

POLICYHOLDER NOTICE

COVID-19 (CORONAVIRUS) ADVISORY NOTICE TO POLICYHOLDERS – COMPREHENSIVE ALL RISK FORM (HPR)

This Notice is being provided at the request of the New York Department of Financial Services. The purpose of this Notice is to provide you with an overview of some of the relevant policy terms and conditions of our Comprehensive All Risk Form SHPR 00 100 (0519) (hereinafter “Property Policy”) that could affect a claim in connection with COVID-19. Please note that this Notice only includes an analysis of the Property Policy itself and does not include any endorsements whether manuscript or standard forms that may be part of any actual issued policy unless otherwise indicated below.

This Notice does not form part of your policy. No coverage is provided by this Notice nor can it be construed to replace any provision of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided. If there is any conflict between your policy and this Notice, **THE PROVISIONS OF THE POLICY SHALL PREVAIL.**

Carefully read your policy, including the endorsements attached to your policy.

The contents of this Notice are intended for general information purposes only and is not intended to constitute legal or other professional advice and should not be relied upon in lieu of consultation with your own legal advisors.

Please be advised that there may be other provisions of the actual issued insurance policy that may affect the extent of coverage provided for any actual claim. Coverage can only be determined by applying all of the facts and circumstances of a given claim to terms and conditions of the actual issued policy.

Your policy includes business income loss and related time element coverages. Specific provisions of the Property Policy that may affect a claim in connection with COVID-19 include the following:

LOSS DUE TO VIRUS OR BACTERIA EXCLUSION

The Property Policy contains a Loss Due To Virus Or Bacteria exclusion under paragraph A. 9. of IV – Exclusions of Section B – Property Damage Coverage Part as follows:

- A.** This policy excludes loss or damage directly or indirectly caused by or resulting from any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:
- 9. Loss Due To Virus Or Bacteria** - This policy does not insure against loss or damage caused by or resulting from any virus, bacterium or other micro-organism that induces or is capable of inducing physical distress, illness or disease; however, this exclusion does not apply to loss or damage caused by or resulting from “fungus”, wet rot, dry rot. Such loss or damage is addressed in a separate exclusion in this policy.

This exclusion applies to all coverage under all forms and endorsements that comprise this policy, including but not limited to forms or endorsements that cover property damage to buildings or personal property and forms or endorsements that cover gross earnings, extra expense or action of civil authority.

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With respect to any loss or damage subject to this exclusion, such exclusion supersedes any exclusion relating to “pollutants”.

(emphasis added). To the extent loss or damage is caused by or attributable to a virus, bacteria or other micro-organism such as COVID-19, the exclusion would apply.

DIRECT PHYSICAL LOSS OR DAMAGE

The trigger for coverage under the Property Policy is “direct physical loss or damage” as set forth in Section A – Declarations, II. Insuring Agreement as follows:

II. INSURING AGREEMENT

This policy insures against risks of direct physical loss or damage to covered property while at an Insured Location or on land within one thousand (1,000) feet thereof, unless otherwise excluded or subject to limitations elsewhere in this policy, and provided such physical loss or damage occurs during the term of this policy. Any other type of insurance coverage shall be in writing and/or contained in a specific endorsement referenced in the Declarations of this policy.

(emphasis added). Thus, for coverage to apply there must be direct physical loss or damage to covered property from a peril not otherwise excluded. To the extent there is no direct physical loss or damage caused by COVID-19, there would be no coverage under the Property Policy. Typically, there must be a distinct and demonstrable physical change to covered property necessitating some remedial action to demonstrate physical loss or damage.

ADDITIONAL COVERAGES

The Property Policy contains 7. Decontamination Costs of III. Additional Coverages of Section B – Property Damage Coverage Part as follows:

7. Decontamination Costs

If covered property is contaminated as a direct result of physical loss or damage insured by this policy and there is in force at the time of the loss any law or ordinance regulating “contamination” due to the actual, not suspected presence of, “contaminant(s)”, 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 covered property in a manner to satisfy such law or ordinance. This Additional Coverage applies only to that part of covered property so contaminated due to the actual, not suspected presence of, “contaminant(s)” as a direct result of insured physical loss or damage. This Additional Coverage does not apply to “fungus”, wet rot or dry rot.

