **Member** covering any part of the same loss, **Claim** or **Suit** that is also covered in this **Memorandum**, whether such other insurance, self-insurance or other coverage is on a primary, excess or contingent basis, the coverage provided by this **Memorandum** shall be

excess of, and shall not contribute with, such other insurance, self-insurance or other coverage, as NMCIA is not an insurer or co-insurer but a risk sharing joint powers authority. Under no circumstances shall the coverage afforded by this **Memorandum** be considered primary, pro rata, concurrent or contributing with such other insurance, self-insurance or other coverage, and the coverage afforded by this **Memorandum** shall not apply until such other insurance, self-insurance or other coverage has been exhausted.

This condition does not apply to any insurance, self-insurance or other coverage that is purchased specifically to be in excess of this **Memorandum**.

8. No Assignment: This **Memorandum** shall be void if assigned or transferred without the written consent of NMCIA.
9. Bankruptcy or Insolvency: Bankruptcy or insolvency of the **Member** shall not relieve NMCIA of any of its obligations under this **Memorandum**. Notwithstanding the foregoing, the **Member** shall be operating in good standing and must be in compliance with all statutory requirements as a public entity in order for coverage to exist under this **Memorandum**.
10. Severability of Interests: The term **Member** is used severally and not collectively. Except with respect to the **Coverage Limit**, this **Memorandum** applies as if each person or organization included in the term **Member** were the only person or organization covered in this **Memorandum**. Notwithstanding the foregoing, no aspect of this provision shall serve to increase the **Coverage Limit** in this **Memorandum**.
11. Subrogation: If the **Member** has rights to recover all or part of any payment made by NMCIA on behalf of the **Member**, its and their rights are transferred and assigned to NMCIA. The **Member** shall execute such documents as requested by NMCIA. The **Member** must do nothing to impair, release or waive these rights, absent the prior written consent of NMCIA, and shall, at the request of NMCIA, help with the enforcement of NMCIA's rights in subrogation or otherwise.

Amounts recovered by NMCIA shall be applied first to reimburse NMCIA for recovery costs, **Defense Costs** or **Damages**; second to reimburse, on a pro-rata basis, any amount paid by any Excess Insurer or reinsurer, and, last, to reimburse the **Member** for its payment of their **Deductible**.

12. Annual Contribution Premium: The annual contribution premium shall be due and payable upon inception of the **Coverage Period** and each renewal thereafter as invoiced by NMCIA.

The annual contribution premium consists of a premium due at the inception of the **Coverage Period**. The premium for the **Member** is based upon the workers' compensation budget, estimated and audited payroll, NCCI code rates in effect at the inception of this **Memorandum**, loss data, actuarial discretion, and assessments that may be required from the **Member** in accordance with the Bylaws and policies of NMCIA. NMCIA shall not be required to perform any obligations under this **Memorandum** if the annual contribution premium for the **Member** is not paid timely in accordance with NMCIA Bylaws and policies.

13. Legal Actions: No person or organization has a right under this **Memorandum** to join NMCIA as a party to or otherwise bring NMCIA into a **Suit** seeking damages from a **Member** or to bring any legal action against NMCIA until all terms within this **Memorandum** have been complied with fully and the amount of the **Member's** obligations to pay have been finally determined by a judgment or settlement has been reached.
14. Cancellation: This **Memorandum** may be terminated at any time in accordance with the Bylaws of NMCIA, or other applicable policies adopted by the Board of Directors if not inconsistent with the Bylaws.
15. Arbitration: In the event of a dispute between a **Member** and NMCIA, the dispute shall be subject to arbitration and all parties shall be bound by the findings and decision of the arbitrator(s). All such disputes shall be subject to binding arbitration including, but not limited to, disputes relating to this **Memorandum** including compliance with its conditions, the interpretation and extension of coverage, the actions or omissions to act of NMCIA and any **Member** in connection with any **Claim** or **Suit**, or potential **Claim, Suit, or Occurrence**, including prompt notice of a **Claim** or **Suit**, cooperation in the defense or resolution of a **Claim** or **Suit**, and settlement and indemnification of a **Claim** or **Suit**, whether a first party **Claim** or involving a third party **Claim**. NMCIA shall also have the right to determine when a **Claim** or **Suit** should be settled and may proceed to settle a **Claim** or **Suit** within its **Coverage Limit**, and any dispute between NMCIA and any **Member** as to the settlement of a **Claim** or **Suit** shall also be subject to binding arbitration. Either party may issue a written demand for arbitration within 90 days of the event triggering the arbitration request.

Unless NMCIA and the **Member** agree to use three arbitrators, the dispute shall be decided by one arbitrator. The arbitration shall be conducted by JAMS, unless another arbitral agency is agreed in writing between NMCIA and the **Member** and, to the extent not inconsistent with the Bylaws and operative Member agreements, shall be governed by the JAMS' arbitration rules and procedures, including the rules governing the identification and selection of arbitration panel members (unless another agency is selected by mutual agreement, in which case that agency's rules shall apply unless otherwise agreed to between NMCIA and the **Member**). Regardless of the outcome of the arbitration, NMCIA and the **Member** shall share equally in the costs of the arbitration and in the compensation of the arbitrators, which fees and costs shall not be subject to reallocation based upon whether NMCIA or the **Member** is the prevailing party.

The arbitrator(s) shall consider this **Memorandum** an honorable engagement rather than merely a legal obligation and shall consider the issues presented in a manner consistent with the Preamble (which is also incorporated by reference as part of Section 16). Local rules of law as to procedure and evidence will apply and arbitration shall take place in the County of Santa Fe. The decision of the majority of the arbitrators shall be final and binding upon both parties and not subject to appeal.

A judgment based on the majority decision of the arbitrators may be entered in any court having jurisdiction upon the request of the **Member** or NMCIA.

V. Definitions Applicable to the Workers' Compensation and Employer's Liability Coverage of this Memorandum

Each of the following words and phrases, printed in boldface type, has the following meaning wherever it appears throughout the Workers' Compensation and Employer's Liability Coverage of this **Memorandum**.

6. **Accident** means: an unintended or unexpected event of happening.
7. **Aggregate** means: The maximum dollar amount for which NMCIA shall be liable, during a single **Coverage Period**, regardless of the number of covered **Claims, Suits, or Bodily Injuries**.
8. **Bodily Injury** means: Physical injury, sickness or disease, including death resulting from any of these at any time.
9. **Claim** means:
 - a. An allegation of **Bodily Injury** for which the **Member** seeks coverage from NMCIA;
 - b. A demand for **Damages**, including the filing of a **Suit** relating to **Bodily Injury** to an **Employee** or initiation of arbitration against the **Member**.
10. **Coverage Limit** means: The amount shown in the Declarations and shall be the **Ultimate Net Loss**.
11. **Coverage Period** means: The period of time from the date and hour stated in the Declarations for the inception of coverage, until the date and hour stated in the Declarations for the expiration of the coverage; or the date and hour of cancellation of this **Memorandum**.
12. **Coverage Territory** means: The **Occurrence** may take place anywhere in the world. The **Claim, Suit, or proceeding** must be brought against the **Member** in the United States of America provided that New Mexico law shall apply to the determination of any **Claim or Suit**, and shall apply to the interpretation of this **Memorandum**.
13. **Damages** means: Monetary sums that a **Member** becomes legally obligated to pay as compensatory damages as a result of a covered **Claim or Suit**. **Damages** includes **Defense Costs**.
14. **Deductible** means: The portion of **Defense Costs**, loss expenses associated with each **Claim or Suit**, and **Damages** retained by the **Member**.
15. **Defense Costs** means: The reasonable attorney's fees, costs and expenses of investigation, adjustment and defense of **Claims or Suits**, the costs of appeal or similar bonds, and the cost of arbitration, mediation, or other alternative dispute resolution process to which the **Member** participates at or with NMCIA's consent. **Defense Costs** does not include the wages or salary of any of NMCIA's employees or of any **Employee** of a **Member** or any fees or expenses incurred by a **Member** without NMCIA's prior written consent.

16. **Employee** means: A natural person, performing work which renders the **Member** liable under the Workers' Compensation Law of New Mexico for **Bodily Injury** or occupational disease sustained by such person.
17. **Independent Contractor** means: A natural person or business entity which undertakes to do specific work, for a fee, for a **Member** using their own means and methods without submitting to the control of, or by, the **Member**, or which otherwise qualifies as an independent contractor relationship under New Mexico law.
18. **Leased Employee** means: A natural person who is leased to the **Member** by a labor leasing company under a written contract or agreement to perform duties related to the conduct of the **Member's** business.
19. **Memorandum** means: This Memorandum of Workers' Compensation and Employer's Liability Coverages.
20. **Member** means: The County named in the Declarations.
21. **Occurrence** means: An **Accident** including continuous or repeated exposure to substantially the same general harmful conditions. In addition, Bodily Injury by occupational disease must be caused or aggravated by the conditions of employment and shall be deemed to have occurred on the last day of the last exposure to those conditions of employment causing or aggravating such injury by occupational disease, or on such dates as otherwise established by the workers' compensation and employers' liability laws of the appropriate state. Bodily Injury by occupational disease sustained by each employee shall be deemed to be a separate Occurrence, unless such disease results directly from an **Accident**.
22. **Suit** means: A civil proceeding in which the recovery of **Damages** is sought. A **Suit** includes a proceeding involving or before the New Mexico Workers' Compensation Administration on a **Claim**, civil action in court; an arbitration proceeding to which a **Member** must submit, or does submit with NMCI's prior written consent; and any other alternative dispute resolution proceeding in which **Damages** are claimed and to which a **Member** submits with NMCI's prior written consent.
23. **Temporary Employee** means: A natural person furnished or available to a **Member** under a written contract or agreement with a temporary work agency to substitute for an **Employee** or to meet seasonal workload conditions.
24. **Ultimate Net Loss** means: The sum actually paid or payable as **Damages** in the settlement or satisfaction of losses for which the **Member** is liable either by adjudication or compromise after making proper deduction for all recoveries and salvages collectible and includes attorneys' fees, court costs, interest on any judgment or award, loss adjustment expenses.

Ultimate Net Loss does not include the salaries of the **Member's** regular **Employees**. **Ultimate Net Loss** does not include any **Damages**, **Defense Costs** or other expenses because of a

Claim or Suit not covered in this Memorandum.

VI. Named Members and Deductible Choices

Named Member	Deductible
Bernalillo County	\$100,000
Catron County	
Chaves County	
Cibola County	
Colfax County	
Curry County	
De Baca County	
Eddy County	
Grant County	
Guadalupe County	
Harding County	
Hidalgo County	
Lea County	
Lincoln County	
Los Alamos County	
Luna County	
McKinley County	
Mora County	
Quay County	
Rio Arriba County	
Roosevelt County	
San Miguel County	
Sandoval County	\$25,000
Santa Fe County	\$100,000
Sierra County	
Socorro County	
Taos County	
Torrance County	
Union County	
Valencia County	

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.F.	<u>Item Title:</u> Approve 2026-2027 NMCRE Workers' Compensation Certificate of Reinsurance
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

NEW MEXICO COUNTY REINSURANCE, INC.
DECLARATIONS OF WORKERS' COMPENSATION REINSURANCE

Ceding Entity New Mexico County Insurance Authority
444 Galisteo Street
Santa Fe, NM 87501

Certificate Number **NMCre-NM-WC-070125**

Coverage Period Inception Date: 07/01/26
Expiration Date: 07/01/27

Coverages Only those types of coverage listed below are the subject of this reinsurance.

Coverage A: Workers' Compensation
Coverage B: Employers' Liability

Ceding Entity's Retention

Inclusive of any applicable Current Member deductibles;

Retention One: For Coverage A and B combined, the Ceding Entity will retain the first \$2,000,000 (750,000 SIR; \$1.25M CRL) per Occurrence.

Reinsurance Limit

Coverage A: The difference between the Ceding Entity's Retention and \$3,000,000 per Occurrence.

Coverage B: The difference between the Ceding Entity's Retention and \$3,000,000 per Occurrence.

Method of Determining Reinsurer's Liability

For Coverage A and B, we shall pay for your actual loss, including loss expenses, in excess of the Ceding Entity's Retention and up to the Reinsurance Limit.

Premium \$220,000 (subject to audit)

Payroll \$639,409,363 (total plus 67% overtime)

Attachments NMCre WC Certificate – Board Approved June 9, 2026
Endorsement #1: New Mexico Amendatory Endorsement

The above referenced attachments shall not be binding upon us unless they are affixed to a Declarations signed by an authorized officer of **NEW MEXICO COUNTY REINSURANCE, INC.**

Date: June 9, 2026



By: Ron Lethgo, President
NEW MEXICO COUNTY REINSURANCE, INC.
Authorized Representative

NEW MEXICO COUNTY REINSURANCE, INC.
CERTIFICATE OF WORKERS' COMPENSATION REINSURANCE

In consideration of the payment of the premium, and subject to the terms, conditions and limits of liability set forth in this Certificate and in the Declarations and any attached endorsements, New Mexico County Reinsurance, Inc. (referred to as "we", "us", "our" or "ours") reinsures the Ceding Entity named in the Declarations (referred to as "you", "your" or "yours") for your Coverage Documents issued to your Current Members for the Coverages and in the amounts specified in the Declarations as follows:

A. RETENTION AND LIMIT. You retain for your own account, subject to any applicable treaty or facultative reinsurance or other coverage, whether collectible or not, the amount of liability specified as the Ceding Entity's Retention in the Declarations. You will advise us of any treaty or facultative reinsurance or other coverage applicable to your retention. **Our liability, as limited by the Reinsurance Limit specified in the Declarations, follows your liability, subject to the terms, conditions and limits of your Coverage Documents, except as otherwise specifically provided in this Certificate.** You will furnish us with a specimen copy of your Coverage Documents before the Inception Date of this Certificate. Any change in the terms and conditions of your Coverage Documents made after the Inception Date of this Certificate will not increase or extend our liability unless the change is made part of this Certificate by endorsement issued by us.

B. BUSINESS COVERED. This Certificate applies to the Coverages specified in the Declarations covered under Coverage Documents issued by you to Current Members with coverage periods that incept on or after the Inception Date of this Certificate and before the Termination Date of this Certificate, but we will have no liability for Occurrences that take place on or after the Termination Date of this Certificate. Termination of this Certificate is subject to the parties' continued rights and obligations set out in Section N.

C. CLAIMS

1. CLAIMS REPORTING REQUIREMENTS

a. You, or your designated representative, must give us prompt written notice of the following:

(1) Each Occurrence, claim or suit that has or is likely to require, without regard to liability, a reserve or payment equal to or exceeding 50 percent of your retention specified as the Ceding Entity's Retention in the Declarations. Written notice must be provided to us as soon as possible, but no later than 30 days after the date you have sufficient knowledge of facts surrounding the Occurrence, claim or suit that puts you on notice that the reserve or payment is indicated. After you have notified us, you will provide us with complete files on the Occurrence, claim or suit within 30 days after the date we request the files.

(2) Each Occurrence, claim or suit that involves a serious injury. This notice must be provided **as soon as possible**, but no later than 15 days from the date you have knowledge of an Occurrence, claim or suit involving a serious injury. A serious injury includes:

(a) Spinal Cord Injury – resulting in paraplegia, quadriplegia or other back injury resulting in incontinence of bowel or bladder;

(b) Amputation

- (c) Any severe head injury involving brain damage affecting mentality or the central nervous system - such as permanent disorientation, behavior disorder, personality change, seizures, motor deficit, inability to speak (Aphasia), hemiplegia or unconsciousness (Comatose);
 - (d) Impairment of vision or hearing by 50 percent or more;
 - (e) Burns - involving over 10 percent of body with third degree or 30 percent of body with second degree;
 - (f) Multiple fractures - involving more than one body member, non-union or significant shortening of the limbs;
 - (g) Nerve damage causing paralysis and loss of sensation in any body member;
 - (h) Massive internal injuries affecting a body organ or organs;
 - (i) Injury to the nerves at the base of the spinal canal (Cauda Equina) or any other back injury resulting in incontinence of bowel and/or bladder;
 - (j) Fatalities;
 - (k) Any other serious injury or disease that may involve our liability; or
 - (l) Any Occurrence, claim or suit not specified above that presents an unusual exposure to the coverage. Examples include: sexual molestation, HIV/AIDS, rape, significant environmental exposure, class actions, and bad faith allegations.
- b. The notice required by Section C.1.a. should include:
- (1) How, when and where the Occurrence took place;
 - (2) The names and addresses of any injured persons and known witnesses; and
 - (3) Details of the Occurrence.
- c. You, or your designated representative, must furnish us with:
- (1) A quarterly report, not later than 30 days after the end of each calendar quarter, that provides the following information for each claim or suit reportable under Section C.1.a. that was outstanding, opened, revised or closed during the previous quarter:
 - (a) the identity of the claimants or injured parties;
 - (b) the dates, places, description and cause of injuries;
 - (c) the amounts of reserves for the claim or suit;
 - (d) the amount of claims expenses (both paid and outstanding); and
 - (e) the amount of payments of claims, judgments or settlements.

- (2) Any other claim information or reports requested by us and reasonably obtainable by you.

2. CLAIM DUTIES, RIGHTS AND RESPONSIBILITIES

We do not have any obligation to investigate or defend claims or suits made under your Coverage Documents. However, we have the right and will be given the opportunity, with your full cooperation, to associate counsel at our own expense and to join with you and your representatives in the defense and control of any claim, suit or proceeding that we believe may give rise to liability on our part under this Certificate.

All claim settlements that will give rise to liability on our part under this Certificate require our prior approval, which approval will not be unreasonably withheld. Requests for settlement authority should be sent to our Chief Operating Officer.

- D. DETERMINATION OF LIABILITY.** Our liability under this Certificate will be determined according to your obligations to pay workers' compensation benefits as prescribed within the applicable state statutes or any employers liability claims you are required to pay as an actual loss sustained by you under your Coverage Documents, after deduction of all salvages and recoveries, and applicable reinsurance or other coverage, whether collectible or not, including loss expenses arising from settlement or adjudication of claims.

Our liability under this Certificate will be determined according to the Method of Determining Reinsurer's Liability specified in the Declarations.

