

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL PROVISIONS - TEXAS

DEFINITIONS

The following definition is added:

- 14. "Business day"** means a day other than a Saturday, Sunday or holiday recognized by the state of Texas.

SECTION I – PROPERTY COVERAGES

COVERAGE C – PERSONAL PROPERTY

Special Limits of Liability

Category f. is deleted in forms **HO-2, HO-3, HO-4, HO-6, HO-15** and **HO-615**.

SECTION I – PROPERTY COVERAGES

ADDITIONAL COVERAGES

- 12. Ordinance or Law.** The following paragraph is added:

- e.** If the insured property is located in an area which is eligible for coverage through the Texas Windstorm Insurance Association, the coverage described above also applies to the increased cost you incur due to the repair, replacement or demolition required for the dwelling to comply with the building specifications contained in the Texas Windstorm Insurance Association's plan of operation.

This is Additional Coverage **11.** in form **HO-6**.

SECTION I – PERILS INSURED AGAINST

For Form HO-2:

- 12. Accidental Discharge or Overflow of Water or Steam.** The following exclusions are added under paragraph **b.**:

- (6)** To a slab or foundation caused by accidental discharge, or overflow of water, water-borne material or steam from within a plumbing, heating or air conditioning system or household appliance that is either below the surface of the ground or is within or below the slab or foundation of the dwelling.

For Form HO-3:

COVERAGE A – DWELLING AND COVERAGE B – OTHER STRUCTURES, paragraph **2.c.(6)**; the following subparagraph is added under **Exception To c.(6)**. (If endorsement **HO-15** is part of this policy, the following subparagraph is added to paragraph **1.c.(5)** under **Exception To c.(5)**:

We do not cover loss to a slab or foundation caused by accidental discharge, or overflow of water, water-borne material or steam from within a plumbing, heat-

ing or air conditioning system or household appliance that is either below the surface of the ground or is within or below the slab or foundation of the dwelling.

SECTION I – EXCLUSIONS

The first paragraph of this section is deleted and replaced by the following:

We do not cover any direct or indirect loss or damage caused by, resulting from, contributing to or aggravated by any of these excluded perils. Loss from any of these perils is excluded regardless of any other cause or event contributing concurrently or in any sequence to the loss.

These exclusions apply whether or not the loss event:

- (1)** Results in widespread damage;
- (2)** Affects a substantial area; or
- (3)** Occurs gradually or suddenly.

These exclusions also apply whether or not the loss event arises from:

- (1)** Any acts of nature;
- (2)** Any human action or inaction;
- (3)** The forces of animals, plants or other living or dead organisms; or
- (4)** Any other natural or artificial process.

- 2. Earth Movement** is deleted and replaced by the following:

- 2. Earth Movement**, meaning events that include but are not limited to the following:

- a.** Earthquake and earthquake aftershocks;
- b.** Volcano activity including but not limited to:
 - (1)** Volcanic eruption;
 - (2)** Volcanic explosion;
 - (3)** Effusion of volcanic material; or
 - (4)** Lava flow;
- c.** Mudslide, including mudflow, debris flow, landslide, avalanche, or sediment;
- d.** Sinkhole;
- e.** Subsidence;
- f.** Excavation collapse;
- g.** Erosion; or
- h.** Any expansion, shifting, rising, sinking, contracting, or settling of the earth, soil or land.

This exclusion applies whether or not the earth, soil or land is combined or mixed with water or any other liquid or natural or man made material.

However, loss caused directly by the specific perils:

- a. fire;
- b. explosion;
- c. breakage of building or dwelling glass or safety glazing material, including storm doors or windows; or
- d. theft;

following any earth movement is covered.

