

**IMPORTANT POLICYHOLDER NOTICE AND ENDORSEMENT.
PLEASE KEEP THIS NOTICE AND
THE ATTACHED ENDORSEMENT WITH YOUR POLICY.**

Dear Valued Customer:

The Texas Homeowners Amendatory Endorsement - TX040A, 4th Edition (hereinafter referred to as the "4th Edition") has been added to your policy. A copy of the new endorsement is attached. Since your policy previously was endorsed with either the TX040 (1st Edition) or TX040 (2nd Edition), we have set out below a summary explanation of the changes to the HOA policy form and previous endorsements by the 4th Edition.

This is a summary only, so you should carefully review the provisions contained in the HOA policy and the 4th Edition. If you have any questions regarding this notice or the coverages, conditions and exclusions in your policy or endorsements, please contact your Farmers® agent for assistance.

SUMMARY OF CHANGES

CHANGES TO THE HOA POLICY

The HOA policy provides coverage for eight (8) named perils*:

1. Fire and Lightning.
2. Sudden and Accidental Damage from Smoke.
3. Windstorm, Hurricane and Hail.
4. Explosion.
5. Aircraft and Vehicles.
6. Vandalism and Malicious Mischief.
7. Riot and Civil Commotion.
8. Theft.

The 4th Edition adds coverage for the additional perils* of:

9. Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam.
10. Fall of trees or limbs, including felling, topping or trimming.
11. Objects falling from the weight of ice, snow or sleet.
12. Collapse of building or any part of the building.
13. Breakage of glass which is part of the building, including glass in storm doors and storm windows.

*** The named perils are subject to the language and exclusions contained in the HOA policy and the 4th Edition. Please read the HOA policy and the 4th Edition for a full explanation of the coverages, limits and exclusions.**

The Texas Commissioner of Insurance promulgated a new HOA policy form for use after January 1, 2003. The new HOA policy contains a new Exclusion 6. The 4th Edition revises this exclusion, as explained in more detail below, and moves the definition of "remediation" in the HOA policy from Exclusion 6 to Definition 10 under DEFINITIONS.

The 4th Edition adds an exclusion for water damage to Section I - Exclusions, Exclusion 2. This exclusion for water damage provides:

We do not cover water damage, meaning:

- a. flood, surface water, waves, tidal water or tidal waves, overflow of streams or other bodies of water or spray from any of these whether or not driven by wind;

We do cover resulting loss caused by fire, smoke, explosion, theft or attempted theft, or any act or attempted act of stealing;

- b. water or waterborne material which backs up through sewers or drains or which leaks or overflows from sewers, drain lines, drains, a sump, a sump pump, or similar equipment designed to drain water away from the **residence premises**;
- c. water below the surface of the ground, including water which exerts pressure on or seeps or leaks from within a below ground wastewater or plumbing system, or water that exerts pressure on, or that seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool, spa or other structure;
- d. constant, repeated or intermittent discharge, seepage, leakage, collection, overflow or release of water or steam from any source, including from, within or around any pipe joint, plumbing fixture, shower stall, shower bath, bathtub, bathtub installation, drain line, drain pan, air conditioning overflow pan, duct work, or appliance including constant, repeated or intermittent discharge, seepage, leakage, overflow or release of water or steam around or through walls, ceilings or floors from any source.
- e. dampness of atmosphere or condensation;
- f. freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
 - (1) fence, pavement, patio or swimming pool or spa;
 - (2) slab or foundation, including foundation piers or foundation beams, retaining wall, or bulkhead; or
 - (3) pier, wharf or dock; or
- g. sudden and accidental discharge, eruption, overflow or release of water or steam:
 - (1) from within any portion of a plumbing or automatic fire protective sprinkler system that is either:
 - (a) below the surface of the ground, or
 - (b) within or below the slab or foundation; or
 - (2) from within any portion of a heating or air conditioning system that is either:
 - (a) below the surface of the ground, or
 - (b) within or below the slab or foundation.

PLEASE NOTE THAT THIS EXCLUSION FOR WATER DAMAGE IN THE 4th EDITION IS A REDUCTION IN THE COVERAGE FOR LOSSES CAUSED BY WATER DAMAGE FROM THAT PROVIDED IN THE HOA POLICY FORM. YOU SHOULD READ THIS EXCLUSION CAREFULLY AS IT DESCRIBES THE WATER DAMAGE WE DO NOT COVER.

The new HOA policy contains an Exclusion 6 for Mold, Fungi or Other Microbes which provides:

We do not cover loss caused by or resulting from mold, fungi or other microbes.

This exclusion does not apply to an ensuing loss caused by fire, smoke, or explosion.

However, we do cover ensuing mold, fungi or other microbial losses caused by or resulting from sudden and accidental discharge, leakage or overflow of water if the sudden and accidental discharge, leakage or overflow of water loss would otherwise be covered under this policy.

Sudden and accidental shall include a physical loss that is hidden or concealed for a period of time until it is detectable. A hidden loss must be reported to us no later than 30 days after the date you detect or should have detected the loss.