To determine our liability under this Certificate:

1. Your actual loss will be calculated net of deductions for recoveries, subrogation, and all claims on inuring reinsurance or other coverage, whether collectible or not; however, the following items are not covered:
 - a. Extra Contractual Obligations
 - b. Excess of Policy Limits
 - c. Ex Gratia Payments
2. Loss expenses are as defined in the Coverage Documents issued by you, but excluding:
 - a. Salaries and expenses of your employees;
 - b. Salaries and expenses of employees of the Current Members;
 - c. Office expenses or general overhead expenses incurred by you or the Current Members; and
 - d. Fees and expenses of independent claim adjusting organizations hired by you or the Current Members.

- E. RIGHTS.** No person other than you or, in the event of your insolvency, your liquidator, has any rights under this Certificate. Without limitation of the foregoing, we are not subject to any terms or conditions of your Coverage Documents that may appear to create a direct obligation on our part to a Covered Member or to anyone other than you or your liquidator.

F. INSPECTION. You will make available to us all of your records relating to this Certificate and claims made under this Certificate for inspection and copying during regular business hours. If any of your records relating to a claim are privileged communications or attorney work product and inspection by us would cause either of these privileges to be waived in any jurisdiction governing the claim, you and we will work together in good faith to implement a process or an arrangement to provide us with all pertinent factual and other information needed to evaluate the claim while protecting these privileges. The arrangement may include a reasonable common interest and confidentiality agreement between you and us. Once there is a final settlement or final adjudication of the claim, you will permit us to inspect any privileged records not otherwise disclosed to us, subject to the following limitations: (1) With our consent (not to be unreasonably withheld), our access to the records may be delayed until a later time if immediate disclosure would jeopardize your defense in any multi-district litigation or any subrogation, contribution or other third-party action; and (2) if the privileged records relate to a matter in dispute between you and us, you will not be required to disclose the records to us.

G. DEFINITIONS. As used in this Certificate:

“Accident” means an unintended or unexpected event or happening.

“Coverage Document” means any policy of insurance, memorandum of coverage, binder, certificate of self insurance, or similar document describing the terms, conditions and limits of liability coverage, including any attached schedules, exhibits and endorsements, issued by you to a Current Member.

“Current Members” means all active members of the Ceding Entity that receive workers’ compensation or employers’ liability coverage from the Ceding Entity as of the Inception Date of this Certificate as well as those added as new members after Inception Date and before the Expiration Date of this Certificate, subject to all other terms and conditions of this Certificate.

“Days” means calendar days, unless specified otherwise.

“Excess of Policy Limits” means amounts in excess of the limits of a Coverage Document but otherwise within the coverage terms of the Coverage Document for which you are liable in tort as a result of any act or omission or course of conduct committed by you or your agents or representatives in connection with the handling of a Claim under the Coverage Document, including but not limited to your failure to settle any Claim within the limits of the Coverage Document.

“Expiration Date” means the Expiration Date of this Certificate identified in the Declarations. The Expiration Date begins as of 12:01 a.m. at the location of your principal offices.

“Extra Contractual Obligations” means amounts (including statutory damages) for which you are liable in tort as a result of any act or omission or course of conduct committed by you or your agents or representatives in connection with the handling of a Claim under any Coverage Document.

“Ex Gratia Payment” means any payment made by you where you recognize no legal obligation under your Coverage Documents or law to make the payment.

“Inception Date” means the Inception Date of this Certificate identified in the Declarations. The Inception Date begins as of 12:01 a.m. at the location of your principal offices.

“Occurrence” means an Accident, including continuous or repeated exposure to substantially the same general harmful conditions. In addition, bodily injury by occupational disease must be caused or aggravated by the conditions of employment and shall be deemed to have occurred on the last day of the last exposure to those conditions of employment causing or aggravating such injury by occupational disease, or such dates as is otherwise established by the workers’ compensation and employers’ liability laws of the appropriate state. Bodily injury by occupational disease sustained by each employee shall be deemed to be a separate Occurrence, unless such disease results directly from an Accident. “Termination Date” means the date this Certificate is terminated in accordance with Section M.

- H. RECOVERIES.** We will be paid or credited by you with our proportion of recoveries, which is reimbursement obtained or recovery made by you, less all expenses paid by you in obtaining the reimbursement or recovery. Recoveries will be applied in the inverse order in which liability attaches. Unless you and we agree otherwise, you will enforce your right to recoveries and will prosecute all claims arising out of the right.
- I. PREMIUM CALCULATION.** You will be charged an annual estimated premium based on your Current Members' payroll, by classification. After the Termination Date, you will provide us with the Current Member's actual payroll for the coverage period. If the actual annual payroll differs from the estimated payroll, the amount of the annual premium may be adjusted. If, after this adjustment, the actual premium is more than the estimated premium paid by you, we will notify you of the difference and you will promptly remit the additional amount to us. If the actual premium is less than the estimated premium paid by you, we will promptly refund the excess amount to you.
- J. PREMIUM TAXES.** You are liable for all taxes, if any, on premiums ceded to us under this Certificate.
- K. YOUR INSOLVENCY.** In the event of your insolvency, the reinsurance provided by this Certificate is payable by us directly to the liquidator on the basis of the amount of the claim allowed in the insolvency proceeding without diminution by reason of your inability to pay all or any part of the claim. We must be given written notice of the pendency of each claim against you on the Coverage Documents reinsured under this Certificate within a reasonable time after the claim is filed in the insolvency proceedings. We have the right to investigate each claim and interpose, at our own expense, in the proceeding where the claim is to be adjudicated, to assert any defenses that are available to you or your liquidator. The related expense incurred by us is chargeable, subject to court approval, against you as part of the expense of liquidation to the extent of a proportionate share of the benefit that may accrue to you solely as the result of the defense undertaken by us.
- L. OFFSET.** The parties may offset any balances, whether on account of premiums, commissions, claims, losses, adjustment expense, recoveries or any other amounts due from one party to the other under this Certificate.
- M. TERMINATION.** This Certificate will terminate automatically on the Expiration Date.

This Certificate may be terminated prior to the Expiration Date by:

1. you with not less than 90 days prior written notice to us;
2. us in accordance with our bylaws in effect as of the Inception Date; or
3. us for nonpayment of premium with not less than 30 days prior written notice to you.

Following termination, we will return any unearned premium to you. The earned premium will follow your earned premium calculation procedures and will be subject to the minimum premium for this Certificate, except that the minimum premium is waived if we cancel for nonpayment of premium.

- N. CONTINUING RIGHTS AND OBLIGATIONS.** Each party's rights and obligations under this Certificate with respect to business reinsured hereunder will continue following termination of this Certificate.
- O. CHANGES.** The terms of this Certificate, the Declarations and any endorsements may not be waived or changed except by endorsement executed by our duly authorized representative.
- P. ARBITRATION.** Any dispute between the parties to this Certificate concerning any matter relating to

this Certificate will be submitted for decision of a board of arbitration comprised of two arbitrators and an umpire, meeting in Salt Lake City, Utah, unless otherwise agreed to by you and us.

Arbitration will be initiated by the delivery of a written notice of demand for arbitration by one party to the other within a reasonable time after the dispute has arisen.

The members of the board of arbitration will be active or retired disinterested officials of governmental self-insurance pooling entities or insurance or reinsurance companies. Each party will appoint its arbitrator and the two arbitrators will choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within four weeks after being requested to do so by the claimant, the claimant will also appoint the second arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire within four weeks after the date that the second arbitrator is appointed, each arbitrator will name three candidates. Each arbitrator will decline two potential umpires of the other, and the final decision on the umpire will be made by drawing lots.

The claimant will submit its initial brief within 45 days after the appointment of the umpire. The respondent will submit its brief within 30 days after the filing of the claimant's brief.

The board of arbitration will make its decision with regard to the custom and usage of the governmental self-insurance pooling, insurance and reinsurance business. The board will issue its decision in writing based upon a hearing in which evidence may be introduced without following strict rules of evidence but in which cross-examination and rebuttal will be allowed. The board will make its decision within 60 days after the termination of the hearings unless the parties consent to an extension. The majority decision of the board will be final and binding upon all parties to the proceeding. Judgment may be entered upon the award of the board in any court having jurisdiction.

Each party will bear the expense of their own arbitrator and will jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings will be allocated by the board.

Q. EXCLUSION FOR SPECIAL POOLS, INSOLVENCY FUNDS, AND REINSURANCE. This reinsurance does not apply to:

1. Any loss or liability accruing to you directly or indirectly from any insurance written or coverage provided by or through any pool or association including pools and associations in which your membership is required under any statutes or regulations.
2. Any liability of yours arising from your participation or membership in any insolvency fund.
3. Any liability assumed by you as insurance, reinsurance or otherwise from other pools, associations, insurers or any other source other than your Current Members.

R. ERRORS AND OMISSIONS. Any inadvertent delay, omission or error does not relieve either party from any liability that would attach to it under this Certificate if the delay, omission or error had not been made, provided that the delay, omission or error is promptly rectified on discovery and reported to the other party.

S. HEADINGS. The headings in this Certificate are for reference only and do not limit or otherwise affect the meaning of the text.

T. NOTICE. All notices required to be given under this Certificate must be in writing and are deemed to be given on: (i) the date delivered by overnight courier service or messenger with confirmation of receipt; (ii) delivery by registered or certified mail (return receipt requested) postage prepaid; (iii) receipt of email (delivery and read receipt requested); or (iv) receipt of facsimile transmission to either party at the following addresses:

If to the Ceding Entity:

At the address stated in the Declarations.

If to: New Mexico County Reinsurance, Inc:

Christopher C. Bridges,
SVP
Artex Risk Solutions, Inc.
8800 E Raintree Drive,
Suite 250
Scottsdale, AZ 85260
Direct: 480-275-9043

Attn: Christopher C. Bridges, SVP

Email: chris_bridges@artexrisk.com

Either party may change the address to which notices are to be sent by providing written notice of the change under this Section, which will be effective upon receipt.

- U. ENTIRE AGREEMENT.** This Certificate, the Declarations and any endorsements executed by our duly authorized representative and attached constitute the entire agreement between the parties.

- V. SEVERABILITY.** If any provision of this Certificate will be rendered illegal or unenforceable by the laws, regulations or public policy of any state, the provision will be considered void in that state, but this will not affect the validity or enforceability of any other provision of this Certificate or the enforceability of the provision in any other jurisdiction so long as this Certificate may be applied in a manner consistent with the intent of the parties.

**NEW MEXICO COUNTY REINSURANCE, INC.
ENDORSEMENT # 1**

Ceding Entity New Mexico County Insurance Authority
444 Galisteo Street
Santa Fe, NM 87501

Certificate Number NMRRe-NM-WC-070125

Coverage Period Inception Date: 07/01/26
Expiration Date: 07/01/27

NEW MEXICO AMENDATORY ENDORSEMENT

If policy is cancelled by any party, we must mail or deliver to the New Mexico Workers' Compensation Administration not less than ten days advance written notice stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown below will be sufficient to prove notice.

The New Mexico Workers' Compensation Administration will be notified of any changes to the policy affecting New Mexico during the term of the policy.

Any notice to the New Mexico Workers' Compensation Administration will be mailed or delivered to the following address:

New Mexico Workers' Compensation Administration
ATTN: Self Insurance Bureau
P.O. Box 27198
Albuquerque, N.M. 87125-7198

Subject to the specified retention, this policy will pay for any and all benefits pursuant to the New Mexico Workers' Compensation Act (The Act). Any provisions that exclude or limit coverage provided for in The Act or rules governing self-insurance are null and void.

Bankruptcy or insolvency: The bankruptcy or insolvency of the Insured shall not relieve the Company of its liability for injury sustained or loss incurred during the policy term.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> <p style="text-align: center;">5.G.</p>	<u>Item Title:</u> Approve 2026-2027 NMCR _e Workers' Compensation Reinsurance												
<u>Presenter (s):</u> Grace Philips, Risk Management Director													
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 33%;">Layer</th> <th style="text-align: left; width: 33%;">Carrier</th> <th style="text-align: left; width: 33%;">Pricing</th> </tr> </thead> <tbody> <tr> <td>\$750,000 - \$2,000,000</td> <td>CRL</td> <td>\$482,063</td> </tr> <tr> <td>\$2,000,000 - \$3,000,000</td> <td>NMCR_e</td> <td>\$220,000</td> </tr> <tr> <td>\$3,000,000 - statutory</td> <td>Safety National</td> <td>\$196,683.50 (one year) \$393,367 (two years)</td> </tr> </tbody> </table>		Layer	Carrier	Pricing	\$750,000 - \$2,000,000	CRL	\$482,063	\$2,000,000 - \$3,000,000	NMCR _e	\$220,000	\$3,000,000 - statutory	Safety National	\$196,683.50 (one year) \$393,367 (two years)
Layer	Carrier	Pricing											
\$750,000 - \$2,000,000	CRL	\$482,063											
\$2,000,000 - \$3,000,000	NMCR _e	\$220,000											
\$3,000,000 - statutory	Safety National	\$196,683.50 (one year) \$393,367 (two years)											
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; vertical-align: top; padding: 5px;">Motion by:</td> <td style="width: 50%; vertical-align: top; padding: 5px;">Seconded by:</td> </tr> </table>		Motion by:	Seconded by:										
Motion by:	Seconded by:												

County Reinsurance, Limited
Workers' Compensation Reinsurance Quote
\$750K SIR - Quote Version 1 (As of 04/30/2026)

General Information:

Ceding Entity: **New Mexico County Insurance Authority Worker's Compensation**

Coverage Period: Inception Date: **7/1/2026**
Expiration Date: **7/1/2027**

Total Payroll: **\$594,446,170** (Any counties with estimated payroll will be updated during annual audit)

Premium and Fee Summary:

Premium: CRL General Account Premium: \$344,184
Total Premium Due: \$344,184 (Subject to Audit)

Fees: CRL General Premium Surcharge: \$0
CRL General Account Capital Contribution: \$0
CRL Admin Fee: \$137,879
Total Fees Due: \$137,879

TOTAL DUE (Premium and Fees): \$482,063

CRL Reinsurance Structure:

Ceding Entity's Retention: WC: \$750,000 per Occurrence
EL: \$750,000 per Occurrence

Excess Limit: WC: Difference between the Ceding Entity's Retention and \$2,000,000 per Occurrence
EL: Difference between the Ceding Entity's Retention and \$2,000,000 per Occurrence

Method: Expenses inside the limit of liability
Deductibles inside the retention

CRL Rate: 0.0579 (per \$100 in payroll)

CRL Premium: \$344,184

Endorsements: CRL WC Certificate Approved 12-27-17
New Mexico Amendatory Endorsement

NOTE: This quote is valid for 60 days from the date quoted or the inception date, whichever is sooner.

Authorization to Bind:

By signing below, I authorize CRL to proceed with binding coverage in accordance with the terms, conditions, limits, retentions, exposures, and premium reflected in this quote.

Please note that coverage will not be bound until all required renewal information and outstanding underwriting items, if applicable, have been received, reviewed, and accepted by CRL.

Date: _____

Signature: _____
New Mexico County Insurance Authority Worker's Compensation
Member Designated Representative

I acknowledge and agree that an electronic or typed signature is satisfactory and constitutes sufficient use and acceptance of this document.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.H.	<u>Item Title:</u> Approve 2026-2027 Workers' Compensation Contributions
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

Workers' Compensation 2026-27 Funding

	Deductible 2025-26	Actual Funding 2025/26	Experience Modification Factor 2026/27	Recommended	
				Minimum Funding At Current Deductible	Recommended Minimum Funding % Change
Bernalillo County	100,000	1,714,102	1.444	2,473,999	44.3%
Catron County	-	72,038	0.757	64,624	-10.3%
Chaves County	-	309,112	1.106	352,597	14.1%
Cibola County	-	82,821	0.521	78,839	-4.8%
Colfax County	-	109,374	1.037	99,277	-9.2%
Curry County	-	221,364	1.247	226,879	2.5%
De Baca County	-	51,827	0.929	56,715	9.4%
Eddy County	-	472,756	1.084	542,613	14.8%
Grant County	-	181,487	1.048	220,107	21.3%
Guadalupe County	-	119,097	1.595	111,854	-6.1%
Harding County	-	29,338	0.740	29,019	-1.1%
Hidalgo County	-	61,968	0.516	61,715	-0.4%
Lea County	-	536,660	0.356	214,367	-60.1%
Lincoln County	-	217,370	1.590	238,819	9.9%
Los Alamos County	-	652,428	0.428	674,890	3.4%
Luna County	-	299,539	1.258	338,475	13.0%
McKinley County	-	193,934	0.419	127,340	-34.3%
Mora County	-	201,203	2.185	161,118	-19.9%
Quay County	-	44,543	0.617	57,007	28.0%
Rio Arriba County	-	505,202	1.991	528,896	4.7%
Roosevelt County	-	75,497	0.481	61,001	-19.2%
San Miguel County	-	153,140	1.323	141,840	-7.4%
Sandoval County	25,000	435,697	0.821	485,980	11.5%
Santa Fe County	100,000	446,269	0.745	453,782	1.7%
Sierra County	-	34,081	0.350	47,506	39.4%
Socorro County	-	83,879	0.479	66,853	-20.3%
Taos County	-	348,097	1.008	331,257	-4.8%
Torrance County	-	124,894	0.876	101,947	-18.4%
Union County	-	24,366	0.258	26,192	7.5%
Valencia County	-	347,246	0.977	396,019	14.0%
Grand Total		8,149,329		8,771,527	
YoY Percent Change				7.6%	
YoY Dollar Change				622,198	

