

**NORTH CAROLINA DEPARTMENT OF INSURANCE  
STATE PROPERTY FIRE INSURANCE FUND  
GENERAL PROPERTY COVERAGE POLICY**

Throughout this policy the words "you" and "your" refer to the insured State Agency shown in the Declarations. The word "Fund" refers to the State Property Fire Insurance Fund.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION H - DEFINITIONS.

**A. COVERAGE**

The Fund will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from a Covered Cause of Loss.

**1. COVERED PROPERTY**

Covered Property, as used in this policy, means the type of property described in this section, **A.1.**, and limited in **A.2.**, Property Not Covered, if a Limit of Insurance is shown in the Declarations for that type of property.

**a. Building**, meaning the building or structure described in the Declarations, including:

- (1)** Completed additions;
- (2)** Fixtures (does not include storage fixtures and shelving -- see Business Personal Property);
- (3)** Permanently installed:
  - (a)** Machinery; and
  - (b)** Equipment;
- (4)** Outdoor fixtures (see Property Not Covered);
- (5)** Business personal property owned by you that is used to maintain or service the building or structure or its premises, including:
  - (a)** Fire extinguishing equipment;
  - (b)** Outdoor furniture;
  - (c)** Floor coverings; and
  - (d)** Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;

- (6) If not covered by other insurance:
  - (a) Additions under construction, alterations and repairs to the building or structure;
  - (b) Materials, equipment, supplies and temporary structures, on or within 1000 feet of the described premises, used for making additions, alterations or repairs to the building structure.

**b. Your Business Personal Property (Contents)** located in or on the building described in the Declarations or in the open (or in a vehicle) within 1000 feet of the described premises, consisting of the following unless otherwise specified in the Declarations:

- (1) Furniture and fixtures (includes storage fixtures and shelving);
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove.

Note: The Fund must be notified if coverage is desired.

- (6) Business personal property that is leased or on loan to you for which you have a contractual responsibility to insure, *if the property has been specifically reported to the Fund and a premium has been paid.*

## 2. PROPERTY NOT COVERED

Covered Property does not include:

- a. Accounts, bills, currency, deeds, evidences of debt, money, notes or securities;
- b. Animals, birds and fish:
  - (1) In connection with zoos, menageries, fairs, or other places of exhibition;
  - (2) Owned by others;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces, except building foundations;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. Land (including land on which the property is located), water, growing crops or lawns;
- g. Business personal property while airborne or waterborne;

- h.** Bulkheads, pilings, piers, wharves or docks, unless specifically described and a coverage amount is shown in the Declarations;
- i.** Property that is covered under another coverage form of this or any other coverage in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
- j.** Retaining walls that are not part of a building described in the Declarations;
- k.** The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media;
- l.** Any research value associated with animals, plants or other objects;
- m.** Vehicles or self-propelled machines (including aircraft or watercraft) that:
  - (1)** Are licensed for use on public roads; or
  - (2)** Are operated principally away from the described premises;
 This paragraph does not apply to:
  - (a)** Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
  - (b)** Rowboats or canoes out of water at the described premises;
- n.** The following property while outside of buildings:
  - (1)** Grain, hay, straw or other crops;
  - (2)** Trees, shrubs or plants;
  - (3)** Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, lighting systems, signs (other than signs attached to the buildings), unless specifically described and a coverage amount is shown in the Declarations;
- o.** Property which would not be repaired or replaced in the event of loss because of its condition (dilapidated, decayed, etc.) state of occupancy (abandoned, unused, etc.) or other causes. Cleanup of debris resulting from a covered loss to this property will be covered;
- p.** Property belonging to others, except business personal property that is leased or on loan to you for which you have a contractual responsibility to insure and the Fund has agreed to insure;
- q.** Property for which values have not been reported to the Fund within 60 days of acquisition.
- r.** Property while in transit.
- s.** Architect fees, unless an architect is required by General Statutes;

- t. Mobile homes and unlabeled modular buildings, except with the specific written consent of the Fund. (These structures do not meet the minimum requirements of the North Carolina Building Code). This does not apply to modular buildings that are labeled by an Approved Third Party Inspection Agency as complying with the North Carolina Building Code.
- u. Fine arts, including paintings, etchings, drawings (including their frames, glasses and shadow boxes), photographs, ceramics, rare books, manuscripts, rugs, tapestries, statuary, and other bonafide works of art, rarity, historic value, or artistic merit.