For purposes of this exclusion, ensuing mold, fungi or other microbial losses covered under this policy include reasonable and necessary repair or replacement of property covered under Coverage A (Dwelling) and/or Coverage B (Personal Property).

We do not cover the cost for remediation, including testing of ensuing mold, fungi or other microbes. We do not cover any increase in expenses for Loss of Use and/or Debris Removal due to remediation and testing of ensuing mold, fungi or other microbes.

Remediate means to treat, contain, remove or dispose of mold, fungi or other microbes beyond that which is required to repair or replace the covered property physically damaged by water. Remediation includes any testing to detect, measure or evaluate mold, fungi or other microbes and any decontamination of the **residence premises** or property.

The 4th Edition deletes this exclusion from the new HOA policy and substitutes in its place the following Exclusion 6 for Mold, Fungi, Bacteria or Other Microbes, or Wet or Dry Rot, which provides:

- a. We do not cover loss caused by or resulting from mold, fungi, bacteria or other microbes, or wet or dry rot, including:
 - (1) the cost for **remediation** for mold, fungi, bacteria or other microbes, or wet or dry rot; or
 - (2) any increase in expenses for Loss of Use and/or Debris Removal due to **remediation** for mold, fungi, bacteria or other microbes, or wet or dry rot.
- b. The physical presence of mold, fungi, bacteria or other microbes, or wet or dry rot on that portion of covered property which must otherwise be repaired or replaced because of direct physical loss caused by water or steam damage covered under this policy shall not result in the exclusion of such water or steam damage loss if it is otherwise covered under this policy.

EXCLUSION 6 IN THE 4th EDITION IS A REDUCTION IN COVERAGE FROM EXCLUSION 6 IN THE HOA POLICY. PLEASE READ EXCLUSION 6 CAREFULLY AS IT PROVIDES THAT WE DO NOT COVER LOSS CAUSED BY OR RESULTING FROM MOLD, FUNGI, BACTERIA OR OTHER MICROBES, OR WET OR DRY ROT.

The 4th Edition also adds exclusions which provide that we do not cover property described in Coverage A (Dwelling) or Coverage B (Personal Property) for loss caused directly or indirectly by any of the following:

Exclusion 8. Settling, Cracking, Bulging, Shrinkage, or Expansion.

Exclusion 9. Outdoor Equipment, Fences, Driveways, Walks, Lawns, Trees, Shrubs and Plants or Retaining Walls and Bulkheads.

Exclusion 10. Earth Movement.

Exclusion 11. Wear and Tear, Inherent Vice, Rust, Deterioration, Decay, Rats, Mice, Vermin, Termites, Moths or Other Insects, Contamination, Neglect, Improper Maintenance, Failure to Make Proper Repairs, Failure to Make Timely Repairs.

Exclusion 12. Planning, Zoning, Construction or Maintenance.

PLEASE NOTE THAT THESE EXCLUSIONS IN THE 4th EDITION ARE A REDUCTION IN COVERAGE FROM THAT PROVIDED BY THE HOA POLICY. WE DO NOT PROVIDE COVERAGE FOR LOSSES CAUSED BY THOSE ITEMS SET OUT IN EXCLUSIONS 8 THROUGH 12 DESCRIBED ABOVE. YOU SHOULD REVIEW THE 4th EDITION FOR THE FULL TEXT OF THE EXCLUSIONARY LANGUAGE.

The 4th Edition also adds the following paragraphs m. and n. to Section II - Exclusions of the HOA policy providing that Coverage C (Personal Liability) and Coverage D (Medial Payments to Others) do not apply to:

m. **bodily injury or property damage:**

Arising out of, caused by, contributed to, aggravated by or resulting from, whether directly or indirectly, mold, fungi, bacteria or other microbes, or wet or dry rot. Coverage does not exist for:

- (1) the cost of testing, monitoring, abating, mitigating, removing, **remediating** or disposing of mold, fungi, bacteria or other microbes, or wet or dry rot;

- (2) any supervision, instruction, disclosures, or failures to disclose, recommendations, warnings, or advice given, or which allegedly should have been given, in connection with **bodily injury** or **property damage** arising out of, resulting from, caused by, contributed to, or aggravated by, whether directly or indirectly, mold, fungi, bacteria or other microbes, or wet or dry rot, or the activities described in subpart 1.(m)(1) above; and
- (3) any obligation to share with or repay another who must pay damages because of **bodily injury** or **property damage** of the type described in this Exclusion. This applies regardless of any other cause that contributed directly or indirectly, concurrently or in any sequence to the bodily injury or property damage.

n. **bodily injury** or **property damage**:

Arising out of the sale or transfer of real property, including but not limited to the following:

- (1) known or unknown property or structural defects;
- (2) known or hidden defects in the plumbing, heating, air conditioning or electrical systems;
- (3) known or unknown soil conditions or drainage problems;
- (4) concealment or misrepresentation of any known defects.