Workers' Compensation Deductibles With Investment Income

County	Recommended	Recommended	Recommended	Recommended	Recommended	Recommended	Recommended	Recommended	Recommended	Recommended
	Minimum	Minimum	Minimum	Minimum	Minimum	Minimum	Minimum	Minimum	Minimum	Minimum
	Funding	Funding	Funding	Funding	Funding	Funding	Funding	Funding	Funding	Funding
	\$0	\$10,000	\$25,000	\$50,000	\$100,000	\$150,000	\$200,000	\$250,000	\$500,000	\$750,000
Deductible	Deductible	Deductible	Deductible	Deductible	Deductible	Deductible	Deductible	Deductible	Deductible	Deductible
2026/27	2026/27	2026/27	2026/27	2026/27	2026/27	2026/27	2026/27	2026/27	2026/27	2026/27
Bernalillo County	5,107,725	4,319,168	3,775,932	3,189,209	2,473,999	2,144,436	1,935,051	1,756,358	1,362,079	1,164,940
Catron County	64,624	56,622	51,109	45,155	37,897	34,553	32,428	30,615	26,614	24,613
Chaves County	352,597	300,023	263,805	224,688	177,004	155,032	141,072	129,159	102,872	89,729
Cibola County	78,839	68,637	61,609	54,018	44,764	40,500	37,791	35,479	30,378	27,828
Colfax County	99,277	85,912	76,704	66,759	54,637	49,051	45,502	42,473	35,790	32,449
Curry County	226,879	193,764	170,951	146,311	116,276	102,436	93,643	86,138	69,581	61,302
De Baca County	56,715	49,937	45,268	40,225	34,077	31,244	29,445	27,909	24,520	22,825
Eddy County	542,613	460,629	404,150	343,151	268,793	234,529	212,760	194,182	153,190	132,694
Grant County	220,107	188,040	165,949	142,089	113,004	99,602	91,088	83,821	67,787	59,771
Guadalupe County	111,854	96,542	85,993	74,600	60,712	54,313	50,247	46,777	39,121	35,293
Harding County	29,019	26,527	24,811	22,957	20,698	19,657	18,995	18,431	17,185	16,562
Hidalgo County	61,715	54,163	48,961	43,342	36,492	33,336	31,331	29,620	25,844	23,956
Lea County	214,367	183,188	161,709	138,510	110,232	97,201	88,922	81,857	66,267	58,473
Lincoln County	238,819	203,856	179,769	153,755	122,043	107,431	98,147	90,224	72,743	64,002
Los Alamos County	674,890	572,433	501,850	425,617	332,690	289,870	262,665	239,447	188,218	162,604
Luna County	338,475	288,087	253,375	215,884	170,183	149,124	135,745	124,326	99,132	86,535
McKinley County	127,340	109,631	97,431	84,255	68,193	60,792	56,089	52,076	43,222	38,794
Mora County	161,118	138,181	122,380	105,313	84,510	74,923	68,833	63,635	52,167	46,432
Quay County	57,007	50,184	45,484	40,407	34,218	31,366	29,555	28,009	24,597	22,891
Rio Arriba County	528,896	449,035	394,019	334,599	262,167	228,790	207,585	189,488	149,558	129,593
Roosevelt County	61,001	53,560	48,433	42,897	36,147	33,037	31,061	29,375	25,654	23,794
San Miguel County	141,840	121,887	108,141	93,295	75,197	66,858	61,560	57,038	47,062	42,073
Sandoval County	653,403	554,271	485,980	412,221	322,311	280,880	254,558	232,094	182,529	157,746
Santa Fe County	925,569	784,313	687,001	581,900	453,782	394,747	357,239	325,229	254,601	219,287
Sierra County	47,506	42,153	38,466	34,483	29,628	27,391	25,970	24,757	22,081	20,743
Socorro County	66,853	58,506	52,755	46,545	38,974	35,486	33,269	31,378	27,204	25,117
Taos County	331,257	281,986	248,043	211,384	166,696	146,104	133,021	121,856	97,221	84,903
Torrance County	101,947	88,168	78,676	68,424	55,926	50,168	46,509	43,387	36,497	33,053
Union County	26,192	24,138	22,723	21,195	19,333	18,474	17,929	17,464	16,437	15,923
Valencia County	396,019	336,725	295,877	251,759	197,980	173,199	157,454	144,018	114,371	99,547
Grand Total	12,044,463	10,240,265	8,997,354	7,654,946	6,018,564	5,264,533	4,785,465	4,376,620	3,474,521	3,023,471

**Workers' Compensation 2026-27 Reallocation of Estimated Expenses
for Bernalillo, Chaves, McKinley, & Roosevelt**

	Deductible 2025-26	Actual Funding 2025/26	Experience Modification Factor 2026/27	Percent Experience Weighted Payroll 2026/27	Variable Expenses 2026/27	Fixed Expenses 2026/27	Reinsurance 2026/27	Recommended Minimum Funding At Current Deductible	Bernalillo Exit Estimated Expenses Reallocated Additional Cost by Member	Bernalillo, Chaves, McKinley, Roosevelt Exit Estimated Expenses Reallocated Additional Cost by Member
Bernalillo County	100,000	1,714,102	1.444	43.7%	677,780	12,923	474,237	2,473,999		-
Catron County	-	72,038	0.757	0.4%	6,878	12,923	4,812	64,624	8,239	11,396
Chaves County	-	309,112	1.106	2.9%	45,188	12,923	31,618	352,597	51,650	-
Cibola County	-	82,821	0.521	0.6%	8,769	12,923	6,136	78,839	10,382	13,983
Colfax County	-	109,374	1.037	0.7%	11,488	12,923	8,038	99,277	13,463	17,703
Curry County	-	221,364	1.247	1.8%	28,463	12,923	19,916	226,879	32,699	40,923
De Baca County	-	51,827	0.929	0.4%	5,826	12,923	4,076	56,715	7,047	9,957
Eddy County	-	472,756	1.084	4.5%	70,467	12,923	49,305	542,613	80,294	98,379
Grant County	-	181,487	1.048	1.8%	27,562	12,923	19,285	220,107	31,678	39,691
Guadalupe County	-	119,097	1.595	0.8%	13,161	12,923	9,209	111,854	15,359	19,991
Harding County	-	29,338	0.740	0.1%	2,141	12,923	1,498	29,019	2,872	4,917
Hidalgo County	-	61,968	0.516	0.4%	6,491	12,923	4,542	61,715	7,801	10,867
Lea County	-	536,660	0.356	1.7%	26,799	12,923	18,751	214,367	30,812	38,646
Lincoln County	-	217,370	1.590	1.9%	30,052	12,923	21,027	238,819	34,498	43,096
Los Alamos County	-	652,428	0.428	5.7%	88,064	12,923	61,618	674,890	100,234	122,450
Luna County	-	299,539	1.258	2.8%	43,309	12,923	30,303	338,475	49,521	61,231
McKinley County	-	193,934	0.419	1.0%	15,221	12,923	10,650	127,340	17,693	-
Mora County	-	201,203	2.185	1.3%	19,715	12,923	13,794	161,118	22,785	28,956
Quay County	-	44,543	0.617	0.4%	5,865	12,923	4,104	57,007	7,091	10,010
Rio Arriba County	-	505,202	1.991	4.4%	68,642	12,923	48,028	528,896	78,226	95,882
Roosevelt County	-	75,497	0.481	0.4%	6,396	12,923	4,475	61,001	7,693	-
San Miguel County	-	153,140	1.323	1.1%	17,150	12,923	12,000	141,840	19,879	25,448
Sandoval County	25,000	435,697	0.821	5.5%	85,205	12,923	59,618	485,980	96,995	118,540
Santa Fe County	100,000	446,269	0.745	7.8%	121,413	12,923	84,951	453,782	138,023	168,067
Sierra County	-	34,081	0.350	0.3%	4,601	12,923	3,219	47,506	5,659	8,281
Socorro County	-	83,879	0.479	0.5%	7,174	12,923	5,020	66,853	8,575	11,802
Taos County	-	348,097	1.008	2.7%	42,349	12,923	29,631	331,257	48,433	59,917
Torrance County	-	124,894	0.876	0.8%	11,843	12,923	8,287	101,947	13,866	18,188
Union County	-	24,366	0.258	0.1%	1,765	12,923	1,235	26,192	2,446	4,403
Valencia County	-	347,246	0.977	3.3%	50,965	12,923	35,660	396,019	58,196	71,702
Grand Total		8,149,329		100.0%	1,550,742	387,686	1,085,043	8,771,527	1,002,110	1,154,427

WC Loss Ratios

Bernalillo Workers' Compensation						
Policy Year	Deductible	Annual Contribution	Expenses	Loss Fund Contribution	Incurred Losses	Extent to Which Losses Exceed Loss Fund Contribution
2015-16 (\$750K SIR)	\$400,000	851,941	685,807	294,014	-	-
2016-17 (\$750K SIR)	\$400,000	949,631	718,382	327,429	360,989	(33,560)
2017-18 (\$750K SIR)	\$500,000	879,715	691,052	279,868	350,917	(71,049)
2018-19 (\$750K SIR)	\$500,000	835,729	781,879	154,260	-	-
2019-20 (\$750K SIR)	\$500,000	805,055	855,064	140,216	1,502,788	(1,362,572)
2020-21 (\$750K SIR)	\$50,000	1,250,896	793,101	616,644	1,827,454	(1,210,810)
2021-22 (\$750K SIR)	\$0	1,328,254	758,272	717,348	2,741,783	(2,024,435)
2022-23 (\$750K SIR)	\$0	1,760,003	753,595	1,133,067	3,351,584	(2,218,517)
2023-24 (\$750K SIR)	\$0	1,721,217	710,864	1,149,634	1,945,170	(795,536)
2024-25 (\$750K SIR)	\$0	2,213,360	896,784	1,649,921	2,103,760	(453,839)

Chaves Workers' Compensation					
Policy Year	Annual Contribution	Expenses	Loss Fund Contribution	Incurred Losses	Extent to Which Losses Exceed Loss Fund Contribution
2015-16 (\$750K SIR)	380,913	52,985	337,808	90,820	-
2016-17 (\$750K SIR)	413,744	58,259	363,285	324,029	-
2017-18 (\$750K SIR)	438,436	59,248	387,007	122,313	-
2018-19 (\$750K SIR)	416,514	65,905	359,073	74,946	-
2019-20 (\$750K SIR)	356,471	71,028	301,244	60,945	-
2020-21 (\$750K SIR)	321,642	63,017	271,247	639,651	(368,404)
2021-22 (\$750K SIR)	316,259	71,447	258,697	94,552	-
2022-23 (\$750K SIR)	260,845	45,615	222,897	95,636	-
2023-24 (\$750K SIR)	262,007	48,826	222,747	77,377	-
2024-25 (\$750K SIR)	275,889	57,158	237,569	182,851	-

McKinley Workers' Compensation

Policy Year	Annual Contribution	Expenses	Loss Fund Contribution	Incurred Losses	Extent to Which Losses Exceed Loss Fund Contribution
2015-16 (\$750K SIR)	197,778	64,355	145,423	197,903	(52,480)
2016-17 (\$750K SIR)	206,779	69,463	146,616	53,006	-
2017-18 (\$750K SIR)	210,915	64,701	154,753	108,056	-
2018-19 (\$750K SIR)	200,369	70,434	138,981	73,497	-
2019-20 (\$750K SIR)	173,717	75,326	115,148	38,941	-
2020-21 (\$750K SIR)	162,690	67,952	108,348	27,918	-
2021-22 (\$750K SIR)	125,026	60,044	76,651	6,043	-
2022-23 (\$750K SIR)	309,624	62,131	257,935	314,895	(56,960)
2023-24 (\$750K SIR)	301,912	67,569	247,582	3,854	-
2024-25 (\$750K SIR)	261,598	69,698	214,875	9,153	-

Roosevelt Workers' Compensation

Policy Year	Annual Contribution	Expenses	Loss Fund Contribution	Incurred Losses	Extent to Which Losses Exceed Loss Fund Contribution
2015-16 (\$750K SIR)	61,406	17,161	47,445	6,894	-
2016-17 (\$750K SIR)	61,406	15,909	47,627	10,683	-
2017-18 (\$750K SIR)	67,403	17,122	52,540	22,555	-
2018-19 (\$750K SIR)	69,517	19,780	52,277	20,517	-
2019-20 (\$750K SIR)	69,295	22,379	51,895	106,909	(55,014)
2020-21 (\$750K SIR)	70,114	19,945	54,164	4,797	-
2021-22 (\$750K SIR)	68,856	20,633	52,233	2,494	-
2022-23 (\$750K SIR)	68,634	16,387	55,001	7,900	-
2023-24 (\$750K SIR)	86,843	22,395	68,835	2,219	-
2024-25 (\$750K SIR)	69,291	21,214	55,068	27,655	-

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 5.I.	<u>Item Title:</u> Approve 2026-2027 Workers' Compensation and Property Budget
<u>Presenter (s):</u> Grace Philips, Risk Management Director	
Motion by: _____ Seconded by: _____	

NEW MEXICO COUNTY INSURANCE AUTHORITY

Property and Workers' Compensation Budget for Approval on 6/15/2026

2026-2027 Budget



INCOME

Member Contributions	17,280,877	52%
Investment Income	916,499	83%
TOTAL INCOME:	18,197,376	53%

EXPENSES

Claims Expenses

PV of Projected Ultimate Limited Losses	10,768,306	45%
Reinsurance	2,619,971	53%
LE Reinsurance-Class A (\$1MM x \$4MM)	108,180	13%
LE Reinsurance-Pool Quota Share (xs \$2MM)	147,988	27%
WC Excess Insurance	-	-
Long-term Program Investment (start 2027)	-	-
Brokerage Fees	35,000	100%
Subtotal Claims Expenses:	13,679,445	45%

Risk Mitigation Expenses

Administrative Fees to NMC	155,704	100%
Special Projects	45,000	100%
Loss Incentive Program	15,000	100%
EDGE Detention Scholarships	5,000	100%
Online Training Program	47,500	100%
Benchmark	22,500	100%
Legal Consultation Program	30,000	100%
Accreditation Programs	76,000	100%
Lexipol	255,000	100%
Subtotal Risk Mitigation Expenses:	651,704	100%

Pool Administrative Expenses

Administrative Fees to NMC	1,823,892	100%
Actuarial Studies	20,000	100%
Capital Adequacy Study	-	-
Financial Audit	30,000	100%
Claims Audit (LE/ML Odd Years)	-	-
Payroll Audit	-	-
Property Appraisal Fees	-	-
Legal Expense	20,000	100%
Software Licensing & Support	145,000	100%
AI Software & Training	-	-
Board D&O Insurance	43,000	100%
Board Training & Education	7,500	100%
Miscellaneous	4,000	100%
Investment Advisor	15,000	100%
Legal Bureau operations	-	-
Subtotal Pool Administrative Expenses:	2,108,392	100%

TOTAL EXPENSES:

NET INCOME

Approved by Board 1/19/2026		
January 1-December 31, 2026		
Law Enforcement	Change from Prior Budget	
INCOME		
Member Contributions	17,280,877	52%
Investment Income	916,499	83%
TOTAL INCOME:	18,197,376	53%
EXPENSES		
Claims Expenses		
PV of Projected Ultimate Limited Losses	10,768,306	45%
Reinsurance	2,619,971	53%
LE Reinsurance-Class A (\$1MM x \$4MM)	108,180	13%
LE Reinsurance-Pool Quota Share (xs \$2MM)	147,988	27%
WC Excess Insurance	-	-
Long-term Program Investment (start 2027)	-	-
Brokerage Fees	35,000	100%
Subtotal Claims Expenses:	13,679,445	45%
Risk Mitigation Expenses		
Administrative Fees to NMC	155,704	100%
Special Projects	45,000	100%
Loss Incentive Program	15,000	100%
EDGE Detention Scholarships	5,000	100%
Online Training Program	47,500	100%
Benchmark	22,500	100%
Legal Consultation Program	30,000	100%
Accreditation Programs	76,000	100%
Lexipol	255,000	100%
Subtotal Risk Mitigation Expenses:	651,704	100%
Pool Administrative Expenses		
Administrative Fees to NMC	1,823,892	100%
Actuarial Studies	20,000	100%
Capital Adequacy Study	-	-
Financial Audit	30,000	100%
Claims Audit (LE/ML Odd Years)	-	-
Payroll Audit	-	-
Property Appraisal Fees	-	-
Legal Expense	20,000	100%
Software Licensing & Support	145,000	100%
AI Software & Training	-	-
Board D&O Insurance	43,000	100%
Board Training & Education	7,500	100%
Miscellaneous	4,000	100%
Investment Advisor	15,000	100%
Legal Bureau operations	-	-
Subtotal Pool Administrative Expenses:	2,108,392	100%
TOTAL EXPENSES:	16,439,542	100%
NET INCOME	1,757,835	

Approved by Board 1/19/2026		
January 1-December 31, 2026		
Multi-Line (includes 6 months property)	Change from Prior Budget	
INCOME		
Member Contributions	9,799,939	73%
Investment Income	1,277,075	116%
TOTAL INCOME:	11,077,014	77%
EXPENSES		
Claims Expenses		
PV of Projected Ultimate Limited Losses	5,514,862	95%
Reinsurance	2,462,437	93%
LE Reinsurance-Class A (\$1MM x \$4MM)	-	-
LE Reinsurance-Pool Quota Share (xs \$2MM)	-	-
WC Excess Insurance	-	-
Long-term Program Investment (start 2027)	-	-
Brokerage Fees	35,000	100%
Subtotal Claims Expenses:	8,012,299	71%
Risk Mitigation Expenses		
Administrative Fees to NMC	128,313	100%
Special Projects	45,000	100%
Loss Incentive Program	-	-
EDGE Detention Scholarships	-	-
Online Training Program	37,500	100%
Benchmark	22,500	100%
Legal Consultation Program	10,000	100%
Accreditation Programs	-	-
Lexipol	-	-
Subtotal Risk Mitigation Expenses:	243,313	100%
Pool Administrative Expenses		
Administrative Fees to NMC	1,399,784	100%
Actuarial Studies	20,000	100%
Capital Adequacy Study	-	-
Financial Audit	30,000	100%
Claims Audit (LE/ML Odd Years)	-	-
Payroll Audit	-	-
Property Appraisal Fees	180,000	100%
Legal Expense	20,000	100%
Software Licensing & Support	145,000	100%
AI Software & Training	-	-
Board D&O Insurance	43,000	100%
Board Training & Education	7,500	100%
Miscellaneous	4,000	100%
Investment Advisor	15,000	100%
Legal Bureau operations	-	-
Subtotal Pool Administrative Expenses:	1,864,284	100%
TOTAL EXPENSES:	10,119,896	76%
NET INCOME	957,119	

July 1 2026-June 30, 2027	
Property	YoY change
INCOME	
Member Contributions	10,057,797
Investment Income	-
TOTAL INCOME:	10,057,797
EXPENSES	
Claims Expenses	
PV of Projected Ultimate Limited Losses	5,392,564 (new)
Reinsurance	4,023,018 (new)
LE Reinsurance-Class A (\$1MM x \$4MM)	-
LE Reinsurance-Pool Quota Share (xs \$2MM)	-
WC Excess Insurance	-
Long-term Program Investment (start 2027)	-
Brokerage Fees	30,000
Subtotal Claims Expenses:	9,415,582
Risk Mitigation Expenses	
Administrative Fees to NMC	36,938 (new)
Special Projects	-
Loss Incentive Program	-
EDGE Detention Scholarships	-
Online Training Program	10,795 (new)
Benchmark	-
Legal Consultation Program	-
Accreditation Programs	-
Lexipol	-
Subtotal Risk Mitigation Expenses:	47,733
Pool Administrative Expenses	
Administrative Fees to NMC	402,963 (new)
Actuarial Studies	18,375 (new)
Capital Adequacy Study	7,000 (new)
Financial Audit	8,636 (new)
Claims Audit (LE/ML Odd Years)	-
Payroll Audit	-
Property Appraisal Fees	90,000 (new)
Legal Expense	5,758 (new)
Software Licensing & Support	41,742 (new)
AI Software & Training	-
Board D&O Insurance	12,379 (new)
Board Training & Education	2,159 (new)
Miscellaneous	1,152 (new)
Investment Advisor	4,318 (new)
Legal Bureau operations	-
Subtotal Pool Administrative Expenses:	594,482
TOTAL EXPENSES:	10,057,797
NET INCOME	-