3. **Water Damage** is deleted and replaced by the following:

3. **Water Damage**, meaning;

- a. Flood, surface water, ground water, storm surge, waves, wave wash, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, whether or not a result of precipitation or driven by wind;
- b. Any water or water borne material that enters through or backs up from a sewer or drain, or which overflows or is discharged from a sump, sump pump or related equipment;
- c. Any water or water borne material located below the surface of the ground including water or water borne material:
 - (1) Which exerts pressure on, seeps, leaks or flows into:
 - (a) Any part of the dwelling or other structures;
 - (b) The foundation of the dwelling or other structures;
 - (c) Any paved surface located on the "residence premises"; or
 - (d) Any spa, hot tub, or swimming pool.
 - (2) Which causes earth movement; or
- d. Any overflow, release, migration or discharge of water in any manner from a dam, levee, dike, hurricane barrier or any water or flood control device.

Direct loss by fire, explosion or theft resulting from water damage will be covered.

8. **Intentional Loss** is deleted and replaced by the following:

8. **Intentional Loss.**

- a. Intentional loss means any loss arising out of any act the "insured" commits or conspires to commit with the intent to cause a loss.

In the event of such loss, no "insured" is entitled to coverage, even "insureds" who did not commit or conspire to commit the act causing the loss.

- b. However, this exclusion does not apply to an "insured" who did not cooperate in or contribute to the creation of the loss if that "insured" has:

- (1) Filed a police report; and
- (2) Cooperated with law enforcement investigation or prosecution relating to any other "insured" causing the intentional loss.

- c. If we pay a claim pursuant to paragraph 8.b., our payment to the "insured" is limited to that "insured's" insurable interest in the property less any payments we first made to a mortgagee or other party with a secured interest in the policy. In no event will we pay more than the limit of liability. As a condition of payment for intentional loss caused by another "insured" under this exception to the exclusion, we may require an assignment of rights of recovery to the extent that payment is made by us.

For Forms HO-2 and HO-3:

The following exclusion is added:

11. **Settling, Cracking, Bulging, Shrinkage or Expansion of Specific Property.**

Settling, Cracking, Bulging, Shrinkage or Expansion of Specific Property means any loss arising out of, caused by, consisting of or related to settling, cracking, bulging, shrinkage, or expansion of foundations, walls, floors, ceiling, roof structures, walks, drives, curbs, fences, retaining walls or swimming pools, regardless of whether such loss ensues from any loss, including a loss involving water or water damage which is covered under this policy. However, settling, cracking, bulging, shrinkage, or expansion as a direct result of collapse of a building is covered.

This is exclusion **A.11.** in form **HO-3.**

SECTION I – CONDITIONS

- 1. **Insurable Interest and Limit of Liability.** The following paragraph is added:

Policy A Liquidated Demand. A fire insurance policy, in case of a total loss by fire of property insured, shall be held and considered to be a liquidated demand against the company for the full amount of such policy. This provision shall not apply to personal property.

- 2. **Duties After Loss,** is deleted and replaced by the following:

2. **Your Duties After Loss.**

In case of a loss to covered property, we have no duty to provide coverage under this policy if the failure to comply with the following duties is prejudicial to us. These duties must be performed ei-

ther by you, or an "insured" seeking coverage, or a representative of either:

- a. Give prompt notice to us or our agent. With respect to a loss caused by the peril of windstorm or hail, that notice must occur no later than one year after the date of loss. However, for loss caused by the peril of windstorm or hail, any such claim may be filed after the first anniversary of the date of the loss for good cause shown by the person filing the claim;
- b. Notify the police in case of a loss by theft;
- c. Notify the credit card or electronic fund transfer card or access device company in case of loss as provided for in 7. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money Coverage under Section I – Property Coverages;
- d. Protect the property from further damage. If repairs to the property are required, you must:
 - (1) Make reasonable and necessary repairs to protect the property; and
 - (2) Keep an accurate record of repair expenses;
- e. Cooperate with us in the investigation of a claim;
- f. Prepare an inventory of damaged personal property showing the quantity, description, actual cash value and amount of loss. Attach all bills, receipts and related documents that justify the figures in the inventory;
- g. As often as we reasonably require:
 - (1) Show the damaged property;
 - (2) Provide us with records and documents we request and permit us to make copies; and
 - (3) Submit to examination under oath, while not in the presence of another "insured", and sign the same;
- h. Send to us, within 91 days after our request, your signed, sworn proof of loss on a standard form supplied by us. We must request a signed, sworn proof of loss within 15 days after we receive your written notice, or we waive our right to require a proof of loss. Such waiver will not waive our other rights under this policy.
 - (1) This proof of loss shall set forth, to the best of your knowledge and belief:
 - (a) The time and cause of loss;