PLEASE NOTE THAT EXCLUSIONS 1.(m) AND 1.(n) ARE A REDUCTION IN COVERAGE FROM THAT PROVIDED BY THE HOA POLICY, IN THAT THEY EXCLUDE THE LOSSES DESCRIBED IN PARAGRAPHS 1.(m) AND 1.(n).

CHANGE BETWEEN THE 1st AND 2nd EDITIONS OF THE TX040

There is one material change between the first and second editions of the TX040. In the 2nd Edition, Exclusion 9 in Section I - Exclusions was revised to provide coverage for a physical loss to fences caused by the Windstorm, Hurricane and Hail peril. This coverage has been retained in the 4th Edition.

CHANGES BETWEEN THE 1st AND 2nd EDITIONS OF THE TX040 AND THE 4th EDITION OF THE TX040A.

1. Change to Definitions

We added Definition 10 to the 4th Edition. This is a definition for "remediation." As noted above, this has been moved from the new HOA Exclusion 6 in the HOA policy form.

2. Changes to Section I - Property Coverage, Extensions of Coverage

We have changed the text of Paragraph 2., Loss of Use, as follows:

- a. We changed the first sentence to begin: "If a loss caused by a peril under **SECTION I - PERILS INSURED AGAINST. . .**";
- b. We changed the caption reference for Peril 9 to "Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam";
- c. We added the phrase "reimbursement of" before "any necessary and reasonable increase in living expense" and added "or" at the end of subsection a.; and
- d. We added the phrase "under this extension of coverage" to the paragraph that immediately follows subsection b.

3. Changes to Section I - Perils Insured Against

- a. In the introductory paragraph, we added the word "accidental" before "direct physical loss" so that the introductory paragraph now begins: "We insure against accidental direct physical loss to the property described"
- b. Subsection c. of Peril 3. Windstorm, Hurricane and Hail, has been deleted entirely. This language still appears in Exclusion 6. We also added an "or" between subsections a.(1) and (2).

- c. Peril 9 has been restructured and revised. Among other things, we have:
- i. Changed the caption reference to "Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam", and made that change throughout the peril;
 - ii. Increased coverage by adding the reference to an automatic fire protection system that is above the surface of the ground in subsection c.
 - iii. We added language immediately following subsections 9a. - 9.d. describing what Peril 9 does not cover;
 - iv. Added the words "any", "eruption" and "from any source" to language specifying that Peril 9 does not cover any loss caused by constant, repeated or intermittent discharge, seepage, leakage, eruption, overflow or release of water or steam from any source;
 - v. Moved and revised language that had previously been found in the Water Damage exclusion relating to freezing to item (2) of the section that specifies what Peril 9 does not cover;
 - vi. Added item (3) specifying that Peril 9 does not cover any loss caused by or resulting from mold, fungi, bacteria or other microbes, or wet or dry rot;
 - vii. Added the word "reasonable" before "cost of tearing out and replacing", added the word "actually" before "necessary to repair or replace" and added "leaked" and "or was released" in the paragraph that immediately follows items (1) - (3), which specify what Peril 9 does not cover;
 - viii. Added the reference to Peril 9 in the Limit of Liability paragraph.

4. Change to Section I - Exclusions

- a. We added the words "Loss to" before "Electrical Devices" in the caption reference to Exclusion 1. We also changed the word "ensuing" to "resulting" in the second sentence. The second and third sentences have been combined into one sentence that specifies "we do cover resulting loss caused by fire, smoke, explosion, theft or attempted theft, or any act or attempted act of stealing."
- b. We revised Exclusion 2. Water Damage significantly. Among other things:
 - i. In subsection a., we changed the reference from "ensuing loss" to "resulting loss," and combined what had previously been two sentences so that subsection a. specifies that "we do cover resulting loss caused by fire, smoke, explosion, theft or attempted theft, or any act or attempted act of stealing";
 - ii. In subsection b., we added "or waterborne material " after "water" and added "leaks" and "sewers, drain lines, drains, a sump, a sump pump, or similar equipment designed to drain water away from the **residences premises**" at the end of this subsection;
 - iii. In subsection d., we changed the language to provide that we do not cover "constant, repeated or intermittent discharge, seepage, leakage, collection, overflow or release of water or steam from any source, including from, within or around any pipe joint, plumbing fixture, shower stall, shower bath, bathtub, bathtub installation, drain line, drain pan, air conditioning overflow pan, duct work, or appliance including constant, repeated or intermittent discharge, seepage, leakage, overflow or release of water or steam around or through walls, ceilings or floors from any source."
 - iv. Subsection e., dampness of atmosphere or condensation, previously was included in what had been Exclusion 11 in the 1st and 2nd Editions. (What had been subsection e. of the Water Damage exclusion is now found in Peril 9.)
 - v. Subsection f.(2) was revised to add the words "slab or" before "foundation", and "including foundation piers or foundation beams" following "foundation."
 - vi. The language in subsection g. is new.