July 1 2026-June 30, 2027	
Workers' Compensation	YoY change
INCOME	
Member Contributions	12,044,463
Investment Income	1,100,000
TOTAL INCOME:	13,144,463
EXPENSES	
Claims Expenses	
PV of Projected Ultimate Limited Losses	9,869,060
Reinsurance	702,063
LE Reinsurance-Class A (\$1MM x \$4MM)	-
LE Reinsurance-Pool Quota Share (xs \$2MM)	-
WC Excess Insurance	382,980
Long-term Program Investment (start 2027)	-
Brokerage Fees	30,000
Subtotal Claims Expenses:	10,984,103
Risk Mitigation Expenses	
Administrative Fees to NMC	299,764
Special Projects	-
Loss Incentive Program	35,000
EDGE Detention Scholarships	-
Online Training Program	70,000
Benchmark	-
Legal Consultation Program	10,000
Accreditation Programs	-
Lexipol	-
Subtotal Risk Mitigation Expenses:	414,764
Pool Administrative Expenses	
Administrative Fees to NMC	1,111,964
Actuarial Studies	31,375
Capital Adequacy Study	7,000 (new)
Financial Audit	12,000
Claims Audit (LE/ML Odd Years)	-
Payroll Audit	55,000
Property Appraisal Fees	-
Legal Expense	2,500
Software Licensing & Support	246,000
AI Software & Training	-
Board D&O Insurance	43,000
Board Training & Education	15,000
Miscellaneous	5,000
Investment Advisor	15,000
Legal Bureau operations	-
Subtotal Pool Administrative Expenses:	1,543,839
TOTAL EXPENSES:	12,942,706
NET INCOME	201,757

PY 2026 & 2026/27	
Total	YoY change
INCOME	
Member Contributions	49,183,076
Investment Income	3,293,574
TOTAL INCOME:	52,476,650
EXPENSES	
Claims Expenses	
PV of Projected Ultimate Limited Losses	31,544,792
Reinsurance	9,807,489
LE Reinsurance-Class A (\$1MM x \$4MM)	108,180
LE Reinsurance-Pool Quota Share (xs \$2MM)	147,988
WC Excess Insurance	382,980
Long-term Program Investment (start 2027)	-
Brokerage Fees	100,000
Subtotal Claims Expenses:	42,091,429
Risk Mitigation Expenses	
Administrative Fees to NMC	620,719
Special Projects	90,000
Loss Incentive Program	50,000
EDGE Detention Scholarships	5,000
Online Training Program	165,795
Benchmark	45,000
Legal Consultation Program	50,000
Accreditation Programs	76,000
Lexipol	255,000
Subtotal Risk Mitigation Expenses:	1,357,514
Pool Administrative Expenses	
Administrative Fees to NMC	4,738,604
Actuarial Studies	89,750
Capital Adequacy Study	-
Financial Audit	80,636
Claims Audit (LE/ML Odd Years)	-
Payroll Audit	55,000
Property Appraisal Fees	270,000
Legal Expense	48,258
Software Licensing & Support	577,742
AI Software & Training	-
Board D&O Insurance	141,379
Board Training & Education	32,159
Miscellaneous	14,152
Investment Advisor	49,318
Legal Bureau operations	-
Subtotal Pool Administrative Expenses:	6,096,997
TOTAL EXPENSES:	49,545,940
NET INCOME	2,930,710

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.A.	<u>Item Title:</u> Executive Director Update
<u>Presenter (s):</u> Joy Esparsen, Executive Director	



Memorandum

Date: June 16, 2026
To: NMCIA Board of Directors
From: Joy Esparsen
Re: Executive Director Update

The Advisory Council, comprised of the 20 affiliate chairs, met on May 6th to develop their agendas and propose possible joint topics for the upcoming 2026 Annual Conference. This year's event will be hosted by McKinley County with approximately 530 registrants. Special events include a keynote presentation by Walter Wood who will share his personal experience about serving at the Pentagon during the September 11th attack and his healing journey that followed, along with a host county BBQ, golf tournament, and the annual heavy equipment ROADEO. NMC is also coordinating a special session with the successful primary election gubernatorial candidates titled a "Conversation with the Counties." This forum has been designed to provide the candidates with an opportunity to share how their platforms will align with county initiatives. NMC encourages all Board members to stop and thank our sponsors and exhibitors throughout the conference for their contributions. It is through their support that we can help keep the costs for the conferences reasonable for our county members.

With Board approval of the New Mexico Civil Rights Act reform as a legislative priority during the May meeting, the legislative team has begun developing talking points and visiting with key legislative leaders. The focus is to highlight the challenges of the Act, uninsured liability exposure for county governments, and the fiscal impact to the New Mexico County Insurance Authority self-insurance pool.

The Inspection of Public Records Act (IPRA) Task Force established by House Joint Memorial 2 continues to gather information about how IPRA is being utilized throughout the state to include the increasing burdens placed on local governments. Task force members include NMC, New Mexico Municipal League, the Department of Justice, Foundation for Open Government, America Civil Liberties Union, New Mexico Press Association, as well as a plaintiff's attorney and a defense attorney. Sandoval County Attorney Michael Eshleman is serving as NMC's representative on the task force. The task force will be hosting statewide listening sessions, and NMC is requesting county members attend and share their stories, concerns, and suggestions for improvement. For additional meeting details and information on this initiative, please visit <https://nm DOJ.gov/get-help/ipra-task-force/>. Counties are also encouraged to share their feedback, statistics, and recommendations through the website. Click on the link above and scroll to the bottom of the page to submit your comments.

444 Galisteo Street
Santa Fe, NM 87501

877-983-2101
505-983-2101
Fax: 505-983-4396

Please mark your calendars and plan to attend a meeting near you and provide comments:

Thursday, June 18	Albuquerque	Tuesday, July 21	Farmington
Monday, June 22	Alamogordo	Monday, August 3	Las Vegas
Tuesday, June 23	Las Cruces	Tuesday, August 4	Santa Fe
Wednesday, June 24	Silver City	Wednesday, August 5	Albuquerque
Monday, July 20	Gallup		

NMC held its seventh meeting between the elected official affiliates, managers, and attorneys to discuss statutory amendments on June 8th. This working group includes two representatives from each of the affected affiliates for the purpose of vetting potential statutory changes surrounding county operations and elected affiliate roles and responsibilities in preparation for the 2027 60-day legislative session. These meetings have generated robust discussions about areas of statute that are outdated, interactions between the elected offices, and multiple proposed amendments. NMC staff presented an overview of the initiative and current status of the recommendations to the Commissioners Affiliate on May 29th in preparation for the Annual Conference. All elected affiliates, along with the Attorneys and Managers, have set aside time on their Annual Conference agendas to review the proposed changes. The working group will meet again on June 29th to incorporate the feedback. It is anticipated that the proposal will be presented to the NMC Legislative Committee in July and the full Board of Directors in August.

In preparation of the United States 250th Anniversary, NMC was contacted by Foundation Forward, a non-profit that installs life-size, replicas of the U.S. Declaration of Independence, Constitution, and Bill of Rights in local communities across the country. As part of the anniversary celebration, the Foundation received funding to provide each county in the nation with these engraved documents. NMC has provided contact information for each county in New Mexico.

Additional Meetings & Initiatives:

NACo EDGE Meeting
NACo ClearGov Partnership
NACo Steering Committee Appointments
New Mexico Finance Authority Board of Directors
Water Trust Board, Project Review,
NMFA Audit, Finance, and Public Lending Committees
Housing Economics Proposed Legislation
NMCRe Boad of Directors
NMCIA Audit & Exit Conference
NMCIA Chief Procurement Officer & Contracting
2026 NMC Annual Conference Planning
NMCIA Claims Committee Meetings
Senior Staff Meetings
Affiliate Orientation
Primary Election Tracking for BIPO Planning
IPRA Research and Contracting
PERA Query

Please reach out to me if I may be of any assistance to you. I can be reached on my cell phone at (505) 660-9629 or via email at jesparsen@nmcounties.org at any time.

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.B.	<u>Item Title:</u> Financial Reports
<u>Presenter (s):</u> Richard Garcia, Finance Director	



New Mexico County Insurance Authority Pool

Administered by New Mexico Counties

Statement of Financial Position (Unaudited)

5/31/2026

	<u>May 31, 2026</u>	<u>May 31, 2025</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 7,212,884	\$ 16,487,687
Accounts Receivable - Deductibles	662,620	554,282
Accounts Receivable - Claims	750,000	1,000,000
Accounts Receivable - Capital Adequacy	-	256,524
Accounts Receivable - LE Accreditation Fee	2,500	7,500
Accounts Receivable - Reinsurance	65,720	17,773
Accounts Receivable - Hi Ded Counties	182,519	67,174
Accounts Receivable - Other	16,963	-
Note Receivable	1,079,216	1,175,838
Prepaid Expenses	3,156,579	4,655,498
Subscription Assets	1,113,604	1,730,585
Total Current Assets	<u>14,242,604</u>	<u>25,952,861</u>
Investments		
Exchange Traded Funds	29,813,989	19,153,143
US Government Bonds	64,755,954	67,551,127
Mutual Funds	1,701,776	6,941,589
Unrealized Gain/Loss	(183,169)	(80,167)
County Reinsurance Pool Equity	<u>1,587,574</u>	<u>856,467</u>
County Reinsurance Property Plus Equity	6,223,573	5,457,809
Captive Reinsurance Equity	15,217,931	13,064,435
Total Investments	<u>119,117,628</u>	<u>112,944,403</u>
Total Assets	<u>\$ 133,360,232</u>	<u>\$ 138,897,264</u>
Liabilities and Pool Net Position		
Current Liabilities		
Accounts Payable	\$ 22,280	\$ 249,412
Subscription Liabilities	1,166,299	1,753,077
Unearned Capital Adequacy Contributions	578,053	568,607
Unearned Member Contributions	14,737,152	24,447,285
Total Current Liabilities	<u>16,503,784</u>	<u>27,018,381</u>
Long Term Liabilities		
Reserve for Future Claims		
Multi-Line Program	12,110,454	10,041,266
Law Enforcement Program	44,781,493	59,491,747
Workers' Compensation Program	<u>17,732,160</u>	<u>19,107,331</u>
Total Long Term Liabilities	<u>\$ 74,624,107</u>	<u>\$ 88,640,344</u>
Total Liabilities	<u>\$ 91,127,891</u>	<u>\$ 115,658,725</u>
Fund Balance	42,469,256	7,194,795
Current Year Pool Net Position	<u>(236,916)</u>	<u>16,043,744</u>
Total Pool Net Position	<u>\$ 42,232,340</u>	<u>\$ 23,238,539</u>
Total Liabilities and Net Position	<u>\$ 133,360,232</u>	<u>\$ 138,897,264</u>



New Mexico County Insurance Authority Pool

Administered by New Mexico Counties

Income/Budget Statement (Unaudited)

5/31/2026

	<u>2026 Budget</u>		<u>Jan 01, 2026 through May 31, 2026</u>	<u>42% of Budget</u>
<u>Income</u>				
Member Contributions	\$ 39,346,624	\$	16,418,326	42%
Capital Adequacy Contributions			1,936,086	
Accreditation Fees			10,000	
Total Income	\$ 39,346,624	\$	18,364,413	47%
<u>Expenses</u>				
<u>Claims & Claim Adjusting Expense</u>				
Paid Claims	\$ 25,438,345	\$	18,699,441	46%
Pool Portion - Group 1 (up to \$5MM for IMM)	108,180		-	0%
Pool Additional - Group 1 (up to \$5MM for IMM)	147,988		-	0%
Nurse Case Manager			(3,478)	
Claims Reserves			(351,144)	
Recoveries - Deductibles			(3,571,146)	
Recoveries - Reinsurance			(1,984,356)	
Recoveries - County Settlements			(847,491)	
Recoveries - Subrogation & Salvage			(176,646)	
Reinsurance	6,178,010		3,554,294	55%
Brokerage Fees	100,000		37,955	38%
Total Claims & Claim Adjusting	\$ 31,972,523	\$	15,357,429	48%
<u>Risk Mitigation Expense</u>				
Administrative Fee-NMAC	\$ 583,782	\$	243,239	42%
Special Projects	90,000		24,867	28%
EDGE Detention Scholarships	5,000		-	0%
Online Training Program	200,000		45,825	23%
Loss Incentive Program	50,000		23,118	46%
Legal Advice Program	50,000		23,434	47%
Lexipol	255,000		113,727	45%
Law Enforcement Accreditation	76,000		4,863	6%
Total Risk Mitigation Expense	\$ 1,309,782	\$	479,073	37%
<u>Administrative & Other</u>				
Administrative Fee-NMAC	\$ 4,335,640	\$	1,806,519	42%
Actuary	54,000		13,700	25%
Financial Audit	72,000		18,027	25%
Investment Advisor Expense	45,000		11,250	25%
Payroll Audit	55,000		54,979	100%
Property Appraisal Fees	180,000		-	0%
Legal Expense	42,500		-	0%
Software Support, Licensing, Training	486,800		161,495	33%
AI Software & Training	100,000		242	0%
Board Training & Education	30,000		-	0%
Board D&O Insurance	129,000		57,783	45%
Miscellaneous	13,000		-	0%
Total Admin & Other	\$ 5,542,940	\$	2,123,995	38%
Total Expenses	\$ 38,825,245	\$	17,960,497	46%
<u>Operating Income</u>				
Investment Income	3,372,880		1,405,314	
Net Change in Fair Value of Investments			(938,222)	
Interest Income on Note Receivable			18,395	
Miscellaneous Income			2,880	
Earnings from Investment in Captive Reinsurance			(1,129,198)	
Total Non-Operating Revenue	\$ 3,372,880	\$	(640,831)	
Net Position	\$ 3,894,259	\$	(236,916)	



New Mexico County Insurance Authority Pool
Administered by New Mexico Counties
5/31/2026

<u>Cash</u>		<u>Current Yield</u>		<u>Amount</u>		<u>Est. Annual Income</u>
Banks, Money Market Accts & State Treas LGIP		3.51%		\$ 7,220,023		\$ 155,016
<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>		<u>Cost</u>		<u>Market Gain/Loss *</u>
Exchange Traded Funds	4.77%	30,061,874		29,813,989		247,885
Certificates of Deposit	0.00%	-		-		-
Government Bonds	2.93%	61,422,967		61,381,187		41,780
Govt Asset Backed Sec	4.47%	2,912,783		3,374,767		(461,984)
Mutual Funds	7.06%	1,690,927		1,701,776		(10,849)
Total Investments	3.63%	\$ 96,088,551		\$ 96,271,719		\$ (183,168)
Total Cash & Investments	3.52%	\$ 103,308,574		\$ 103,491,743		
Estimated Annual Income on Cash & Investments				\$ 3,622,735		
By Institution:						
Wells Fargo/Salmon Hauger Wealth Mgmt.		97%		\$ 100,688,119		
First National Santa Fe		3%		2,800,193		
State Treasurers LGIP		0%		3,430		
		100%		\$ 103,491,743		

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Law Enforcement Program
 Administered by New Mexico Counties
Statement of Financial Position (Unaudited)
 5/31/2026

	<u>May 31, 2026</u>	<u>May 31, 2025</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 4,656,079	\$ 5,601,473
Accounts Receivable - Deductibles	220,763	245,003
Accounts Receivable - Claims	750,000	1,000,000
Accounts Receivable - Capital Adequacy	-	154,685
Accounts Receivable - LE Accreditation Fee	2,500	7,500
Prepaid Expenses	2,134,615	3,645,841
Subscription Assets	898,316	1,300,011
Total Current Assets	8,662,272	11,954,512
Investments		
Exchange Traded Funds	\$ 9,068,262	\$ 5,171,225
US Government Bonds	18,351,509	29,357,793
Mutual Funds	687,117	2,738,223
Unrealized Gain/Loss	(237,013)	(35,182)
Captive Reinsurance Equity	15,288,783	13,296,275
Total Investments	43,158,658	50,528,334
Total Assets	\$ 51,820,931	\$ 62,482,846
Liabilities and Surplus		
Current Liabilities		
Accounts Payable	\$ 9,945	\$ 154,884
Subscription Liabilities	930,035	1,306,821
Unearned Capital Adequacy Contributions	317,485	312,504
Unearned Member Contributions	10,080,511	15,764,386
Total Current Liabilities	11,337,976	17,538,595
Long Term Liabilities		
Reserve for Future Claims		
Fund Year 22 - 2016	\$ 76,162	\$ 159,050
Fund Year 23 - 2017	370,013	842,966
Fund Year 24 - 2018	-	(4,660)
Fund Year 25 - 2019	436,447	638,622
Fund Year 26 - 2020	2,372,143	832,384
Fund Year 27 - 2021	2,306,683	4,645,912
Fund Year 28 - 2022	4,545,752	10,101,429
Fund Year 29 - 2023	11,475,093	15,116,652
Fund Year 29 - 2024	7,596,091	15,700,192
Fund Year 30 - 2025	8,946,801	8,685,537
Fund Year 31 - 2026	4,431,912	-
Claims Mgmt Fees-Future	2,224,395	2,773,663
Total Long Term Liabilities	\$ 44,781,493	\$ 59,491,747
Total Liabilities	\$ 56,119,469	\$ 77,030,341
Fund Balance	\$ (4,893,906)	\$ (28,606,301)
Current Year Net Position	595,367	14,058,805
Total Net Position	\$ (4,298,538)	\$ (14,547,495)
Total Liabilities and Net Position	\$ 51,820,931	\$ 62,482,846



Law Enforcement Program
Administered by New Mexico Counties
Income/Budget Statement (Unaudited)
5/31/2026