NOTE: Coverage for some Property Not Covered above may be available under separate policies.

### 3. COVERED CAUSES OF LOSS

- a. **Fire**
- b. **Lightning**

**COVERAGE IS PROVIDED FOR THE FOLLOWING CAUSES OF LOSS UNDER PARAGRAPHS c., d., e., f., and g. ONLY IF A PREMIUM IS PAID AND *EXTENDED COVERAGE* IS INDICATED IN THE DECLARATIONS.**

- c. **Windstorm or Hail**, but not including:
  - (1) Frost or cold weather;
  - (2) Ice (other than hail), snow or sleet, whether driven by wind or not; or
  - (3) Loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by rain, snow, sand or dust, whether driven by wind or not, unless the building or structure first sustains wind or hail damage to its roof or walls through which the rain, snow, sand or dust enters.
- d. **Explosion**, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass. This cause of loss does not include loss or damage by:
  - (1) Rupture, bursting or operation of pressure relief devices; or
  - (2) Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water.
- e. **Smoke** causing sudden and accidental loss or damage. This cause of loss does not include smoke from agricultural smudging or industrial operations. Smoke resulting from fire is covered under *fire* coverage.
- f. **Aircraft or Vehicles**, meaning only physical contact of an aircraft, a spacecraft, a self-propelled missile, a vehicle or an object thrown up by a vehicle with the described property or with the building or structure containing the described property.

This cause of loss includes loss or damage by objects falling from aircraft.

The Fund will not pay for loss or damage to business personal property caused by or resulting from vehicles you own or which are operated in the course of your business.

- g. Riot or Civil Commotion**, including:
- (1)** Acts of striking employees while occupying the described premises; and
  - (2)** Looting occurring at the time and place of a riot or civil commotion.

**VANDALISM IS A COVERED CAUSE OF LOSS ONLY IF A PREMIUM IS PAID AND *VANDALISM (V&MM)* IS INDICATED IN THE DECLARATIONS:**

- h. Vandalism** means willful and malicious damage to, or destruction of, the described property.

The Fund will not pay for loss or damage caused by or resulting from theft under this coverage, except for building damage caused by the breaking in or exiting of burglars.

**SPRINKLER LEAKAGE IS A COVERED CAUSE OF LOSS ONLY IF A PREMIUM IS PAID AND *SPRINKLER LEAKAGE* IS INDICATED IN THE DECLARATIONS:**

- i. Sprinkler Leakage** means leakage or discharge of any substance from an Automatic Sprinkler System, including collapse of a tank that is part of the system.

If the building or structure containing the Automatic Sprinkler System is Covered Property, the Fund will also pay the cost to:

- (1)** Repair or replace damaged part of the Automatic Sprinkler System if the damage;
  - (a)** Results in sprinkler leakage; or
  - (b)** Is directly caused by freezing.
- (2)** Tear out and replace any part of the building or structure to repair damage to the Automatic Sprinkler System that has resulted in sprinkler leakage.

Automatic Sprinkler System means:

- (a)** Any automatic fire protective or extinguishing system, including connected:
  - (i)** Sprinklers and discharge nozzles;
  - (ii)** Ducts, pipes, valves and fittings;
  - (iii)** Tanks, their component parts and supports; and
  - (iv)** Pumps and private fire protection mains.
- (b)** When supplied from an automatic fire protective system;
  - (i)** Non-automatic fire protective systems; and
  - (ii)** Hydrants, standpipes and outlets.