- c. The Mold, Fungi, Bacteria or Other Microbes, or Wet or Dry Rot exclusion has been renumbered from 7 to 6. In addition, we have added the reference to "other microbes" throughout the endorsement. We have restructured this exclusion so it has subsections a. and b., and subsection a. has two subparts that specify that we do not cover the cost for remediation for mold, fungi, bacteria or other microbes, or wet or dry rot, or any increase in expenses for Loss of Use and/or Debris Removal due to remediation. Subsection b. is new.
- d. We numbered the Nuclear Damage exclusion from 6 to 7.
- e. We revised Exclusion 9 so that outdoor equipment is moved to subsection b. so that coverage for such equipment is now provided for Peril 3.
- f. We revised Exclusion 10. Earth Movement by adding "contributed to, aggravated by, resulting from" to the introductory paragraph and adding the second paragraph.
- g. We revised Exclusion 11 to also exclude rust, decay, rats, mice, vermin, termites, moths or other insects, contamination, neglect, improper maintenance, failure to make proper repairs, and failure to make timely repairs. We also have included subparts and made it clear that subsection a. does not apply to Peril 9. We deleted reference to dampness of atmosphere, extremes of temperature or condensation. Dampness of atmosphere and condensation have been moved to Exclusion 2. Water Damage.

5. Change to Section II - Exclusions

The 4th Edition adds the words "or other microbes" to Section II - Exclusions, paragraph 1.m.

Again, this is only a summary of the changes we have made with the TX040A, 4th Edition. For a full description of the coverages, limits and exclusions in your homeowners policy, you should carefully review the HOA policy and the enclosed copy of the 4th Edition.

If you have any questions about your policy or the endorsements, please contact your Farmers® agent who is ready to assist you.

TEXAS HOMEOWNERS AMENDATORY ENDORSEMENT
(For use with Form HO-A)

TX040A
4th Edition

The following endorsement changes your policy. Please read this document carefully and keep it with your policy.

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM AS SET FORTH BELOW IN THIS ENDORSEMENT BY ADDING **DEFINITION 10** AND BY DELETING AND REPLACING THE FOLLOWING PROVISIONS:

SECTION I - PROPERTY COVERAGE, EXTENSIONS OF COVERAGE PARAGRAPH 2., LOSS OF USE;

SECTION I - PERILS INSURED AGAINST;

SECTION I - EXCLUSIONS; AND

SECTION II - EXCLUSIONS

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM BY ADDING THE FOLLOWING DEFINITION 10 UNDER **DEFINITIONS**:

10. **Remediation** means to treat, contain, remove, or dispose of mold, fungi or other microbes beyond that which is required to repair or replace the covered property physically damaged by water or steam. **Remediation** includes any testing to detect, measure or evaluate mold, fungi, or other microbes and any decontamination of the **residence premises** or property.

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM BY DELETING **SECTION I - PROPERTY COVERAGE, EXTENSIONS OF COVERAGE PARAGRAPH 2., LOSS OF USE**, IN ITS ENTIRETY AND BY REPLACING IT WITH THE FOLLOWING:

SECTION I - PROPERTY COVERAGE, EXTENSIONS OF COVERAGE

2. **LOSS OF USE.** If a loss caused by a peril under **SECTION I - PERILS INSURED AGAINST**, other than a loss caused by Peril 9, Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam, makes the **residence premises** wholly or partially untenantable, we cover:
- additional living expense, meaning reimbursement of any necessary and reasonable increase in living expense you incur so that your household can maintain its normal standard of living; or
 - fair rental value, meaning the fair rental value of that part of the **residence premises** usually rented to others by you, less any expenses that do not continue.

The total limit of liability for all loss of use under this extension of coverage is 10% of the Coverage A (Dwelling) limit of liability. This is additional insurance and does not reduce the Coverage A (Dwelling) limit of liability.

The deductible clause does not apply to loss of use coverage.

Payment will be for the reasonable time required to repair or replace the damaged property. If you permanently relocate, payment will be for the reasonable time required for your household to become settled.

The periods of time for loss of use are not limited by expiration of this policy.

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM BY DELETING **SECTION I - PERILS INSURED AGAINST** IN ITS ENTIRETY AND REPLACING IT WITH THE FOLLOWING PROVISION:

**SECTION I - PERILS INSURED AGAINST
COVERAGE A (DWELLING) AND
COVERAGE B (PERSONAL PROPERTY)**

We **insure** against accidental direct physical loss to the property described in **COVERAGE A (DWELLING)** and **COVERAGE B (PERSONAL PROPERTY)** caused by a peril listed below, unless the loss is excluded in **SECTION I - EXCLUSIONS**:

1. Fire and Lightning.

2. Sudden and Accidental Damage from Smoke.

This peril does not cover loss caused by smog or by smoke from industrial or agricultural operations.