	2026 Budget	Jan 1, 2026 through May 31, 2026	42% of Budget
<u>Income</u>			
Member Contributions	\$ 17,280,877	\$ 7,200,365	42%
Capital Adequacy Contributions		958,743	
Accreditation Fees		10,000	
Total Income	\$ 17,280,877	\$ 8,169,108	47%
<u>Expenses</u>			
<u>Claims & Claim Adjusting Expense</u>			
Paid Claims	\$ 10,768,306	\$ 9,787,195	42%
Pool Portion - Group 1 (up to \$5MM for IMM)	108,180	-	0%
Pool Additional - Group 1 (up to \$5MM for IMM)	147,988	-	0%
Claims Reserves		(1,930,801)	
Recoveries - Deductibles		(1,244,608)	
Recoveries - Reinsurance		(1,500,000)	
Recoveries - County Settlements		(624,991)	
Reinsurance - all (up to \$2MM for IMM)	2,619,971	1,045,869	36%
Brokerage Fees	35,000	12,727	36%
Total Claims & Claim Adjusting Expense	\$ 13,679,445	\$ 5,545,390	41%
<u>Risk Mitigation Expense</u>			
Administrative Fee-NMC	\$ 155,704	\$ 64,873	42%
Special Projects	45,000	24,867	55%
EDGE Detention Scholarships	5,000	-	0%
Online Training Program & Benchmark	70,000	29,012	41%
Law Enforcement Accreditation	76,000	4,863	6%
Legal Advice Program	30,000	23,434	78%
Lexipol	255,000	113,727	45%
Loss Incentive Program	15,000	9,665	64%
Total Risk Mitigation Expense	651,704	270,441	41%
<u>Administrative & Other Expense</u>			
Administrative Fee-NMC	\$ 1,823,892	\$ 759,959	42%
Actuary	20,000	4,250	21%
Financial Audit	30,000	6,009	20%
Investment Advisor Expense	15,000	3,750	25%
Legal Expense	20,000	-	0%
Software Support, Licensing, Training	145,000	49,397	34%
Board Training and Education	7,500	-	0%
Board D&O Insurance	43,000	3,963	9%
Miscellaneous	4,000	-	0%
Total Admin & Other Expense	\$ 2,108,392	\$ 827,328	39%
Total Expenses	\$ 16,439,541	\$ 6,643,159	40%
Operating Income	\$ 841,336	\$ 1,525,950	
Investment Income	916,499	454,717	
Net Change in Fair Value of Investments		(357,729)	
Earnings from Investment in Captive Reinsurance		(1,027,570)	
Total Non-Operating Revenue	\$ 916,499	\$ (930,582)	
Net Position	\$ 1,757,835	\$ 595,367	



Law Enforcement Program
Administered by New Mexico Counties
Schedule of Investments 5/31/2026

<u>Cash</u>	<u>Current Yield</u>	<u>Amount</u>	<u>Est. Annual Income</u>
Banks, Money Market Accts & State Treas LGIP	3.51%	\$ 4,660,334	\$ 122,999

<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain/Loss *</u>
Exchange Traded Funds	4.77%	9,032,058	9,068,262	(36,204)
Certificates of Deposit	0.00%	-	-	-
Government Bonds	3.13%	17,364,471	17,431,843	(67,373)
Govt Asset Backed Sec	4.48%	789,861	919,666	(129,805)
Mutual Funds	6.88%	683,485	687,117	(3,632)
Total Investments	3.79%	\$ 27,869,875	\$ 28,106,888	\$ (237,013)
Total Cash & Investments	3.63%	\$ 32,530,209	\$ 32,767,222	

Estimated Annual Income on Cash & Investments \$ 1,180,228

By Institution:

Wells Fargo/Salmon Hauger Wealth Mgmt.	96%	\$ 31,611,135
First National Santa Fe	4%	1,155,365
State Treasurers LGIP	0%	723
	100%	\$ 32,767,222

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Multi-Line Program
 Administered by New Mexico Counties
Statement of Financial Position (Unaudited)
 5/31/2026

	<u>May 31, 2026</u>	<u>May 31, 2025</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,668,991	\$ 7,596,053
Accounts Receivable - Deductibles	441,857	309,279
Accounts Receivable - Capital Adequacy	-	93,618
Note Receivable	1,079,216	1,175,838
Prepaid Expenses	755,573	742,186
Subscription Assets	107,644	215,287
Total Current Assets	4,053,281	10,132,260
Investments		
Exchange Traded Funds	\$ 10,987,624	\$ 6,727,893
US Government Bonds	25,857,928	19,790,756
Mutual Funds	574,400	2,302,077
Unrealized Gain/Loss	(74,175)	(85,721)
County Reinsurance Pool Equity	461,735	249,714
County Reinsurance Property Plus Equity	6,223,573	5,457,809
Captive Reinsurance Equity	(70,852)	(231,840)
Total Investments	43,960,233	34,210,688
Total Assets	\$ 48,013,513	\$ 44,342,948
Liabilities and Surplus		
Current Liabilities		
Accounts Payable - Other	\$ -	\$ 81,637
Subscription Liabilities	118,132	223,128
Unearned Capital Adequacy Contributions	147,460	144,963
Unearned Member Contributions	3,977,531	7,890,350
Total Current Liabilities	4,243,122	8,340,078
Long Term Liabilities		
Reserve for Future Claims		
Fund Year 14 - 2002	\$ -	\$ 600
Fund Year 16 - 2004	2,200	900
Fund Year 21 - 2009	1,615	1,615
Fund Year 23 - 2011	-	194,147
Fund Year 26 - 2014	-	10,001
Fund Year 29 - 2017	19,096	14,413
Fund Year 30 - 2018	(64)	237,645
Fund Year 31 - 2019	41,165	262,610
Fund Year 32 - 2020	313,720	462,198
Fund Year 33 - 2021	1,519,170	639,222
Fund Year 34 - 2022	257,099	1,428,464
Fund Year 35 - 2023	1,415,783	2,451,829
Fund Year 36 - 2024	2,437,802	1,218,556
Fund Year 37 - 2025	2,654,341	2,516,310
Fund Year 38 - 2026	2,894,893	-
Claims Mgmt Fees-Future	553,635	602,756
Total Long Term Liabilities	\$ 12,110,454	\$ 10,041,266
Total Liabilities	\$ 16,353,577	\$ 18,381,344
Fund Balance	31,358,282	24,802,238
Current Year Net Position	301,655	1,159,366
Total Net Position	\$ 31,659,937	\$ 25,961,604
Total Liabilities and Net Position	\$ 48,013,513	\$ 44,342,948



Multi-Line Program
 Administered by New Mexico Counties
 Income/Budget Statement (Unaudited)
 5/31/2026

	2026 Budget		Jan 01, 2026 through May 31, 2026	42% of Budget
Income				
Member Contributions	\$ 9,799,939	\$	5,822,408	59%
Capital Adequacy Contributions			537,680	
Total Income	\$ 9,799,939	\$	6,360,087	65%
Expenses				
Claims & Claim Adjusting Expense				
Paid Claims	\$ 5,514,862	\$	4,951,863	58%
Claims Reserves			486,624	
Recoveries - Deductibles			(1,471,029)	
Recoveries - Subrogation & Salvage			(176,646)	
Recoveries - Reinsurance			(366,793)	
Recoveries - County Settlements			(222,500)	
Reinsurance	2,462,437		2,182,642	89%
Brokerage Fees	35,000		12,727	36%
Total Claims & Claim Adjusting Expense	\$ 8,012,299	\$	5,396,887	67%
Risk Mitigation Expense				
Administrative Fee-NMC	\$ 128,313	\$	53,464	42%
Special Projects	45,000		-	0%
Online Training Program	60,000		16,813	28%
Legal Advice Program	10,000		-	0%
Total Risk Mitigation Expense	\$ 243,313	\$	70,277	29%
Administrative & Other Expense				
Administrative Fee-NMC	\$ 1,399,784	\$	583,243	42%
Actuary	20,000		5,150	26%
Financial Audit	30,000		6,009	20%
Investment Advisor Expense	15,000		3,750	25%
Property Appraisal Fees	180,000		-	0%
Legal Expense	20,000		-	0%
Software Support, Licensing, Training	145,000		49,397	34%
Board Training & Education	7,500		-	0%
Board D&O Insurance	43,000		49,856	116%
Miscellaneous	4,000		-	0%
Total Admin & Other Expense	\$ 1,864,284	\$	697,406	37%
Total Expenses	\$ 10,119,896	\$	6,164,569	61%
Operating Income	\$ (319,957)	\$	195,518	
Investment Income	1,277,075		501,855	
Net Change in Fair Value of Investments			(312,486)	
Interest Income on Note Receivable			18,395	
Earnings from Investment in Captive Reinsurance			(101,628)	
Total Non-Operating Revenue	\$ 1,277,075	\$	106,136	
Net Position	\$ 957,119	\$	301,655	



Multi-Line Program
Administered by New Mexico Counties
Schedule of Investments 5/31/2026

<u>Cash</u>	<u>Current Yield</u>	<u>Amount</u>	<u>Est. Annual Income</u>
Banks, Money Market Accts & State Treas LGIP	3.51%	\$ 1,668,991	\$ 22,799

<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain/Loss *</u>
Exchange Traded Funds	4.77%	11,118,719	10,987,624	131,095
Certificates of Deposit	0.00%	-	-	-
Government Bonds	2.67%	24,632,839	24,605,712	27,126
Govt Asset Backed Sec	4.49%	1,024,071	1,252,215	(228,144)
Mutual Funds	7.16%	570,149	574,400	\$ (4,251)
Total Investments	3.41%	\$ 37,345,777	\$ 37,419,952	\$ (74,175)
Total Cash & Investments	3.33%	\$ 39,014,768	\$ 39,088,943	

Estimated Annual Income on Cash & Investments \$ 1,297,989

By Institution:

Wells Fargo/Salmon Hauger Wealth Mgmt.	97%	\$ 38,069,489
First National Santa Fe	3%	1,018,950
State Treasurers LGIP	0%	503
	100%	\$ 39,088,943

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made



Workers' Compensation Program
Administered by New Mexico Counties
Statement of Financial Position (Unaudited)

5/31/2026

	<u>May 31, 2026</u>			<u>May 31, 2025</u>		
Assets						
Current Assets						
Cash and Cash Equivalents	\$	887,814		\$	3,290,162	
Accounts Receivable-Capital Adequacy		-			8,222	
Accounts Receivable-Reinsurance		65,720			17,773	
Accounts Receivable-Hi Ded Counties		182,519			67,174	
Accounts Receivable-Other		16,963			-	
Prepaid Expenses		266,392			267,471	
Subscription Assets		107,644			215,287	
Total Current Assets		<u>1,527,051</u>			<u>3,866,088</u>	
Investments						
Exchange Traded Funds	9,758,103			7,254,025		
US Government Bonds	20,546,518			18,402,578		
Mutual Funds	440,258			1,901,289		
Unrealized Gain/Loss	128,019	30,872,898		40,736	27,598,628	
County Reinsurance Limited Equity		1,125,839			606,753	
Total Investments		<u>31,998,737</u>			<u>28,205,381</u>	
Total Assets	\$	<u>33,525,788</u>		\$	<u>32,071,470</u>	
Liabilities and Surplus						
Current Liabilities						
Accounts Payable	\$	12,334		\$	12,891	
Subscription Liabilities		118,132			223,128	
Unearned Capital Adequacy Contrib		113,109			111,140	
Unearned Member Contributions		679,111			792,548	
Total Current Liabilities		<u>922,686</u>			<u>1,139,708</u>	
Long Term Liabilities						
Reserves for Future Claims:						
Claims Reserves FY 4 - 1990/91	\$	(260)		\$	-	
Claims Reserves FY 5 - 1991/92		93,754			5,294	
Claims Reserves FY 6 - 1992/93		25,940			19,602	
Claims Reserves FY 8 - 1994/95		10,093			7,627	
Claims Reserves FY 9 - 1995/96		24,246			23,162	
Claims Reserves FY 11 - 1997/98		18,667			14,135	
Claims Reserves FY 12 - 1998/99		(1,167)			(185)	
Claims Reserves FY 14 - 2000/01		18,101			(1,307)	
Claims Reserves FY 15 - 2001/02		58,338			64,910	
Claims Reserves FY 16 - 2002/03		14,433			20,267	
Claims Reserves FY 17 - 2003/04		16,828			(21,088)	
Claims Reserves FY 18 - 2004/05		260,438			268,014	
Claims Reserves FY 19 - 2005/06		51,419			73,974	
Claims Reserves FY 20 - 2006/07		55,917			52,545	
Claims Reserves FY 21 - 2007/08	347,331		Bernalillo County	404,883		Bernalillo County
Claims Reserves FY 22 - 2008/09	247,966		-	261,521		-
Claims Reserves FY 23 - 2009/10	8,791		-	220,369		-
Claims Reserves FY 24 - 2010/11	77,305		-	197,344		-
Claims Reserves FY 25 - 2011/12	191,983		-	20,014		-
Claims Reserves FY 26 - 2012/13	185,886		-	275,443		-
Claims Reserves FY 27 - 2013/14	116,203		-	226,806		-
Claims Reserves FY 28 - 2014/15	191,422	(43,519)	-	321,877	(74,588)	-
Claims Reserves FY 29 - 2015/16	776,405	(140,666)	-	672,589	(24,417)	-
Claims Reserves FY 30 - 2016/17	444,110		-	554,622		-
Claims Reserves FY 31 - 2017/18	100,637		-	138,524		(4,062)
Claims Reserves FY 32 - 2018/19	375,685	(6,806)	-	605,146	(8,205)	-
Claims Reserves FY 33 - 2019/20	739,175		-	616,433		-
Claims Reserves FY 34 - 2020/21	1,520,137		-	1,383,252	(6,824)	-
Claims Reserves FY 35 - 2021/22	751,281		(42,818)	1,327,477		(68,487)
Claims Reserves FY 36 - 2022/23	882,496		-	1,531,386		-
Claims Reserves FY 37 - 2023/24	2,624,672		(32,741)	4,338,149		(73,459)
Claims Reserves FY 38 - 2024/25	2,740,899		(219,873)	5,141,664		(277,423)
Claims Reserves FY 39 - 2025/26	5,784,374	(1,162,188)	(165,073)	-		-
Claims Mgmt Fees-Future	792,339		-	880,349		-
Total Reserve for Future Claims	\$	19,545,844	\$ (1,353,179)	\$ (460,505)	\$	19,644,796
					\$	(114,034)
						\$ (423,431)
Total Long Term Liabilities		17,732,160			19,107,331	
Total Liabilities	\$	<u>18,654,846</u>		\$	<u>20,247,039</u>	
Fund Balance		16,004,880			10,998,858	
Current Year Net Position		(1,133,938)			825,572	
Total Net Position	\$	<u>14,870,942</u>		\$	<u>11,824,430</u>	
Total Liabilities and Net Position	\$	<u>33,525,788</u>		\$	<u>32,071,470</u>	



Workers' Compensation Program
 Administered by New Mexico Counties
Income/Budget Statement (Unaudited)
 5/31/2026

	2026 Budget	Jan 1, 2026 through May 31, 2026	42% of Budget
Income			
Member Contributions	\$ 12,265,808	\$ 3,395,554	28%
Capital Adequacy Contributions		439,663	
Total Income	\$ 12,265,808	\$ 3,835,217	31%
Expenses			
Claims & Claim Adjusting Expense			
Paid Claims	\$ 9,155,177	\$ 3,960,384	45%
Claims Reserves		1,093,034	
Recoveries- Deductibles		(855,509)	
Recoveries- Reinsurance		(117,562)	
Nurse Case Manager		(3,478)	
Reinsurance	1,095,602	325,783	30%
Brokerage Fees	30,000	12,500	42%
Total Claims & Claim Adjusting Expense	\$ 10,280,779	\$ 4,415,152	43%
Risk Mitigation Expense			
Administrative Fee-NMAC	\$ 299,765	\$ 124,903	42%
Legal Advice Program	10,000	-	0%
Loss Incentive Program	35,000	13,453	38%
Online Training Program	70,000	-	0%
Total Risk Mitigation Expense	\$ 414,765	\$ 138,356	33%
Administrative & Other Expense			
Administrative Fee-NMAC	\$ 1,111,964	\$ 463,317	42%
Actuary	14,000	4,300	31%
Financial Audit	12,000	6,009	50%
Payroll Audit	55,000	54,979	100%
Investment Advisor Expense	15,000	3,750	
Legal Expense	2,500	-	0%
Software Support, Licensing, Training	196,800	62,701	32%
AI Software & Training	100,000	242	0%
Board Training and Education	15,000	-	0%
Board D&O Insurance	43,000	3,963	9%
Miscellaneous Expenses	5,000	-	0%
Total Admin & Other Expense	\$ 1,570,264	\$ 599,262	38%
Total Expenses	\$ 12,265,808	\$ 5,152,769	42%
Operating Income	\$ -	\$ (1,317,552)	
Interest Income Investments	1,179,306	448,742	
Net Change in Fair Value of Investments		(268,007)	
Miscellaneous Income		2,880	
Total Non-Operating Revenue	\$ 1,179,306	\$ 183,614	
Net Position	\$ 1,179,306	\$ (1,133,938)	



**Workers' Compensation Program
Administered by New Mexico Counties
Schedule of Investments 5/31/2026**

<u>Cash</u>	<u>Current Yield</u>	<u>Amount</u>	<u>Est. Annual Income</u>
Banks, Money Market Accts & State Treas LGIP	3.51%	\$ 890,698	\$ 9,218

<u>Securities</u>	<u>Est. Ann. Yld</u>	<u>Ending Market Val</u>	<u>Cost</u>	<u>Market Gain/Loss *</u>
Exchange Traded Funds	4.77%	9,911,097	9,758,103	152,994
Certificates of Deposit	0.00%	-	-	-
Government Bonds	3.00%	19,425,658	19,343,631	82,026
Govt Asset Backed Sec	4.45%	1,098,852	1,202,886	(104,035)
Mutual Funds	7.16%	437,292	440,258	(2,966)
Total Investments	3.68%	\$ 30,872,899	\$ 30,744,879	\$ 128,019
Total Cash & Investments	3.60%	\$ 31,763,597	\$ 31,635,577	

Estimated Annual Income on Cash & Investments \$ 1,144,518

By Institution:

Wells Fargo/Salmon Hauger Wealth Mgmt.	98%	\$ 31,007,495
First National Santa Fe	2%	625,878
State Treasurers LGIP	0%	2,204
	100%	\$ 31,635,577

* Investments are purchased based on "yield to maturity." Market fluctuations do not affect the yield to maturity unless a premature sale is made

Unaudited Financial Statements as of March 31, 2026

New Mexico County Reinsurance, Inc.