- (b) The interests of all "insureds" and all others in the property involved and all liens on the property;
 - (c) Other insurance which may cover the loss;
 - (d) Changes in the title or occupancy of the property during the term of the policy;
 - (e) Specifications of the damaged buildings and detailed repair estimates;
 - (f) The inventory of damaged personal property described in 2.f. above;
 - (g) Receipts for additional living expenses incurred and records that support the fair rental value loss; and
 - (h) Evidence or affidavit that supports a claim under 7. Credit Card, Electronic Fund Transfer Card Or Access Device, Forgery And Counterfeit Money Coverage under Section I – Property Coverages, stating the amount and cause of loss.
- (2) If you elect to make claim under the Replacement Cost Coverage of this policy, this proof of loss shall also state, to the best of your knowledge and belief:
- (a) The replacement cost of the described dwelling;
 - (b) The replacement cost of any other building on which loss is claimed; or
 - (c) The full cost of repair or replacement of loss without deduction for depreciation.

Our Duties After Loss.

- a. No later than 15 days after we receive your written notice of claim, we must:
 - (1) Acknowledge receipt of the claim.
If our acknowledgment of the claim is not in writing, we will keep a record of the date, means and content of our acknowledgment;
 - (2) Begin any investigation of the claim; and
 - (3) Specify the information you must provide in accordance with **Your Duties After Loss** above.
We may request more information, if during the investigation of the claim such additional information is necessary;
- b. After we receive the information we request, we must notify you in writing whether the

claim will be paid or has been denied or whether more information is needed:

- (1) Within 15 "business days"; or
- (2) Within 30 days if we have reason to believe the loss resulted from arson;

c. If we do not approve payment of your claim or require more time for processing your claim, we must:

- (1) Give the reason for denying your claim; or
- (2) Give the reasons we require more time to process your claim. But we must either approve or deny your claim within 45 days after requesting more time.

3. **Loss Settlement.** In forms **HO-2** and **HO-3**, paragraph **3.a.** is deleted and replaced by the following:

- a. Personal Property other than jewelry;

3. **Loss Settlement**, in form **HO-4** is deleted and replaced by the following:

3. **Loss Settlement.**

- a. Covered property losses other than jewelry are settled at actual cash value at the time of loss but not more than the amount required to repair or replace.
- b. Jewelry losses are settled at replacement cost at the time of loss without deduction for depreciation.

3. **Loss Settlement.** In form **HO-6** paragraph **3.a.** is deleted and replaced by the following:

- a. Personal property and grave markers, including mausoleums at actual cash value at the time of loss but not more than the amount required to repair or replace. This does not include loss to jewelry.

3. **Loss Settlement.** In all forms except **HO-4**, paragraph **c.** is added, as follows:

- c. Jewelry at replacement cost at the time of loss without deduction for depreciation.

5. **Loss To A Pair Or Set** is deleted and replaced by the following:

5. **Loss To A Pair Or Set.**

- a. In case of loss to a pair or set other than jewelry, we may elect to:
 - (1) Repair or replace any part to restore the pair or set to its value before the loss; or
 - (2) Pay the difference between actual cash value of the property before and after the loss.

- b. Loss to a jewelry pair or set will be settled at replacement cost at the time of loss without deduction for depreciation.