3. Windstorm, Hurricane, and Hail.

This peril does not cover:

a. loss to the following:

- (1) cloth awnings, greenhouses and their contents, buildings or structures located wholly or partially over water and their contents; or
- (2) radio and television towers, outside satellite dishes, masts and antennas, including lead-in wiring, wind chargers and windmills.

b. loss caused by rain, snow, sand or dust, whether or not driven by wind, unless the direct force of wind or hail makes an opening in the roof or wall and the rain, snow, sand or dust enters through this opening and causes the damage.

4. Explosion.

5. Aircraft and Vehicles.

Loss must result from actual physical contact of a vehicle with covered property or with the building containing the covered property.

6. Vandalism and Malicious Mischief.

7. Riot and Civil Commotion.

8. Theft, including attempted theft and loss of property from a known place when it is likely that the property has been stolen.

This peril does not cover:

- a. personal property while away from the **residence premises** at any other residence owned by, rented to or occupied by an **insured**, except while an **insured** is temporarily living there.
- b. personal property while away from the **residence premises** and unattended in or on any motor vehicle or trailer, other than a public conveyance, unless all its doors, windows and other openings are closed and locked and there are visible marks of forcible entry.

Property is not unattended when the **insured** has entrusted the keys of the vehicle to a custodian.

c. building materials and supplies not on the **residence premises**.

9. Sudden and Accidental Discharge, Eruption, Overflow or Release of Water or Steam from:

- a. within any portion of any plumbing system that is above the surface of the ground;
- b. within any portion of any heating or air conditioning system that is above the surface of the ground;
- c. within any portion of an automatic fire protection system that is above the surface of the ground; or
- d. within any household appliance.

This peril does not cover:

- (1) any loss caused by constant, repeated or intermittent discharge, seepage, leakage, eruption, overflow or release of water or steam from any source;

- (2) any loss to the system or appliance from which the water or steam was discharged, erupted, overflowed or was released. However, if the sudden and accidental discharge, eruption, overflow or release was caused by the freezing of any portion of a plumbing system that is above the surface of the ground, or of any heating or air conditioning system that is above the surface of the ground, or of any automatic fire protection system that is above the surface of the ground, or of any household appliance, we will cover the loss to these systems or appliances caused by freezing if:
- (a) the dwelling is occupied, not vacant and not being constructed; or
 - (b) the dwelling is vacant, unoccupied or being constructed, but you used reasonable care to: (i) maintain heat in the building; or (ii) shut off the water supply and drain the system and appliance of water while the **residence premises** were vacant, unoccupied or being constructed; or
- (3) any loss caused by or resulting from mold, fungi, bacteria or other microbes, or wet or dry rot including:
- (a) the cost for **remediation** for mold, fungi, bacteria or other microbes, or wet or dry rot; or
 - (b) any increase in expenses for Loss of Use and/or Debris Removal due to **remediation** for mold, fungi, bacteria or other microbes, wet or dry rot.

A loss from this Peril includes the reasonable cost of tearing out and replacing that part of the dwelling structure, excluding the slab or the foundation, actually necessary to repair or replace the system or appliance from which the water or steam was discharged, erupted, overflowed or was released.

Our total **LIMIT OF LIABILITY** is \$ _____ for any and all loss(es) caused by Peril 9 during the policy period stated on the declarations page, whether for Coverage A (Dwelling), Coverage B (Personal Property), additional living expense or fair rental value, or any combination thereof. This total limit of liability is the most we will pay for any and all loss(es) caused by Peril 9 regardless of the number of losses that occur during the policy period stated on the declarations page. Each payment for a loss for this peril during the policy period will reduce this limit of liability by the amount of each such payment for the remainder of the policy period.

This is not additional insurance and does not increase the **COVERAGE A (DWELLING)** or **COVERAGE B (PERSONAL PROPERTY)** limit of liability.

- 10. **Fall of trees or limbs, including felling, topping or trimming.**
- 11. **Objects falling from the weight of ice, snow or sleet.**
- 12. **Collapse of building or any part of the building.**

We do not cover loss either consisting of, or caused directly or indirectly by earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils

- 13. **Breakage of glass which is part of the building, including glass in storm doors and storm windows.**

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM BY DELETING **SECTION I - EXCLUSIONS** IN ITS ENTIRETY AND BY REPLACING IT WITH THE FOLLOWING PROVISIONS:

SECTION I - EXCLUSIONS

We do not cover property described under Coverage A (Dwelling) or Coverage B (Personal Property) for loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event contributing concurrently, or in any sequence to the loss.

- 1. **Loss to Electrical Devices.**

We do not cover loss to electrical devices or wiring caused by electricity other than lightning. We do cover resulting loss caused by fire, smoke, explosion, theft or attempted theft, or any act or attempted act of stealing.