The most we will pay for these costs is **\$50,000** or the amount stated in the Declarations.

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We are 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.

The coverage under this policy for Decontamination Costs does not apply to the Additional Coverage Equipment Breakdown Hazardous Substances coverage.

Under Section E – Definitions, “contamination” means “any condition of property due to the actual presence of any foreign substance, impurity, chemical, “pollutant”, hazardous material, poison, toxin, pathogen or pathogenic organism, except “fungus” wet rot or dry rot.” Additionally, the Property Policy contains a Contamination exclusion under paragraph C. of IV – Exclusions of Section B – Property Damage Coverage Part as follows:

C. We will not pay for loss or damage caused by or resulting from the following unless it results from other direct physical loss or damage not excluded by this policy:

1. **“Contamination”** - We will not pay for any cost due to contamination including the inability to use or occupy property or any cost of making property safe or suitable for use or occupancy. If contamination due only to the actual not suspected presence of contaminants directly results from other physical damage not excluded by this policy, then only physical damage caused by such contamination may be insured.

This exclusion does not apply to radioactive contamination which is excluded elsewhere in this policy.

2. Shrinkage, evaporation, leakage of contents, change in flavor or texture or finish, decay or other spoilage, unless such loss or damage results directly from other physical damage not excluded in this policy.

(emphasis added). To the extent a virus like COVID-19 would be considered a pathogen or pathogenic organism within the definition of “contamination”, the Decontamination Costs Additional Coverage applies only to that part of covered property so contaminated as a direct result of insured physical loss or damage. To the extent there is no such direct physical loss or damage caused by COVID-19 to the covered property, there would be no coverage for Decontamination Costs under this Additional Coverage. Additionally, to the extent loss or damage is caused by or attributable to any virus, bacteria or micro-organism such as COVID-19, it would be excluded and not insured physical loss or damage. Please see Loss Due To Virus Or Bacteria exclusion under paragraph A. 9. and the Contamination exclusion under paragraph C. of IV – Exclusions of Section B – Property Damage Coverage Part.

TIME ELEMENT

Section C – Time Element Coverage Part, paragraph A. of II. Loss Insured provides:

- A. If applicable, this policy insures “Time Element” loss the Insured sustains as provided in the Time Element Coverages. The Time Element loss must result from the necessary “suspension” of the

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insured's business activities at an Insured Location during the Period of Restoration. The "suspension" must be due to direct physical loss of or damage to property of the type insurable under this policy, and the loss or damage must be caused by a "covered cause of loss" as insured against in this policy.

There is recovery only to the extent that the Insured is:

1. Unable to make up lost production within a reasonable period of time not limited to the period during which production is suspended;
2. Unable to continue such operations or services during the Period of Restoration; and
3. Able to demonstrate a loss of revenue for the operations, services or production suspended.

(emphasis added). For business income coverage to apply, there must be direct physical loss or damage caused by a covered cause of loss. To the extent there is no direct physical loss or damage caused by COVID-19, there would be no coverage for business income loss under the Property Policy. In addition in III. Time Element Coverages, provisions A. Gross Earnings and B. Extra Expense, provide:

A. Gross Earnings

We will pay for the actual loss of Gross Earnings sustained by the Insured due to the necessary "suspension" of the Insured's business activities during the Period of Restoration. The "suspension" must be due to physical loss or damage of the type insured against to real or personal property of the type covered, at Insured Locations...

B. Extra Expense

We will pay for the reasonable and necessary Extra Expense incurred by the Insured, to resume and continue as nearly as practicable the Insured's "normal" business activities that otherwise would be suspended, due to direct physical loss of or damage caused by a "covered cause of loss" to property at an Insured Location.

Extra Expense, wherever used in this policy, means that amount spent during the Period of Restoration to continue the Insured's business activities, over and above the expenses the Insured would normally have incurred had there been no necessary suspension of the Insured's business activities...

(emphasis added). As consistent with Paragraph A. of II. Loss Insured, Gross Earnings and Extra Expense also requires direct physical loss or damage by a covered cause of loss. To the extent there is no direct physical loss or damage caused by COVID-19, there would be no coverage for Gross Earnings and Extra Expense under the Property Policy.