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Artex

Alternative
Risk

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
March 31, 2026

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For Internal Use Only

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Balance Sheets

		<u>Unaudited</u> <u>March 31, 2026</u>	<u>Audited</u> <u>December 31, 2025</u>
Assets:			
Cash & Cash Equivalents	<i>Exhibit 1</i>	\$ 1,120,029.67	\$ 1,026,024.83
Investments	<i>Exhibit 2</i>	28,339,887.42	27,295,022.93
Accrued Investment Interest		219,775.11	248,140.03
Premium receivable		213,467.00	213,467.00
Ceded Unearned Premium Reserve	<i>Exhibit 6</i>	997,260.00	1,983,561.64
Prepaid Expenses	<i>Exhibit 3</i>	8,269.36	-
Total Assets		<u>\$ 30,898,688.56</u>	<u>\$ 30,766,216.43</u>
Liabilities:			
Assumed Incurred But Not Reported		\$ 8,164,804.00	\$ 8,717,617.00
Assumed Outstanding Loss Reserves		7,736,533.00	6,404,500.00
Recoverable Incurred But Not Reported		(5,488,139.00)	(6,612,139.00)
Recoverable Outstanding Losses		(3,124,000.00)	(2,000,000.00)
Net Unpaid Loss Reserves	<i>Exhibit 7</i>	<u>7,289,198.00</u>	<u>6,509,978.00</u>
Accounts Payable & Accrued Expenses	<i>Exhibit 4</i>	154,949.79	143,452.12
Reinsurance Premium Payable	<i>Exhibit 5</i>	800,000.00	2,000,000.00
Funds Withheld Account		5,003,970.00	4,159,801.00
Losses Payable		-	1,500,000.00
Unearned Premium Reserve	<i>Exhibit 6</i>	2,432,640.00	105,856.00
Total Liabilities		<u>15,680,757.79</u>	<u>14,419,087.12</u>
Shareholder's Equity:			
Contributed Capital & Surplus		15,600,000.00	15,600,000.00
Retained Earnings		(382,069.23)	-
Retained Earnings - Prior Year		-	747,129.31
Total Shareholder's Equity		<u>15,217,930.77</u>	<u>16,347,129.31</u>
Total Liabilities and Shareholder's Equity		<u>\$ 30,898,688.56</u>	<u>\$ 30,766,216.43</u>

For Internal Use Only

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Statements of Operations

	<i>Current</i>	<i>Prior</i>	
	<i>Year-to-Date</i>	<i>Year-to-Date</i>	<i>Year</i>
	January 1, 2026 - March 31, 2026	January 1, 2025 - March 31, 2025	January 1, 2025 - December 31, 2025
Assumed Premium Written	\$ 3,158,139.00	\$ 6,240,574.00	\$ 6,454,041.00
Provision for Unearned Assumed Premium Reserve	(2,326,784.00)	(4,701,802.00)	(105,856.00)
Assumed Premium Earned	831,355.00	1,538,772.00	6,348,185.00
Reinsurance Ceded Premium Written	-	-	(4,000,000.00)
Provision for Unearned Ceded Premium Reserve	(986,301.64)	(986,301.73)	(0.36)
Reinsurance Ceded Premium Earned	(986,301.64)	(986,301.73)	(4,000,000.36)
Net Premium Earned	(154,946.64)	552,470.27	2,348,184.64
	<i>Exhibit 6</i>		
Ceding Commission	-	-	-
Interest Expense	(41,666.67)	(41,666.66)	(166,666.66)
Net Ceding Commission	(41,666.67)	(41,666.66)	(166,666.66)
Assumed Losses & Losses Adjustment Expenses Paid	-	-	3,500,000.00
Assumed Change in Outstanding Reserves	1,332,033.00	-	(349,565.00)
Assumed Change in IBNR	(552,813.00)	1,306,212.00	3,976,336.00
Total Assumed Losses Incurred	779,220.00	1,306,212.00	7,126,771.00
Ceded Change in Outstanding Reserves	(1,124,000.00)	-	-
Ceded Change in IBNR	1,124,000.00	(1,116,112.00)	(6,386,013.00)
Total Ceded Losses Incurred	-	(1,116,112.00)	(6,386,013.00)
Net Losses Incurred	779,220.00	190,100.00	740,758.00
	<i>Exhibit 7</i>		
Placement Fees	30,000.00	30,000.00	30,000.00
Underwriting Expense	809,220.00	220,100.00	770,758.00
Net Underwriting Profit (Loss)	(1,005,833.31)	290,703.61	1,410,759.98
Audit and Tax Fees	-	-	13,500.00
Actuarial Fees	6,500.00	6,250.00	6,250.00
Captive Management	15,000.00	15,000.00	60,000.00
Legal Fee	-	200.00	6,442.25
License & Fees	7,518.00	7,510.00	7,510.00
D&O Insurance Expense	2,706.33	2,706.33	10,975.69
Directors Fees	200.00	-	-
Outsourced Service Fees	4,879.68	4,977.50	19,616.54
Operating Expenses	36,804.01	36,643.83	124,294.48
Investment Income	313,277.99	263,909.13	1,221,525.99
Realized Gain (Loss)	34,837.24	300.00	95,155.12
Unrealized Gain (Loss)	(419,446.21)	304,374.40	743,085.48
Investment Expenses	(15,230.24)	(16,441.38)	(63,538.09)
Other Income (Expense)	(86,561.22)	552,142.15	1,996,228.50
Net Income (Loss)	\$ (1,129,198.54)	\$ 806,201.93	\$ 3,282,694.00

For Internal Use Only

New Mexico County Reinsurance, Inc.
Unaudited GAAP Financial Statements
Statement of Cash Flow
For the Period Ended March 31, 2026

**Reconciliation of Operating Income (Loss) to Net
Cash Provided (Used) by Operating Activities**

Net Income (Loss) \$ (1,129,198.54)

**Adjustment to Reconcile Net Income (Loss) to Net
Cash Provided (Used) by Operating Activities**

Net Unrealized (Gains) Losses on Investments 419,446.21
Bond Amortization (32,585.57)

(Decrease) Increase in:

Accrued Investment Interest	28,364.92
Ceded Unearned Premium Reserve	986,301.64
Prepaid Expenses	(8,269.36)
Accounts Payable & Accrued Expenses	11,497.67
Losses Payable	(1,500,000.00)
Funds Withheld Account	844,169.00
Reinsurance Premium Payable-Prepaid	(1,200,000.00)
Unearned Premium Reserve	2,326,784.00
Assumed Incurred But Not Reported	(552,813.00)
Assumed Outstanding Loss Reserves	1,332,033.00
Recoverable Incurred But Not Reported	1,124,000.00
Recoverable Outstanding Losses	(1,124,000.00)
Total adjustments	2,268,067.87

Net Cash Provided (Used) By Operating Activities 1,525,729.97

Cash Provided (Used) by Financing Activities

Net Cash Provided (Used) by Financing Activities -

Cash Provided (Used) by Investing Activities

Purchase of Investments	(3,480,390.24)
Proceeds from Sale of Marketable Securities	2,083,502.35
Realized (Gain) Loss on Sales of Marketable Securities	(34,837.24)

Net Cash Provided (Used) by Investing Activities (1,431,725.13)

Net Increase (Decrease) in Cash & Cash Equivalents 94,004.84

Cash & Cash Equivalents at Beginning of Period 1,026,024.83

Cash & Cash Equivalents at End of Period \$ 1,120,029.67

For Internal Use Only

New Mexico County Reinsurance, Inc.
Unaudited Cumulative Statement of Operations
as of March 31, 2026

	Assumed					Ceded			Total
	Program Yr. 1 1/1/2022-1/1/2023	Program Yr. 2 1/1/2023-1/1/2024	Program Yr. 3 1/1/2024-1/1/2025	Program Yr. 4 1/1/2025-1/1/2026	Program Yr. 5 1/1/2026-1/1/2027	Workers' Compensation Reinsurance 7/1/2025-7/1/2026	3 Yr Reinsurance 7/1/2024-7/1/2025	3 Yr Reinsurance 7/1/2025-7/1/2026	
Premium Written	\$ 333,000.00	\$ 3,855,000.00	\$ 3,726,064.00	\$ 6,240,574.00	\$ 3,158,139.00	\$ 213,467.00	\$ (4,000,000.00)	\$ (4,000,000.00)	\$ 9,526,244.00
Provision for Unearned Premium Reserve	-	-	-	-	(2,379,419.00)	(53,221.00)	-	997,260.00	(1,435,380.00)
Net Premium Earned	333,000.00	3,855,000.00	3,726,064.00	6,240,574.00	778,720.00	160,246.00	(4,000,000.00)	(3,002,740.00)	8,090,864.00
Ceding Commission	-	-	-	-	-	-	-	-	-
Interest Expense	-	-	-	-	-	-	(166,666.67)	(125,000.00)	(291,666.67)
Net Ceding Commission	-	-	-	-	-	-	(166,666.67)	(125,000.00)	(291,666.67)
Losses & Losses Adjustment Expenses Paid	300,000.00	3,500,000.00	-	-	-	-	-	-	3,800,000.00
Change in Outstanding Reserves	600,000.00	4,012,533.00	2,054,000.00	1,070,000.00	-	-	(3,124,000.00)	-	4,612,533.00
Change in IBNR	-	487,467.00	2,998,151.00	3,793,732.00	778,720.00	106,734.00	(828,152.00)	(4,659,987.00)	2,676,665.00
Net Losses Incurred	900,000.00	8,000,000.00	5,052,151.00	4,863,732.00	778,720.00	106,734.00	(3,952,152.00)	(4,659,987.00)	11,089,198.00
Placement fees	-	30,000.00	30,000.00	30,000.00	30,000.00	-	-	-	120,000.00
Underwriting Expense	900,000.00	8,030,000.00	5,082,151.00	4,893,732.00	808,720.00	106,734.00	(3,952,152.00)	(4,659,987.00)	11,209,198.00
Net Underwriting Profit (Loss)	(567,000.00)	(4,175,000.00)	(1,356,087.00)	1,346,842.00	(30,000.00)	53,512.00	(214,514.67)	1,532,247.00	(3,410,000.67)
Audit and Tax Fees	-	11,500.00	12,300.00	13,500.00	-	-	-	-	37,300.00
Actuarial Fees	-	8,000.00	17,750.00	6,250.00	6,500.00	-	-	-	38,500.00
Captive Management	60,000.00	60,000.00	60,000.00	60,000.00	15,000.00	-	-	-	255,000.00
Legal Fee	75.00	26,843.15	-	6,442.25	-	-	-	-	33,360.40
Regulatory exam	-	-	-	-	-	-	-	-	-
License & Fees	6,375.00	45,518.00	7,510.00	7,510.00	7,518.00	-	-	-	74,431.00
D&O Insurance Expense	4,137.63	10,906.88	8,780.56	10,975.69	2,706.33	-	-	-	37,507.09
Directors Fees	-	200.00	200.00	-	200.00	-	-	-	600.00
Outsourced Service Fees	-	-	9,769.21	19,616.54	4,879.68	-	-	-	34,265.43
Meeting expenses	164.70	(164.70)	-	-	-	-	-	-	-
Bank fees	175.00	225.00	-	-	-	-	-	-	400.00
Miscellaneous Expense	25.00	84.90	-	-	-	-	-	-	109.90
Operating Expenses	70,952.33	163,113.23	116,309.77	124,294.48	36,804.01	-	-	-	511,473.82
Investment Income	8,295.70	641,712.89	1,026,424.23	1,221,525.99	313,277.99	-	-	-	3,211,236.80
Realized Gain (Loss)	-	3,000.49	6,490.18	95,155.12	34,837.24	-	-	-	139,483.03
Unrealized Gain (Loss)	-	212,935.84	(189,737.41)	743,085.48	(419,446.21)	-	-	-	346,837.70
Investment Expenses	(692.94)	(30,428.05)	(48,262.95)	(63,538.09)	(15,230.24)	-	-	-	(158,152.27)
Other Income (Expense)	7,602.76	827,221.17	794,914.05	1,996,228.50	(86,561.22)	-	-	-	3,539,405.26
Net Income (Loss)	\$ (630,349.57)	\$ (3,510,892.06)	\$ (677,482.72)	\$ 3,218,776.02	\$ (153,365.23)	\$ 53,512.00	\$ (214,514.67)	\$ 1,532,247.00	\$ (382,069.23)

Three Year Excess of Loss Reinsurance Contract - Losses by Contract Year (Unamortized)

	Paid Losses	OSLR	IBNR	Ultimate Losses		Aggregate	Under (Over) Aggregate
Contract Year 1: 7/1/2024-7/1/2025	-	(3,124,000.00)	(828,152.00)	(3,952,152.00)		(8,000,000.00)	4,047,848.00
Contract Year 2: 7/1/2025-7/1/2026	-	-	(4,659,987.00)	(4,659,987.00)	Pro-rated Note (1)	(8,000,000.00)	3,340,013.00
Contract Year 3: 7/1/2026-7/1/2027	-	-	-	-		(8,000,000.00)	8,000,000.00
Contract Total	-	(3,124,000.00)	(5,488,139.00)	(8,612,139.00)		(16,000,000.00)	7,387,861.00

Note (1): Contract Year 2 ultimate loss was provided by the actuary as of 12/31/2025 for the period 7/1/2025-7/1/2026; a full year ultimate was not provided. Therefore the prorated ultimate will be used until the earlier of (a) the next available actuary study or (b) such time as when paid losses and OSLR exceed the actuarial pro-rated ultimate loss estimate.

For Internal Use Only

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended March 31, 2026

Exhibit 1	<u>Cash & Cash Equivalents</u>	<u>Current Quarter End</u>	<u>Prior Fiscal Year- end</u>
	Wells Fargo Advisors #2932 Investment Account - Cash	\$ 1,087,001.33	\$ 810,645.50
	Wells Fargo Advisors #2932 Investment Account - Money Market	-	193,289.00
	Wells Fargo Advisors #1288 Investment Account - Cash	26,328.34	2,251.95
	Wells Fargo Advisors #1288 Investment Account - Money Market	6,700.00	19,838.38
	Total	<u>\$ 1,120,029.67</u>	<u>\$ 1,026,024.83</u>
Exhibit 2	<u>Investments</u>	<u>Current Quarter End - Amortized [Original] Cost</u>	<u>Current Quarter End - Market Value</u>
	Wells Fargo Advisors #2932 Investment Account	\$ 27,993,049.72	\$ 28,339,887.42
	Total	<u>\$ 27,993,049.72</u>	<u>\$ 28,339,887.42</u>
Exhibit 3	<u>Prepaid Expenses</u>	<u>Current Quarter End</u>	<u>Prior Fiscal Year- end</u>
	D&O Insurance Expense	\$ 8,269.36	\$ -
	Total	<u>\$ 8,269.36</u>	<u>\$ -</u>
Exhibit 4	<u>Accounts Payable & Accrued Expenses</u>	<u>Current Quarter End</u>	<u>Prior Fiscal Year- end</u>
	Amelie-Rio Ventures, LLC	\$ 3,253.12	\$ 3,253.12
	Glickman Consulting LLC	6,500.00	-
	Minimum Interest Credit Accrual	107,696.67	110,199.00
	Utah Insurance Department	7,500.00	-
	Artex Risk Solutions, Inc. (Management Fees)	30,000.00	30,000.00
	Total	<u>\$ 154,949.79</u>	<u>\$ 143,452.12</u>
Exhibit 5	<u>Ceded Premiums Payable (Prepaid)</u>	<u>Current Quarter End</u>	<u>Prior Fiscal Year- end</u>
	Reinsurer - Three Year Excess of Loss Reinsurance Contract	\$ 800,000	\$ 2,000,000
	Total	<u>\$ 800,000</u>	<u>\$ 2,000,000</u>

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended March 31, 2026

Exhibit 6	A	B	C	D	E	F	G
<u>Premiums</u>	Policy Effective Date	Written Prior Fiscal Year(s) Policy Premium	Written Current Fiscal Year Policy Premium	# Days Earned this Year	Premium Earned Current Year-to-date	Current Quarter-End Premium Unearned	Prior Fiscal-Year End Premium Unearned
Grand Total, Policies In Force		\$ 6,368,105.00	\$ 3,158,139.00		\$ (154,946.64)	\$ 1,435,380.00	\$ (1,877,705.64)
			<i>Premium written on P&L</i>		<i>Premium earned on P&L</i>	<i>UEPR on balance sheet</i>	<i>UEPR on balance sheet</i>
<u>Assumed Coverage</u>	12/31/2022						
Law Enforcement Liability Reinsurance - All counties	1/1/2022	\$ 333,000.00	\$ -	0	\$ -	\$ -	\$ -
Law Enforcement Liability Reinsurance - All counties	1/1/2023	3,375,000.00	-	0	-	-	-
Law Enforcement Liability Reinsurance - Specific Counties	1/1/2023	480,000.00	-	0	-	-	-
Law Enforcement Liability Reinsurance - All counties	1/1/2024	2,824,455.00	-	0	-	-	-
Law Enforcement Liability Reinsurance - Only Bernalillo, Dona Ana, Sandoval & Sante Fe	1/1/2024	367,231.00	-	0	-	-	-
Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services	1/1/2024	64,378.00	-	0	-	-	-
Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O	1/1/2024	470,000.00	-	0	-	-	-
Law Enforcement Liability Reinsurance - All counties (\$2MM excess of \$2MM)	1/1/2025	4,464,639.00	-	0	-	-	-
Law Enforcement Liability Reinsurance - Only Bernalillo, Sandoval & Sante Fe (2nd Excess of Loss, 50% \$1MM excess \$4MM)	1/1/2025	638,684.00	-	0	-	-	-
Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services (50% \$2MM excess of \$2MM)	1/1/2025	667,251.00	-	0	-	-	-
Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O	1/1/2025	470,000.00	-	0	-	-	-
Workers' Compensation Reinsurance-all counties except San Juan	7/1/2025	213,467.00	-	90	52,635.00	53,221.00	105,856.00
Law Enforcement Liability Reinsurance - All counties (\$2MM excess of \$2MM)	1/1/2026		2,213,339.00	90	545,755.00	1,667,584.00	-
Law Enforcement Liability Reinsurance - Only Bernalillo, Sandoval & Sante Fe (2nd Excess of Loss, 50% \$1MM excess \$4MM)	1/1/2026		108,180.00	90	26,675.00	81,505.00	-
Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services (50% \$2MM excess of \$2MM)	1/1/2026		554,620.00	90	136,756.00	417,864.00	-
Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O	1/1/2026		282,000.00	90	69,534.00	212,466.00	-
Total		<u>\$ 14,368,105.00</u>	<u>\$ 3,158,139.00</u>		<u>\$ 831,355.00</u>	<u>\$ 2,432,640.00</u>	<u>\$ 105,856.00</u>
<u>Ceded Coverage</u>							
Law Enforcement Liability 3 Year Loss Reinsurance - Year 1	7/1/2024	\$ (4,000,000.00)	\$ -	0	\$ -	\$ -	\$ -
Law Enforcement Liability 3 Year Loss Reinsurance - Year 2	7/1/2025	(4,000,000.00)	-	90	(986,301.64)	(997,260.00)	(1,983,561.64)
Total		<u>\$ (8,000,000.00)</u>	<u>\$ -</u>		<u>\$ (986,301.64)</u>	<u>\$ (997,260.00)</u>	<u>\$ (1,983,561.64)</u>