2. **Water Damage.**

We do not cover water damage, meaning:

- a. flood, surface water, waves, tidal water or tidal waves, overflow of streams or other bodies of water or spray from any of these whether or not driven by wind;

We do cover resulting loss caused by fire, smoke, explosion, theft or attempted theft, or any act or attempted act of stealing;

- b. water or waterborne material which backs up through sewers or drains or which leaks or overflows from sewers, drain lines, drains, a sump, a sump pump, or similar equipment designed to drain water away from the **residence premises**;
- c. water below the surface of the ground, including water which exerts pressure on or seeps or leaks from within a below ground wastewater or plumbing system, or water that exerts pressure on, or that seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool, spa or other structure;
- d. constant, repeated or intermittent discharge, seepage, leakage, collection, overflow or release of water or steam from any source, including from, within or around any pipe joint, plumbing fixture, shower stall, shower bath, bathtub, bathtub installation, drain line, drain pan, air conditioning overflow pan, duct work, or appliance, including constant, repeated or intermittent discharge, seepage, leakage, overflow or release of water or steam around or through walls, ceilings or floors from any source.
- e. dampness of atmosphere or condensation;
- f. freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a:
 - (1) fence, pavement, patio or swimming pool or spa;
 - (2) slab or foundation, including foundation piers or foundation beams, retaining wall, or bulkhead; or
 - (3) pier, wharf or dock; or
- g. sudden and accidental discharge, eruption, overflow or release of water or steam:
 - (1) from within any portion of a plumbing or automatic fire protective sprinkler system that is either:
 - (a) below the surface of the ground, or
 - (b) within or below the slab or foundation; or
 - (2) from within any portion of a heating or air conditioning system that is either:
 - (a) below the surface of the ground; or
 - (b) within or below the slab or foundation.

3. **Governmental Action.**

We do not cover loss caused by the destruction of property by order of governmental authority. But we do cover loss caused by acts of destruction ordered by governmental authority taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

4. **Building Laws.**

We do not cover loss caused by or resulting from the enforcement of any ordinance or law regulating the construction, repair or demolition of a building or structure.

However, this exclusion is modified to provide coverage only to the extent described under Perils Insured Against and only to the extent described below in subparts a. through d. of this exclusion.

a. Coverage Provided.

You may use up to \$5,000 (at no additional premium) for the increased costs that you incur due to the enforcement of any ordinance or law, which requires or regulates:

- (1) the construction, demolition or repair of that part of a covered building or other structure damaged by a Peril Insured Against;

- (2) the demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or
- (3) the remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.

You may use all or part of this coverage to pay for the increased costs you incur to remove debris resulting from the construction, repair or replacement of property as stated in a. above.

This is additional insurance and does not reduce the Coverage A (Dwelling) limit of liability.

b. **Building Ordinance or Law Coverage Limitations**

We will not pay for the increased cost of construction;

- (1) if the building or structure is not rebuilt or repaired;
- (2) if the rebuilt or repaired building or structure is not intended for the same type occupancy as the current building or structure;
- (3) until the building or structure is actually repaired or rebuilt at the same premises; or
- (4) unless the rebuilding or repairs are made as soon as reasonably possible after the loss or damage, not to exceed 365 days after loss unless you have requested in writing that this time limit be extended for an additional 180 days.

c. **We do not cover**

- (1) the loss in value to any covered building or other structure due to the requirements of any ordinance or law; or
- (2) the costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, assess the effects of, pollutants on any covered building or other structure.

Pollutants mean any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes material to be recycled, reconditioned or reclaimed.

- d. 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.

5. **War Damage.**

We do not cover loss resulting directly or indirectly from war. This includes undeclared war, civil war, insurrection, rebellion, revolution, warlike act by military personnel, destruction or seizure or use for military purpose, and any consequence of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.

6. **Mold, Fungi, Bacteria or Other Microbes, or Wet or Dry Rot.**

- a. We do not cover loss caused by or resulting from mold, fungi, bacteria or other microbes, or wet or dry rot, including:

- (1) the cost for **remediation** for mold, fungi, bacteria or other microbes, or wet or dry rot; or
- (2) any increase in expenses for Loss of Use and/or Debris Removal due to **remediation** for mold, fungi, bacteria or other microbes, or wet or dry rot.

- b. The physical presence of mold, fungi, bacteria or other microbes, or wet or dry rot on that portion of covered property which must otherwise be repaired or replaced because of direct physical loss caused by water or steam damage covered under this policy shall not result in the exclusion of such water or steam damage loss if it is otherwise covered under this policy.

7. Nuclear Damage.

We do not cover loss resulting directly or indirectly from nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused. We cover direct loss by fire resulting from nuclear reaction, radiation or radioactive contamination.

8. Settling, Cracking, Bulging, Shrinkage, or Expansion.

We do not cover loss consisting of, caused by, contributed to, aggravated by or resulting from settling, cracking, bulging, shrinkage, or expansion of foundations, foundation piers, foundation beams, slabs, walls, floors, ceilings, roof structures, walks, drives, curbs, fences, retaining walls, bulkheads, spas, or swimming pools. Acts or omissions of persons can cause, contribute to or aggravate settling, cracking, bulging, shrinkage, or expansion of foundations, foundation piers, foundation beams, slabs, walls, floors, ceilings, roof structures, walks, drives, curbs, fences, retaining walls, bulkheads, spas or swimming pools. Also, settling, cracking, bulging, shrinkage, or expansion of foundations, foundation piers, foundation beams, slabs, walls, floors, ceilings, roof structures, walks, drives, curbs, fences, retaining walls, bulkheads, spas or swimming pools can occur naturally to cause a loss or combine with acts or omissions of persons to cause loss. Whenever settling, cracking, bulging, shrinkage, or expansion of foundations, foundation piers, foundation beams, slabs, walls, floors, ceilings, roof structures, walks, drives, curbs, fences, retaining walls, bulkheads, spas or swimming pools occurs, the loss is always excluded under this policy, however caused.