6. **Loss Payment** is deleted and replaced by the following:

6. **Loss Payment.**

- a. We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to payment.
- b. If we notify you that we will pay your claim, or part of your claim, we must pay within 5 "business days" after we notify you. If payment of your claim or part of your claim requires the performance of an act by you, we must pay within 5 "business days" after the date you perform the act.

9. **Suit Against Us** is deleted and replaced by the following:

9. **Suit Against Us.**

- a. Except as provided in paragraph **9.b.** below, no suit or action can be brought against us unless there has been full compliance with all of the terms under Section I of this policy. Action brought against us must be started within two years and one day after the cause of action accrues. A cause of action accrues on the date of the initial breach of our contractual duties as alleged in the action.
- b. With respect to suits brought in connection with claims for loss caused by the peril of windstorm or hail in the catastrophe area, as defined by the Texas Insurance Code:

No action can be brought against us unless there has been compliance with all the terms of this policy. The action must be brought before the earlier of the following:

- (1) Two years and one day from the date we accept or reject the claim; or
- (2) Three years and one day from the date of loss that is the subject of the claim.

12. **Mortgage Clause** is deleted and replaced by the following:

12. **Mortgage Clause (Without Contribution).**

- a. We will pay for any covered loss of or damage to buildings or structures to the mortgagee shown on the declarations page as interests appear;
- b. The mortgagee has the right to receive loss payment even if the mortgagee has started foreclosure or similar action on the building structure;

- c. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgagee has the right to receive loss payment if the mortgagee:

- (1) At our request, pays any premium due under this policy, if you have failed to do so;
- (2) Submits a signed, sworn statement of loss within 91 days after receiving notice from us of your failure to do so;
- (3) Has notified us of any changes in ownership, occupancy or substantial changes in risk known to the mortgagee;

All of the terms of this policy will then apply directly to the mortgagee.

Failure of the mortgagee to comply with **3.a.**, **3.b.**, or **3.c.** above shall void this policy as to the interest of the mortgagee.

- d. If we pay the mortgagee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

- (1) The mortgagee's rights under the mortgage will be transferred to us to the extent of the amount we pay.
- (2) The mortgagee's right to recover the full amount of the mortgagee's claim will not be impaired.

At our option, we may pay the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- e. If this policy is cancelled, we will give the mortgagee specifically named on the declarations page written notice of cancellation.

If we cancel the policy, we will give the mortgagee the same number of days notice of cancellation we give to you.

If you cancel the policy, we will give the mortgagee notice of cancellation to be effective on the date stated in the notice. The date of cancellation cannot be before the 10th day after the date we mail the notice.

We will not give notice of cancellation to any successor or assignee of the mortgagee named in the policy.

- f. If the property described under Coverage A – Dwelling or Coverage B – Other Structures is foreclosed upon under the deed of trust, the mortgagee may cancel this policy of insur-

ance and will be entitled to any unearned premium from this policy.

The mortgagee must credit any unearned premium against any deficiency owed by the borrower and return any unearned premium not so credited to the borrower. The unearned premium will be figured using the customary pro rata procedures.

- g. If we elect not to renew this policy, the mortgagee specifically named on the declarations page will be given 30 days written notice of the nonrenewal.

The following Conditions are added:

Residential Community Property Clause.

This policy, subject to all other terms and conditions, when covering residential community property, as defined by state law, shall remain in full force and effect as to the interest of each spouse covered, irrespective of divorce or change of ownership between the spouses unless excluded by endorsement attached to this policy until the expiration of the policy or until cancelled in accordance with the terms and conditions of this policy.

Catastrophe Claims

If a claim results from a weather related catastrophe or a major natural disaster, each claim handling deadline shown in **2. Duties After Loss** and **6. Loss Payment** is extended for an additional 15 days.

Catastrophe or Major Natural Disaster means a weather related event which:

- a. Is declared a disaster under the Texas Disaster Act of 1975; or
- b. Is determined to be a catastrophe by the Texas Department of Insurance.