For Internal Use Only

New Mexico County Reinsurance, Inc.
Exhibits
For the Period Ended March 31, 2026

Exhibit 7		A	B (C / A)	C	D	E (C / 365 * D)	F	G (E - F)	H	I	J (E - H - I)	K (H - J)
Coverage Description	Policy Effective Date	Full Year Premium	Loss Ratio	Ultimate Losses (1/1) or Pro-rata Ultimate Losses (7/1)	# Days Earned this Year	Ultimate Pro-rata	Prior Year's Pro-rata Ultimate	Current Year-to-Date Provision for Loss	Paid Losses	Inception to Date		
										Case Reserves (OSLR)	IBNR Reserves	Net Unpaid Loss Reserves
Grand Total, Policies In Force: January 1-January 1		\$ 9,526,244.00	141.4%	\$ 13,468,617.00		\$ 11,089,198.00	\$ 10,309,978.00	\$ 779,220.00	\$ 3,800,000.00	\$ 4,612,533.00	\$ 2,676,665.00	
								Prov for Loss per P&L		OSLR on balance sheet	IBNR on balance sheet	Net Unpaid Loss Reserves on balance sheet
Law Enforcement Liability Reinsurance - All Counties												
10% share of \$3,000,000 in excess of \$2,000,000	1/1/2022	\$ 333,000.00	270.3%	\$ 900,000.00	0	\$ 900,000.00	\$ 899,500.00	\$ 500.00	\$ 300,000.00	\$ 600,000.00	\$ -	\$ 600,000.00
\$2,000,000 Excess of \$2,000,000 & 50% share of \$2,000,000 Excess of \$2,000,000	1/1/2023	3,375,000.00	222.2%	7,500,000.00	0	7,500,000.00	7,500,000.00	-	3,500,000.00	4,000,000.00	-	4,000,000.00
1st Excess of Loss \$2,000,000 Excess of \$2,000,000	1/1/2024	2,824,455.00	142.4%	4,022,922.00	0	4,022,922.00	4,022,922.00	-	-	2,054,000.00	1,968,922.00	4,022,922.00
1st Excess of Loss \$2,000,000 Excess of \$2,000,000	1/1/2025	4,464,639.00	80.7%	3,601,255.00	0	3,601,255.00	3,601,255.00	-	-	1,070,000.00	2,531,255.00	3,601,255.00
1st Excess of Loss \$2,000,000 Excess of \$2,000,000	1/1/2026	2,213,339.00	100.0%	2,213,339.00	90	545,755.00	-	545,755.00	-	-	545,755.00	545,755.00
Total Assumed Coverage 1	Total	\$ 13,210,433.00	138.1%	\$ 18,237,516.00		\$ 16,569,932.00	\$ 16,023,677.00	\$ 546,255.00	\$ 3,800,000.00	\$ 7,724,000.00	\$ 5,045,932.00	\$ 12,769,932.00
Law Enforcement Liability Reinsurance - Specific Counties												
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2023	\$ 480,000.00	104.2%	\$ 500,000.00	0	\$ 500,000.00	\$ 500,000.00	\$ -	\$ -	\$ 12,533.00	\$ 487,467.00	\$ 500,000.00
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2024	367,231.00	99.5%	365,474.00	0	365,474.00	365,474.00	-	-	-	365,474.00	365,474.00
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2025	667,251.00	87.0%	580,242.00	0	580,242.00	580,242.00	-	-	-	580,242.00	580,242.00
2nd Excess of Loss 50% of \$1,000,000 Excess of \$4,000,000	1/1/2026	108,180.00	100.0%	108,180.00	90	26,675.00	-	26,675.00	-	-	26,675.00	26,675.00
Total Assumed Coverage 2	Total	\$ 1,622,662.00	95.8%	\$ 1,553,896.00		\$ 1,472,391.00	\$ 1,445,716.00	\$ 26,675.00	\$ -	\$ 12,533.00	\$ 1,459,858.00	\$ 1,472,391.00
Law Enforcement Liability Reinsurance-Inadequate Healthcare/Mental Services												
50% share of \$2,000,000 Excess of \$2,000,000	1/1/2024	\$ 64,378.00	875.7%	\$ 563,755.00	0	\$ 563,755.00	\$ 563,755.00	\$ -	\$ -	\$ -	\$ 563,755.00	\$ 563,755.00
50% share of \$2,000,000 Excess of \$2,000,000	1/1/2025	638,684.00	74.9%	478,490.00	0	478,490.00	478,490.00	-	-	-	478,490.00	478,490.00
50% share of \$2,000,000 Excess of \$2,000,000	1/1/2026	554,620.00	100.0%	554,620.00	-275	136,756.00	-	136,756.00	-	-	136,756.00	136,756.00
Total Assumed Coverage 3	Total	\$ 1,257,682.00	127.0%	\$ 1,596,865.00		\$ 1,179,001.00	\$ 1,042,245.00	\$ 136,756.00	\$ -	\$ -	\$ 1,179,001.00	\$ 1,179,001.00
Multi-line Liability Reinsurance-General, Auto, Employment Practices, Employee Benefits, Public Officials E&O												
\$1,000,000 Excess of \$1,000,000	1/1/2024	\$ 470,000.00	21.3%	\$ 100,000.00	0	\$ 100,000.00	\$ 100,000.00	\$ -	\$ -	\$ -	\$ 100,000.00	\$ 100,000.00
\$1,000,000 Excess of \$1,000,000	1/1/2025	470,000.00	43.4%	203,745.00	0	203,745.00	203,745.00	-	-	-	203,745.00	203,745.00
\$1,000,000 Excess of \$1,000,000	1/1/2026	282,000.00	100.0%	282,000.00	90	69,534.00	-	69,534.00	-	-	69,534.00	69,534.00
Total Assumed Coverage Package Policy	Total	\$ 1,222,000.00	47.9%	\$ 585,745.00		\$ 373,279.00	\$ 303,745.00	\$ 69,534.00	\$ -	\$ -	\$ 373,279.00	\$ 373,279.00
Workers' Compensation Reinsurance-all counties except San Juan												
\$3,000,000 Excess of \$2,000,000	7/1/2025	\$ 213,467.00	50.0%	\$ 106,734.00	0	\$ 106,734.00	\$ 106,734.00	\$ -	\$ -	\$ -	\$ 106,734.00	\$ 106,734.00
Total Assumed Workers' Compensation	Total	\$ 213,467.00	50.0%	\$ 106,734.00		\$ 106,734.00	\$ 106,734.00	\$ -	\$ -	\$ -	\$ 106,734.00	\$ 106,734.00
Ceded Law Enforcement Liability Reinsurance - All Counties												
\$2,500,000 per Occurrence	7/1/2024	\$ (4,000,000.00)	98.8%	\$ (3,952,152.00)	181	\$ (3,952,152.00)	\$ (3,952,152.00)	\$ -	\$ -	\$ (3,124,000.00)	\$ (828,152.00)	\$ (3,952,152.00)
\$2,500,000 per Occurrence	7/1/2025	(4,000,000.00)	116.5%	(4,659,987.00)	0	(4,659,987.00)	(4,659,987.00)	-	-	-	(4,659,987.00)	(4,659,987.00)
Total Ceded Coverage 1	Total	\$ (8,000,000.00)	107.7%	\$ (8,612,139.00)		\$ (8,612,139.00)	\$ (8,612,139.00)	\$ -	\$ -	\$ (3,124,000.00)	\$ (5,488,139.00)	\$ (8,612,139.00)
		\$ 9,526,244.00	141.4%	\$ 13,468,617.00		\$ 11,089,198.00	\$ 10,309,978.00	\$ 779,220.00	\$ 3,800,000.00	\$ 4,612,533.00	\$ 2,676,665.00	\$ 7,289,198.00
Summary by Policy Period												
Assumed Policies Incepting on 1/1/2022		\$ 333,000.00	270.3%	\$ 900,000.00		\$ 900,000.00	\$ 899,500.00	\$ 500.00	\$ 300,000.00	\$ 600,000.00	\$ -	\$ 600,000.00
Assumed Policies Incepting on 1/1/2023		3,855,000.00	207.5%	8,000,000.00		8,000,000.00	8,000,000.00	-	3,500,000.00	4,012,533.00	487,467.00	4,500,000.00
Assumed Policies Incepting on 1/1/2024		3,726,064.00	135.6%	5,052,151.00		5,052,151.00	5,052,151.00	-	-	2,054,000.00	2,998,151.00	5,052,151.00
Assumed Policies Incepting on 1/1/2025		6,240,574.00	77.9%	4,863,732.00		4,863,732.00	4,863,732.00	-	-	1,070,000.00	3,793,732.00	4,863,732.00
Assumed Policies Incepting on 1/1/2026		3,158,139.00	100.0%	3,158,139.00		778,720.00	-	778,720.00	-	-	778,720.00	778,720.00
Assumed Policies Incepting on 7/1/2025		213,467.00	50.0%	106,734.00		106,734.00	106,734.00	-	-	-	106,734.00	106,734.00
Ceded Policies Incepting on 7/1/2024		\$ (4,000,000.00)	98.8%	\$ (3,952,152.00)		\$ (3,952,152.00)	\$ (3,952,152.00)	\$ -	\$ -	\$ (3,124,000.00)	\$ (828,152.00)	\$ (3,952,152.00)
Ceded Policies Incepting on 7/1/2025		(4,000,000.00)	116.5%	(4,659,987.00)		(4,659,987.00)	(4,659,987.00)	-	-	-	(4,659,987.00)	(4,659,987.00)

For Internal Use Only

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.C.	<u>Item Title:</u> Loss Prevention Update
<u>Presenter (s):</u> Greg Rees, Loss Prevention Manager	

Memorandum

Date: June 5, 2026
To: NMCI Board
From: Greg Rees
Re: Loss Prevention Update

Attached is the June 2026 Loss Prevention Board Report summarizing current initiatives, training activities, accreditation efforts, and program developments.

Key accomplishments and initiatives include:

- Continued progress toward full implementation of the Lexipol Policy Solutions project, with 26 participating sheriff offices having completed policy implementation and only one agency remaining in the implementation phase.
- Expansion of the HSI Risk Awareness Program training catalog through the addition of 50 specialized courses, providing counties greater flexibility to align training with employee job duties and operational needs.
- Growth of the Wizer Cybersecurity Awareness Training Program, which continues to provide member counties with cybersecurity awareness training, phishing simulations, and emerging technology risk education.
- Launch of a new wellness and organizational performance initiative in partnership with Benchmark Analytics. The program is designed to provide detention administrators with practical tools to improve employee wellness, resilience, retention, and organizational effectiveness.
- Completion of eight accreditation assessments since January 2026 across Adult Detention, Sheriff's Law Enforcement, Emergency Communications, and Misdemeanor Compliance accreditation programs.
- Delivery of OSHA 10-Hour General Industry and National Safety Council Flagger Certification training for Eddy County employees in support of workplace safety and regulatory compliance objectives.

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As the Lexipol implementation project nears completion, Loss Prevention's focus is shifting toward helping agencies maximize the value of their investment through increased utilization of Daily Training Bulletins (DTBs). Consistent use of DTBs will reinforce policy knowledge, support officer safety, strengthen accountability, and promote a culture of continuous learning throughout participating agencies.

The programs highlighted in this report reflect Loss Prevention's continued commitment to supporting member counties through proactive risk reduction, professional development, accreditation, workforce wellness, cybersecurity awareness, and operational excellence. We appreciate the Board's continued support as we work to provide practical solutions that help counties reduce liability, strengthen performance, and better serve their communities.

Respectfully,

Greg Rees

444 Galisteo Street
Santa Fe, NM 87501

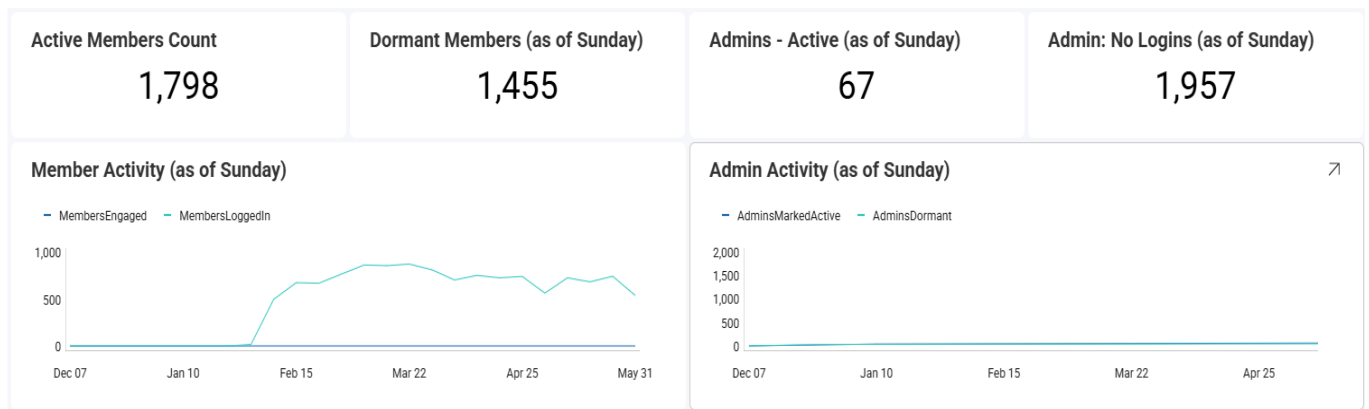
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HSI Risk Awareness Program (RAP)

During previous Board discussions, concerns were raised that some county employees felt portions of the online training available through the HSI Risk Awareness Program (RAP) were not applicable to their specific job duties. In response to this feedback, Loss Prevention worked with HSI to expand the training catalog by purchasing an additional 50 specialized training courses. The expanded course library provides county RAP administrators with significantly greater flexibility to customize employee training assignments and better align coursework with individual job responsibilities.

The additional training content includes a wide range of specialized topics, allowing counties to substitute heavy equipment, construction, public works, and field operations training courses in place of office-based or administrative courses when appropriate. This enhancement ensures employees receive training that is more relevant to their daily work activities while maintaining compliance with RAP requirements. The expanded course offerings provide member counties with greater flexibility, improved employee engagement, and more meaningful risk reduction opportunities across a variety of county operations.



Historically, Risk Awareness Program (RAP) recognition awards have been presented during both the New Mexico Counties Legislative Conference and the Annual Conference. Beginning in 2027, all RAP awards will be presented exclusively at the Legislative Conference. This change reflects the transition to a standardized training model that was implemented in January 2026, ensuring all participating counties follow the same annual training plan and evaluation period. By the time of the Legislative Conference, a full year of training and participation data will be available, allowing for a more accurate and consistent assessment of county performance. Consolidating the awards into a single event will also provide greater visibility for participating counties and create a more meaningful recognition program based on a complete year of achievement.

Lexipol Policy Solutions Implementation – Sheriff Offices

The Lexipol Policy Solutions project continues to make significant progress across participating sheriff offices in the New Mexico Counties law enforcement pool. The project establishes constitutionally sound law enforcement policy manuals delivered through the Lexipol Knowledge Management System (KMS), providing agencies with regularly updated policies aligned with current legal standards and best practices.

Of the 29 sheriff offices originally included in the project, 26 agencies have completed the policy implementation process and issued their policy manuals. Two counties have elected not to participate in the project (Dona Ana County SO and Bernalillo County SO). Harding County Sheriff's Office remains in the implementation process with an anticipated completion date of August 2026.

As agencies transition from policy implementation to long-term policy management, Daily Training Bulletins (DTBs) represent the next critical phase of the Lexipol program. DTBs provide short, scenario-based training assignments that reinforce agency policies, promote consistent decision-

making, and help personnel stay current with policy updates and best practices. Because the training is directly linked to each agency's policy manual, DTBs serve as an effective tool for maintaining policy knowledge and documenting ongoing training.

While implementation of the policy manuals has been highly successful, adoption of DTBs has progressed more slowly than anticipated. Many agencies have not yet fully integrated DTBs into their regular training schedules, limiting their ability to realize the full value of the Lexipol platform. Increased utilization of DTBs will strengthen policy awareness, support officer safety, improve accountability, and provide documented evidence of continuous training.

LEXIPOL POLICY SOLUTIONS IMPLEMENTATION STATUS

The Lexipol Policy Solutions project has achieved significant milestones with 25 of 29 sheriff's offices having completed the policy implementation process and issued their policy manuals.

- **Harding County SO** – Continuing implementation activities and meeting regularly with project specialists. **Anticipated completion August 2026.**

NEXT STEP: DAILY TRAINING BULLETINS

The next critical step in realizing the full value of Lexipol is the consistent use of Daily Training Bulletins (DTBs). DTBs deliver short, high-impact training tied directly to your agency's policies – helping keep personnel informed, reinforce policy concepts, and support a culture of continuous learning.

SLOW START – WE CAN DO BETTER



Adoption of Daily Training Bulletins has been an extremely slow start across the consortium. Only a small number of agencies are actively assigning and tracking DTBs. This is a missed opportunity to strengthen policy understanding, support officer safety, and demonstrate agency commitment to training and accountability.

LET'S CHANGE THIS TOGETHER

We encourage all Sheriffs and training staff to make DTBs a daily habit. Regular use drives policy familiarity, supports defensible practices, and helps protect your agency and your community.