9. Outdoor Equipment, Fences, Driveways, Walks, Lawns, Trees, Shrubs and Plants or Retaining Walls and Bulkheads.

- a. We do not cover loss to driveways, walks, lawns, trees, shrubs and plants or retaining walls and bulkheads not a part of the building. This subpart only applies to Perils 2, 3, 9, 10, 11, 12 and 13.
- b. We do not cover loss to outdoor equipment or fences. This subpart only applies to Perils 2, 9, 10, 11, 12 and 13.

10. Earth Movement.

We do not cover loss either consisting of, contributed to, aggravated by, resulting from or caused directly or indirectly by earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils.

Acts or omissions of persons can cause, contribute to, or aggravate earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils. Also, earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils can occur naturally to cause a loss or combine with acts or omissions or persons to cause loss. Whenever earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils occurs, the earthquake, earth movement, landslide, subsidence or earth sinking, or the rising, shifting, expansion, contraction, settling or movement of surface or subsurface soils, and any resulting loss, is always excluded under this policy, however caused.

11. Wear and Tear, Inherent Vice, Rust, Deterioration, Decay, Rats, Mice, Vermin, Termites, Moths or Other Insects, Contamination, Neglect, Improper Maintenance, Failure to Make Proper Repairs, Failure to Make Timely Repairs.

We do not cover loss caused by:

- a. wear and tear, inherent vice, rust, deterioration, decay or loss caused by any quality in property that causes it to damage or destroy itself;

This subpart a. does not apply to Peril 9;

- b. rats, mice, vermin, termites, moths or other insects;

- c. contamination; or
- d. neglect, improper maintenance, the failure to make proper repairs or the failure to make timely repairs.

12. **Planning, Zoning, Construction or Maintenance.**

We do not cover loss consisting of, caused by, contributed to, aggravated by or resulting from inadequate or defective planning, zoning, development, surveying, siting, design, specifications, workmanship, construction, grading, compaction, maintenance, repairs, or materials, whether used in construction, remodeling, maintenance or repair of part or all of any property (including land, structures or any improvements) whether on or off the **insured location**.

THIS ENDORSEMENT AMENDS THE HO-A POLICY FORM BY DELETING **SECTION II - EXCLUSIONS** IN ITS ENTIRETY AND BY REPLACING IT WITH THE FOLLOWING PROVISIONS:

SECTION II - EXCLUSIONS

1. **Coverage C (Personal Liability) and Coverage D (Medical Payments to Others)** do not apply to:

- a. **bodily injury** or **property damage** which is caused intentionally by or at the direction of the **insured**;
- b. **bodily injury** or **property damage** arising out of or in connection with a **business** engaged in by an **insured**. But this exclusion does not apply to activities which are ordinarily incidental to non-business pursuits.
- c. **bodily injury** or **property damage** arising out of the rental or holding for rental of any part of any premises by an **insured**. This exclusion does not apply to the rental or holding for rental of an **insured location**:
 - (1) on an occasional basis if used only as a residence;
 - (2) in part for use only as a residence, unless a single family unit is intended for use by the occupying family to lodge more than two roomers or boarders;
 - (3) in part, as an office, school or studio; or
 - (4) if the rental is for not more than three car spaces or stalls in garages or stables.
- d. **bodily injury** or **property damage** arising out of the rendering of or failure to render professional services.
- e. **bodily injury** or **property damage** arising out of a premises:
 - (1) owned by an **insured**;
 - (2) rented to an **insured**; or
 - (3) rented to others by an **insured**; that is not an **insured location**.This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**.
- f. **bodily injury** or **property damage** arising out of the ownership, maintenance, operation, use, loading or unloading of:
 - (1) motor or engine propelled vehicles or machines designed for movement on land, including attached machinery or equipment;
 - (2) trailers, semi-trailers or mobile homes;which are owned or operated by or rented or loaned to an **insured**.