SECTION II – EXCLUSIONS

Exclusion **A.6.** is deleted and replaced by the following:

- 6.** Arising out of the transmission of sickness or disease by an "insured" through sexual contact;

Exclusion **A.7.** is deleted and replaced by the following:

- 7.** Arising out of sexual molestation, corporal punishment or physical or mental abuse.

For the purposes of this exclusion, abuse means an act which is committed with the intent to cause harm;

SECTION II – CONDITIONS

- 3. Duties After "Occurrence"**, paragraph **e.** is deleted and replaced by the following:

- e.** With respect to Additional Coverage **3. Damage to Property of Others**, submit to us within

91 days after the loss, a sworn statement of loss and show the damaged property, if in an "insured's" control;

The following condition is added:

11. Notice of Settlement of Liability Claim.

- a. We will notify the "insured" in writing of any initial offer to compromise or settle a claim against the "insured" under the liability section of this policy. We will give the "insured" notice within 10 days after the date the offer is made.
- b. We will notify the "insured" in writing of any settlement of a claim against the "insured" under the liability section of this policy. We will give the "insured" notice within 30 days after the date of the settlement.

SECTIONS I AND II – CONDITIONS

3. **Cancellation** is deleted and replaced by the following:

3. Cancellation.

- a. You may cancel this policy at any time by notifying us of the date cancellation is to take effect. We will send you any refund due when the policy is returned to us.
- b. If this policy has been in effect for less than 60 days and is not a renewal policy we may cancel this policy if:
 - (1) We identify a condition that:
 - (a) Creates an increased risk of hazard;
 - (b) Was not disclosed in the application for insurance coverage; and
 - (c) Is not the subject of a prior claim; or
 - (2) Before the effective date of the policy, we have not accepted a copy of a required inspection report that:
 - (a) Was completed by an inspector licensed by the Texas Real Estate Commission or who is otherwise authorized to perform inspections; and
 - (b) Is dated not earlier than the 90th day before the effective date of the policy.

An inspection report is deemed accepted, unless we reject it before the 11th day after the date we receive it.
- c. We may also cancel this policy at any time for any of the following reasons:
 - (1) You do not pay the premium or any portion of the premium when due;
 - (2) The Department of Insurance determines that continuation of the policy would vio-

late the Texas Insurance Code or any other laws governing the business of insurance in this state;

(3) You submit a fraudulent claim; or

(4) There is an increase in the hazard covered by this policy that is within your control and that would produce an increase in the premium/rate of this policy.

- d. The effective date of cancellation cannot be before the 10th day after we mail the notice if we cancel for any of the reasons in c. or the 30th day after we mail notice if we cancel for any other reason. Our notice of cancellation must state the reason for cancellation.
- e. If we cancel, our notice to you will state that if the refund is not included with the notice, it will be returned on demand.
- f. We may not cancel this policy solely because you are an elected official.

4. **Nonrenewal** is deleted and replaced by the following:

4. Refusal To Renew.

- a. We may not refuse to renew this policy because of claims for losses resulting from natural causes.
- b. We may not refuse to renew this policy solely because you are an elected official.
- c. We may refuse to renew this policy if you have filed three or more claims under the policy in any three year period that do not result from natural causes.

If you have filed two claims in a period of less than three years, we may notify you in writing, that if you file a third claim during the three-year period, we may refuse to renew this policy by providing you proper notice of our refusal to renew as provided in d. below. If we do not notify you after the second claim, we may not refuse to renew this policy because of losses.

A claim does not include a claim that is filed but is not paid or payable under the policy.

- d. If we refuse to renew this policy, we must deliver to you, or mail to you at your mailing address shown on the declarations page and any mortgagee named on the declarations page, written notice of our refusal to renew not later than the 30th day before the date on which this policy expires. Proof of mailing will be sufficient proof of notice. If we fail to give you proper notice of our decision not to renew, you may require us to renew the policy.

All other provisions of this policy apply.