Under IV. Time Element Coverage Extensions of Section C. – Time Element Coverage Part, the Property Policy contains the following Time Element Coverage Extensions:

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A. Dependent Locations

We will pay the actual loss sustained by the Insured, during the Period of Restoration, as a direct result of the necessary "suspension" of operations at Insured Locations. The necessary suspension of operations at the Insured Locations must be a result of loss or damage by a "covered cause of loss", to Property (of the type insurable under this policy), at a direct Dependent Location as specified below.

1. A Dependent Location means a location operated by others that the insured depends upon. Dependent Locations include but is not limited to:
 - a. Contributing locations - these are the Insured's direct suppliers designated on the Schedule of Dependent Locations attached to this policy, that deliver materials or services to the insured or to others for the account of the Insured. An indirect supplier is not a Contributing location;
 - b. Recipient locations - these are locations designated on the Schedule of Dependent Locations attached to this policy, that receive the insured's products. An indirect recipient is not a Recipient location;
 - c. Any other Contributing or Recipient Locations not operated by the Insured, wherever located within the United States (including its territories and possessions), Canada, and Puerto Rico and not elsewhere. But in no event shall the Company be liable for loss caused by damage to any such property not specifically named and described herein for any amount in any one occurrence exceeding **\$100,000**.
 - d. Leader locations - these are locations that attract customers to the insured's business;
 - e. Manufacturing or contract service provider locations - these are locations that make products for delivery to the insured's customers under contract of sale; or
 - f. A Location of a company under a royalty, licensing fee or commission agreement with the Insured.

Dependent Locations do not include locations of any company directly or indirectly supplying:

- (1) Water supply services;
- (2) Power supply services; or
- (3) Communication supply services, including services relating to internet access or access to any electronic network...

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D. Ingress/Egress

We will pay the actual Gross Earnings loss sustained by the Insured, resulting from the necessary “suspension” of the Insured’s business activities, when existing ingress to or egress from an Insured Location is prevented. The physical prevention of ingress to or egress from an Insured Location must be due to direct physical loss or damage caused by a “covered cause of loss”, to property of the type insured against by this policy, within one mile of an Insured Location.

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 voice, data or video.
2. Picketing or other action by strikers except for physical damage not excluded by this policy.

This Coverage Extension provides coverage for a period not to exceed **thirty (30) consecutive days** from the date of the direct physical loss or damage.

This coverage does not apply if ingress to or egress from the Insured Location is prohibited by order of civil or military authority.

E. Interruption By Civil Authority

This policy is extended to cover the actual Gross Earnings loss sustained and Extra Expense incurred while access to an Insured Location is specifically denied by order of civil authority. This order must be a result of direct physical loss of or damage to property, other than at an insured Location, and must be caused by a “covered cause of loss”.

Unless otherwise indicated in the Declarations, this coverage extension is limited to **thirty (30) consecutive days** from the date of the order.

(emphasis added). The above listed Time Element Coverage Extensions require that the subject property of each respective Time Element Coverage Extension sustains direct physical loss or damage caused by a covered cause of loss. As indicated below in this Notice, the definition of a covered cause of loss only includes risks of direct physical loss or damage from any cause unless excluded. For the Time Element Coverage Extensions to apply, there must be direct physical loss or damage to covered property caused by a covered cause of loss. To the extent there is no such direct physical loss or damage caused by COVID-19 to the subject property of each respective Time Element Coverage Extension, there would be no coverage for business income loss under the Time Element Coverage Extensions of the Property Policy. Moreover, to the extent COVID-19 is an excluded cause of loss, there would be no coverage for business income loss under the Time Element Coverage Extensions of the Property Policy.

DEFINITIONS

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Under Section E – Definitions, definition 11. covered cause of loss is defined as follows:

11. “Covered Cause of Loss” - all risks of direct physical loss of or damage from any cause unless excluded.

(emphasis added). As indicated above in this Notice, to the extent loss or damage is caused by or attributable to any virus, bacteria or micro-organism such as COVID-19 it would be excluded and not within the scope of the “covered cause of loss” definition. Please see Loss Due To Virus Or Bacteria exclusion under paragraph A. 9. of IV – Exclusions of Section B – Property Damage Coverage Part.