However, this exclusion does not apply to:

- (1) motor vehicles which are not subject to motor vehicle registration and are:
 - (a) used for assisting the handicapped;
 - (b) used to service an **insured location**;
 - (c) golf carts while on the **residence premises** or used for golfing purposes;
 - (d) designed and used for recreational purposes; and are:
 - (i) not owned by an **insured**; or
 - (ii) owned by an **insured** while on the **residence premises**;
 - (e) in dead storage on the **residence premises**; or
 - (f) used exclusively on the **residence premises**.
- (2) trailers or semi-trailers while not being towed by or carried on a motor vehicle.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**.

g. **bodily injury** or **property damage** arising out of the ownership, maintenance, operation, use, loading or unloading of watercraft:

- (1) with inboard or inboard-outdrive motor power of more than 50 horsepower owned by or rented to an **insured**.
- (2) powered by one or more outboard motors with more than 25 total horsepower if the outboard motor is owned by an **insured**. But, outboard motors of more than 25 total horsepower are covered for the policy period if:
 - (a) you acquire them prior to the policy period and:
 - (i) you declare them at policy inception; or
 - (ii) your intention to insure is reported to us in writing within 45 days after you acquire the outboard motors.
 - (b) you acquire them during the policy period.
- (3) that is a sailing vessel, with or without auxiliary power, which is 26 feet or more in length owned by or rented to an **insured**.

This exclusion does not apply while the watercraft is on the **residence premises**.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**.

h. **bodily injury** or **property damage** arising out of the ownership, maintenance, operation, use, loading or unloading of aircraft.

Aircraft means any device used or designed for flight, except model or hobby aircraft not used or designed to carry people or cargo.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**.

i. **bodily injury** or **property damage** arising out of:

- (1) the entrustment by an **insured** to any person; or
- (2) the negligent supervision by an **insured** of any person;

with regard to the ownership, maintenance or use of any motor vehicle, watercraft or aircraft which is excluded in paragraph f., g. or h. above.

This exclusion does not apply to **bodily injury** to a **residence employee** arising out of and in the course of the **residence employee's** employment by an **insured**.

- j. **bodily injury** or **property damage** caused directly or indirectly by war. This includes undeclared war, civil war, insurrection, rebellion, revolution, warlike act by a military force or military personnel, destruction or seizure or use for military purpose, and any consequence of these. Discharge of a nuclear weapon will be deemed a warlike act even if accidental.
- k. **bodily injury** or **property damage** arising out of the transmission of sickness or disease by an **insured** through sexual contact.
- l. **bodily injury** to any person eligible to receive any benefits voluntarily provided or required to be provided by an **insured** under any workers' compensation law or occupational disease law.
- m. **bodily injury** or **property damage**:
Arising out of, caused by, contributed to, aggravated by or resulting from, whether directly or indirectly, mold, fungi, bacteria or other microbes, or wet or dry rot.
Coverage does not exist for:
- (1) the cost of testing, monitoring, abating, mitigating, removing, **remediating** or disposing of mold, fungi, bacteria or other microbes, or wet or dry rot;
 - (2) any supervision, instruction, disclosures, or failures to disclose recommendations, warnings, or advice given, or which allegedly should have been given, in connection with **bodily injury** or **property damage** arising out of, resulting from, caused by, contributed to, or aggravated by, whether directly or indirectly, mold, fungi, bacteria or other microbes, or wet or dry rot, or the activities described in subpart 1.(m)(1) above; and
 - (3) any obligation to share with or repay another who must pay damages because of **bodily injury** or **property damage** of the type described in this Exclusion. This applies regardless of any other cause that contributed directly or indirectly, concurrently or in any sequence to the **bodily injury** or **property damage**.
- n. **bodily injury** or **property damage**:
Arising out of the sale or transfer of real property, including but not limited to the following:
- (1) known or unknown property or structural defects;
 - (2) known or hidden defects in the plumbing, heating, air conditioning or electrical systems;
 - (3) known or unknown soil conditions or drainage problems;
 - (4) concealment or misrepresentation of any known defects.
2. **Coverage C (Personal Liability)** does not apply to:
- a. liability under any contract or agreement.
However, this exclusion does not apply to written contracts:
 - (1) that directly relate to the ownership, maintenance or use of an **insured location** or
 - (2) where the liability of others is assumed by an **insured**;unless excluded elsewhere in this policy.
 - b. **property damage** to property owned by an **insured**.
 - c. **property damage** to property rented to, occupied or used by or in the care of an **insured**.
This exclusion does not apply to **property damage** caused by fire, smoke or explosion.
 - d. **bodily injury** or **property damage** for which an **insured** under this policy is also an **insured** under a nuclear energy liability policy or would be an **insured** under that policy but for the exhaustion of its limit of liability.

A nuclear energy liability policy is one issued by American Nuclear Insurers, Mutual Atomic Energy Liability Underwriters, or Nuclear Insurance Association of Canada.

e. **bodily injury** to you or an **insured** within the meaning of part a. or part b. of **insured** as defined.

3. **Coverage D (Medical Payments to Others)** does not apply to:

a. **bodily injury** to a **residence employee** if the **bodily injury**:

(1) occurs off the **insured location**; and

(2) does not arise out of or in the course of the **residence employee's** employment by an **insured**.

b. **bodily injury** to any person, other than a **residence employee** of an **insured**, regularly residing on any part of the **insured location**.

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This endorsement is part of your policy. It supersedes and controls anything to the contrary. It is otherwise subject to all other terms of the policy.