Use it. Assign it. Track it. Make training part of every day.



DAILY TRAINING BULLETINS (DTBs)

Short Training. Big Impact. Every Day.

DTBs are quick, scenario-based training briefs delivered daily to your personnel – aligned to your policies and reinforcing what matters most.



5 MINUTES OR LESS

Short, focused and easy to fit into the day



POLICY ALIGNED

Reinforces your agency policies



REAL-WORLD SCENARIOS

Practical training that improves performance



IMPROVE SAFETY & RISK REDUCTION

Strengthens decision-making in the field



TRACKABLE RESULTS

Monitor completion and measure impact

CURRENT ADOPTION – WE CAN DO BETTER



10%

Estimated agencies actively using DTBs on a regular basis

This is an extremely slow start.



Most agencies are NOT assigning DTBs consistently. **Don't miss out on the value.**



OUR GOAL

Make Daily Training Bulletins a standard, daily expectation across all agencies. Together, we can drive a culture of continuous learning and policy excellence.

STRONG POLICIES. BETTER TRAINING. SAFER COMMUNITIES.

Wizer Cybersecurity Awareness Training Program

New Mexico Counties Loss Prevention continues to expand cybersecurity education opportunities for member counties through the Wizer Security Awareness Training platform. Wizer provides short, engaging online training modules focused on cybersecurity awareness, phishing prevention, data protection, artificial intelligence safety, HIPAA compliance, and other emerging technology risks.

The program currently serves 12 participating member organizations with a combined 3,662 invited users. Since implementation, 2,824 employees have started training and 2,796 employees have completed assigned courses, resulting in an overall training completion rate of 76.35 percent.



Wizer provides phishing simulation campaigns that help counties evaluate employee susceptibility to phishing attacks and reinforce safe online behaviors.

Benchmark Analytics Wellness Initiative

Loss Prevention has partnered with Benchmark Analytics to develop a wellness and organizational performance initiative for county detention administrators. The program is designed to provide a structured framework that connects employee wellness with organizational effectiveness, employee retention, resilience, workplace culture, and risk reduction.

The initiative will be implemented through a three-stage process:

- **Stage 1 – Conference Introduction:** An overview presentation at the New Mexico Counties Summer Conference introducing the wellness initiative and highlighting the connection between employee wellness and organizational performance.
- **Stage 2 – Webinar Primer:** A one-hour webinar focused on research related to employee wellness, fatigue, stress, burnout, and the operational impacts of wellness challenges within detention facilities. Participants will receive a Wellness Learning Plan and begin implementation activities including wellness self-assessments, identification of wellness champions, and employee wellness surveys. Registration information on flyer below.
- **Stage 3 – Interactive Fall Retreat Session:** A facilitated in-person workshop where detention administrators will use assessment and survey results to develop practical wellness implementation plans tailored to their facilities. The session will focus on actionable strategies designed to improve employee well-being, organizational resilience, retention, and operational performance.

The Benchmark initiative emphasizes that employee wellness is not solely a personnel issue but a key organizational performance strategy. By addressing wellness proactively, detention facilities can improve employee engagement, reduce burnout and turnover, strengthen workplace culture, and mitigate organizational risks associated with staffing challenges and employee fatigue.



WEBINAR

Wellness... A Case for Organizational Performance

A Primer for New Mexico Counties Detention Administrators

Wednesday, July 9, 2026

10:30 – 11:30 AM Mountain Time

Webinar — No travel required

Benchmark Analytics® brings wellness to the forefront for **New Mexico Counties** detention administrators — grounded in research and operationally realistic implementation. This one-hour webinar lays out the evidence and shows what a practical wellness program looks like in a correctional setting.

WHAT WE WILL COVER

Where We Are and Why This Matters

Context on the current landscape of wellness in corrections and why addressing it now matters for your organization

What a Wellness Program Looks Like

A practical look at program components — peer support, fatigue management, mental health, and building a structure that works at your facility

The Research: Wellness and Organizational Impact

What the evidence shows on wellness in corrections — fatigue, mental health, resilience, and the organizational case for acting now

What Is Coming in October & Q&A

Preview of the expanded interactive fall session and open Q&A

THIS IS A PRIMER

Followed by an Interactive Session at the New Mexico Counties Fall Retreat

This webinar is the first step. In October, Benchmark Analytics will lead a facilitated, interactive working session at the New Mexico Counties Fall Retreat. You will leave with an **actionable and feasible** implementation plan built for your facility.

Register — Free for New Mexico Counties Members

No travel. No cost. Join from your office.

https://benchmarkanalytics.zoom.us/webinar/register/WN_816k5stsSdyN0xie-n11Lw

FOR QUESTIONS CONTACT:

Clay Corn — New Mexico Counties | ccorn@nmcounties.org

Mark Pfetzer — Benchmark Analytics® | mark.pfetzer@benchmarkanalytics.com



Training and Safety Services

Loss Prevention continues to provide occupational safety training and professional development opportunities to member counties. During May 2026, Loss Prevention conducted an OSHA 10-Hour General Industry course and a National Safety Council (NSC) Flagger Certification course for Eddy County employees.

The OSHA 10-Hour General Industry course was delivered at the Eddy County Fire & Rescue Training Center on May 26 and May 28, 2026. The training was provided as part of an agreement between Eddy County and New Mexico OSHA following a workplace incident that resulted in an employee injury and a failure-to-report violation. Although two OSHA 10 courses were originally scheduled, one class was subsequently canceled. Prior to the training, Loss Prevention staff confirmed with Eddy County that completion of a single OSHA 10 course would satisfy the requirements of the agreement.

In addition, Loss Prevention conducted a National Safety Council Flagger Certification course on May 27, 2026. The course provided participants with training on traffic control procedures, work zone safety, and flagging operations to improve employee safety in roadway and construction-related environments.

A total of 22 Eddy County employees participated in the training programs, representing multiple county departments including Public Works, Emergency Management, Information Technology, Detention, Facilities Maintenance, and the Safety Department. The diverse participation reflects Eddy County's commitment to promoting workplace safety, regulatory compliance, and risk reduction across county operations.

Loss Prevention remains committed to assisting member counties through targeted safety training, regulatory compliance support, and proactive loss prevention initiatives designed to reduce workplace injuries and improve employee safety.

Accreditation Programs

New Mexico Counties continues to support member agencies through recognized accreditation programs designed to promote professional standards, operational excellence, accountability, and risk reduction. Since January 2026, Loss Prevention staff have successfully completed eight accreditation assessments across four different accreditation programs.

Accreditation provides member agencies with an independent evaluation of policies, procedures, training, operations, and management practices against established professional standards. The accreditation process promotes continuous improvement, enhances organizational accountability, strengthens public confidence, and helps agencies identify opportunities to improve efficiency and reduce operational risk.

In addition to validating compliance with recognized best practices, accreditation supports employee development, improves documentation and recordkeeping, enhances training and supervision, and demonstrates an agency's commitment to professional excellence. Participating agencies benefit from a structured framework that encourages ongoing assessment and improvement while helping reduce liability exposure through consistent adherence to established standards.

New Mexico Counties is proud to support member agencies through nationally recognized accreditation programs that drive excellence, accountability, and continuous improvement.



8

**ACCREDITATION
ASSESSMENTS
COMPLETED**

SINCE JANUARY 2026



COMPLETED ASSESSMENTS SINCE JANUARY 2026



ADULT DETENTION ACCREDITATION

- San Miguel County Adult Detention Center
- Roosevelt County Adult Detention Center



SHERIFF'S LAW ENFORCEMENT ACCREDITATION

- Valencia County Sheriff's Office



NEW MEXICO EMERGENCY COMMUNICATIONS ACCREDITATION

- McKinley County Emergency Communications
- Los Alamos Emergency Communications



MISDEMEANOR COMPLIANCE ACCREDITATION

- Sandoval County Misdemeanor Compliance Program
- Santa Fe County Misdemeanor Compliance Program
- Lea County Misdemeanor Compliance Program



THE VALUE OF ACCREDITATION



RISK REDUCTION

Strengthens policies, procedures, and practices to reduce liability and support safer operations.



PUBLIC CONFIDENCE

Demonstrates a commitment to professional standards, accountability, and transparency.



CONTINUOUS IMPROVEMENT

Provides a proven framework for measuring performance and driving ongoing organizational growth.



EMPLOYEE DEVELOPMENT

Enhances training, supervision, and professional growth through clearly defined standards.



OPERATIONAL EXCELLENCE

Improves efficiency, strengthens documentation, and supports consistent, high-quality service.



OUR COMMITMENT

Loss Prevention staff will continue to assist member agencies with accreditation and reaccreditation efforts—supporting professional standards and operational excellence across county government.



**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.D.	<u>Item Title:</u> Legal Bureau Update
<u>Presenter (s):</u> Brandon Huss, Legal Bureau Director	

New Mexico counties cite rising costs from Civil Rights Act, aim to push for changes

★ Follow Clara Bates

By Clara Bates cbates@sfnewmexican.com May 23, 2026  7

Nearly five years after a controversial state civil rights law took effect, local government leaders say their initial fears about the potential costs of the legislation have been borne out.

The New Mexico Civil Rights Act, enacted in July 2021, created a right to sue state and local government entities under the New Mexico Constitution for civil rights violations. It also removed a doctrine known as qualified immunity, which shielded public officials, including law enforcement officers, from liability.

New Mexico was only the second state to pass such a law, following Colorado in 2020. Under New Mexico's law, only a public body can be sued — not an individual employee.

Designed to provide an avenue for New Mexicans to hold government entities accountable for civil rights violations, the law faced early concern that higher payout caps — now \$2.4 million — would drive up liability insurance costs for local governments and state agencies.

New Mexico Counties, an organization that runs the self-insurance pool the majority of counties pay into, says that's what has happened since the Civil Rights Act took effect — in some cases doubling premiums. The group plans to push for changes to the law next year. Advocates for the law, meanwhile, argue there is no data showing it directly led to insurance cost hikes. They also say counties should be doing more to prevent civil rights lawsuits instead of seeking to roll back the law.

Laura Ives, a civil rights attorney who advocated for the law, said the state should be “enhancing” civil rights protections rather than paring them down, particularly, she said, because certain protections at the federal level are being diminished under the Trump administration.

“I want to be clear. We're talking about instances where law enforcement has purposefully killed somebody unjustifiably or raped somebody, and the thing to do is to prevent law enforcement officers from doing that in the first instance, and direct efforts at training them, holding them accountable, having good policies,” Ives said. “Not misleading the

public as to what has supposedly been paid out under this act, because they don't have any evidence of that."

'The escalating cost'

While the overall number of civil rights claims against counties has stayed roughly the same since the law was enacted, settlement amounts have increased dramatically, said Grace Philips, risk management director at New Mexico Counties. Many of the civil rights claims against counties are related to law enforcement, she said.

Counties' contributions to the insurance pool covering law enforcement claims more than doubled between 2020 and 2026, rising from \$16.6 million to \$34.4 million, she said.

Philips provided data showing the cost of law enforcement claims against counties participating in the New Mexico County Insurance Authority pool increased from \$10.9 million in 2020 to \$20.7 million in 2021 and \$32.6 million in 2022.

Lawsuits involving cases in more recent years are still being developed, but Philips said the trend has continued.

There isn't data on how many claims under the Civil Rights Act have been settled since the law went into effect, or for how much money. Philips said a list of claims is confidential.

Records requested from counties under the New Mexico Inspection of Public Records Act were not immediately provided.

"People who are hurt deserve fair compensation, and we recognize that," Philips said. "The challenge, I think, for the policymakers in the Legislature is how to balance that very important need with the equally important expectation that government serves all citizens, and that, in my case, the counties who are on the ground providing the essential safety services are sufficiently solvent to continue to do that."

Prior to the Civil Rights Act, plaintiffs could sue under a federal civil rights law called Section 1983, which provides uncapped damages but offers qualified immunity as a defense.

For cases involving government negligence, New Mexicans could — and still can — sue under the state Tort Claims Act, which is capped, depending on the type of claim, at up to \$750,000.

Claims under the Civil Rights Act are [capped](#) at \$2.4 million and will go up to [\\$2.5 million in July](#); the cap is adjusted annually for inflation. Attorney's fees can be covered, too. The maximum the county self-insurance pool can cover is \$2 million, Philips said, meaning a county would have to come up with the difference for a settlement above \$2 million, although that hasn't happened before.

The costs could eat into local governments' budgets, she said: "The concern is that the escalating cap and the escalating cost of getting even the coverage that they have is going to prevent counties from providing essential services."

She added, "We don't think the sponsors intended to compromise essential public services, but the reality is, the escalation in cost is unsustainable."

Sandoval County Manager Wayne Johnson said the diversion of public funds to insurance costs could ultimately make it harder for his county to provide basic services and adequate staffing.

"The number of cases have not gone up, but the awards have significantly skyrocketed because they're suing under a much more lucrative law," Johnson said.

'Investments in training'

Advocates doubt the law is driving the rise in insurance costs.

When a task force examined legislation proposing the law in 2020, its members said in a report public entities hadn't provided a clear projection of insurance costs and [called the predictions](#) "speculative doomsday scenarios that never will come to pass." Advocates still say that's the case.

"This conversation about only looking at insurance premiums is ignoring the whole reason that the Civil Rights Act was passed in the first place," attorney Brian Egolf said, "which is we wanted to give everyday New Mexicans the ability to vindicate their rights under the New Mexico Bill of Rights, and to do it in state court closer to home."

Egolf, a former state House speaker who co-sponsored the bill in 2021 and represents plaintiffs in civil rights lawsuits, noted the law "has been used across the board. It's not just police cases; it's been used to vindicate the rights of individuals to speak freely."

He added, "The bigger overarching principle here is that counties and municipalities in the state would do much better if they would make appropriate investments in training, appropriate investments in oversight of their employees."

Curry County Manager Lance Pyle, who is on the board of the counties' insurance pool, said his county is doing "everything we can" to reduce civil rights lawsuits.

"The reality is that we have to ask ourselves whether we can afford to continue to invest in sometimes costly loss prevention services while simultaneously asking our members to pay more," he said.

State agencies [also have said](#) their increasing insurance rates are a result of the Civil Rights Act, though the law's proponents say there, too, the data on payouts and causation isn't yet available.

‘Fiscal responsibility’

Some see revisiting the Civil Rights Act as a hot-button issue for upcoming legislative sessions.

State Sen. George Muñoz, D-Gallup, earlier this year proposed [legislation](#) that would have amended the Civil Rights Act to reduce the cap on damages, introduce qualified immunity when the public body had a good faith belief the conduct didn’t violate the law, and clarify state claims arising from the same event can only be recovered under one state law.

The county organization supported the legislation.

Local governments have said claims arising from the same event are often brought under both the Civil Rights Act and Tort Claims Act, exposing them to greater liability.

Muñoz said his bill “had some issues last year,” but he’ll consider proposing legislation to amend the Civil Rights Act in the coming session.

“It really takes a couple years to get big stuff through,” he said.

The issue is “part of fiscal responsibility for the state,” he said. “We have to figure out what things are working.”

Philips said bringing claims under both the Tort Claims Act and the Civil Rights Act increases the amount counties can be required to pay out in a civil case. Several recent cases include claims under both laws:

- [A complaint](#) filed against the state earlier this month by the family of a Taos boy who died by suicide at the Rio Grande Gorge Bridge; the family alleges the state failed to address known safety hazards.
- [A complaint](#) filed against the city of Santa Fe in March by members of a family caught up in a 2024 police chase and fatal shooting.
- [A complaint](#) filed in February against the city of Deming and state Department of Public Safety over allegations a former police officer assaulted a girl.

‘Remarkable stability’

A [law review article](#) published earlier this year by leading scholars nationally, studying the impact of qualified immunity changes in Colorado and New Mexico against two states with no similar laws, found “remarkable stability” in law enforcement payouts and insurance premiums in Colorado and New Mexico.

The authors surveyed law enforcement agencies in the state regarding data between 2017 and 2023, and had a 55% response rate for information from New Mexico agencies on insurance premiums and judgments paid.

Philips disputed the study, calling the county-provided data more comprehensive, including more of the counties over a longer period of time.

Alex Reinert, a law professor at Yeshiva University's Benjamin N. Cardozo School of Law, who co-authored the article, wrote in an email any study of the effects of the law should compare New Mexico to other states.

Both Reinert and co-author Joanna Schwartz, a law professor at the University of California, Los Angeles School of Law, said more rigorous data is needed than the county-level data provided to *The New Mexican* to prove counties' concerns.

The challenge, Reinert said, is "discerning whether changes in exposure to litigation risk and cost are driven by changes to the underlying legal regime or other changes that might also affect litigation risk and cost. Just looking at one state in isolation probably is not enough to help evaluate the impact of legislation like the NMCRA."

He added, "One should not lose sight of another perspective — which is that if the data suggest that the NMCRA is making it easier for people to vindicate their constitutional rights, law enforcement agencies should be responding by trying to minimize rights violations."

**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.E.	<u>Item Title:</u> CRL Update
<u>Presenter (s):</u> Grace Philips, Risk Management Director	



Memorandum

Date: June 9, 2026
To: NMCIA Board
From: Grace Philips, NMCIA Risk Management Director
Re: CRL Update

At their May 20, 2026 meeting the CRL Board:

- Approved a property renewal that increased the property margin clause from 125% to 150%.
- Discussed significant departures in the property program by Kentucky, Arkansas, and Mississippi (in addition to Texas last year). The result is a smaller program with an improved profile.

The CRL Board will hold its next in person meeting in Santa Fe, NM September 22-24.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 6.F.	<u>Item Title:</u> NMCRe Update
<u>Presenter (s):</u> Grace Philips, Risk Management Director	



Memorandum

Date: June 11, 2025
To: NMCI Board
From: Grace Philips, NMCI Risk Management Director
Re: NMCI Update

The Board held its second meeting of the year on June 9 and:

- approved the December 31, 2025 financial audit (the auditor noted an unmodified/clean opinion); and
- Approved the Workers' Compensation Reinsurance Certificate for the July 1, 2026 Policy Year.

Steve Kopelman announced he would not renew his contract as chief operating officer.

The Board's next regularly scheduled meeting is September 15 at 1:00 p.m.

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**NEW MEXICO COUNTY INSURANCE AUTHORITY
BOARD OF DIRECTORS' MEETING
AGENDA ITEM SUMMARY**

<u>Item Number:</u> 8.	<u>Item Title:</u> Other Business
<u>Presenter (s):</u> Lance Pyle, Chair	