**THEFT IS A COVERED CAUSE OF LOSS ONLY IF A PREMIUM IS PAID AND *THEFT* IS INDICATED IN THE DECLARATIONS:**

- j. **Theft** means any act of stealing. The Fund will not pay for theft:
  - (1) Committed by employees
  - (2) Discovered on taking inventory;
  - (3) Due to wrongful conversion or embezzlement;
  - (4) Due to disappearance of any property unless there is evidence that the property was stolen;
  - (5) Due to acceptance of counterfeit money, fraudulent post office or express money orders, or checks or promissory notes not paid upon presentation; or
  - (6) Due to unauthorized instructions to transfer property to any person or to any place.

**4. ADDITIONAL COVERAGES**

**a. Debris Removal**

- (1) The Fund will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the coverage period.
- (2) This Additional Coverage does not apply to costs to:
  - (a) Extract "pollutants" from land or water; or
  - (b) Remove, restore or replace polluted land or water.

**b. Preservation of Property**

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, the Fund, if notified in advance, will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the loss or damage occurs within 10 days after the property is first moved.

Payments by the Fund for Preservation of Property will not increase the applicable Limit of Insurance.

**5. COVERAGE EXTENSION**

The following Extension applies only to property located in the State of North Carolina. You may extend the insurance provided by this policy as follows:

Newly Acquired Property

- (1) You may extend the insurance that applies to Building to apply to buildings you acquire at locations, other than the described premises.
- (2) You may extend the insurance that applies to Business Personal Property (Contents) to apply to that property at any location you acquire.
- (3) Insurance under this Extension for each newly acquired property will end when any of the following first occurs:
  - (a) This coverage expires or renews;
  - (b) 60 days expire after you acquire the property; or
  - (c) You report values to us.

The Fund may charge an additional premium for values reported from the date you acquire the property.

## **B. EXCLUSIONS**

1. The Fund will not pay for loss or damage caused directly or indirectly by 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.

### **a. Ordinance or Law**

The enforcement of any ordinance, code or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

### **b. Earth Movement**

- (1) Any earth movement, such as an earthquake, landslide, mine subsidence or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, the Fund will pay for that resulting loss or damage.
- (2) Volcanic eruption, explosion or effusion. But if loss or damage by fire results, the Fund will pay for that resulting loss or damage.

### **c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But the Fund will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

### **d. Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by fire results, the Fund will pay for that resulting loss or damage.

**e. Power Failure**

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if the failure of power or other utility service results in a Covered Cause of Loss, the Fund will pay for the loss or damage caused by that Covered Cause of Loss.

**f. War and Military Action**

- (1) War, including undeclared or civil war;
- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a sewer, drain or sump; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
  - (a) Foundations, walls, floors or paved surfaces;
  - (b) Basements, whether paved or not; or
  - (c) Doors, windows or other openings.

- (5) Release of water impounded by a dam regardless of cause.

But if loss or damage by fire, explosion or sprinkler leakage (if explosion or sprinkler leakage are covered causes of loss) results, the Fund will pay for that resulting loss or damage.

2. The Fund will not pay for loss or damage caused by or resulting from:



- a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if loss or damage by fire results, the Fund will pay for that resulting loss or damage caused by that fire. Electrical arcing is not a fire within the meaning of this policy.

- b. Rupture or bursting of water pipes (other than Automatic Sprinkler Systems if *sprinkler leakage* is a Covered Cause of Loss) unless caused by a Covered Cause of Loss.

- c. Leakage or discharge of water or steam resulting from any part of a system or appliance containing water or steam (other than an Automatic Sprinkler System if *sprinkler leakage* is a Covered Cause of Loss), unless the leakage or discharge occurs because the system or appliance was damaged by a Covered Cause of Loss.

- d. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if explosion of steam boilers, steam pipes, steam engines, or steam turbines results in fire or combustion explosion, the Fund will pay for the loss or damage caused by that fire or combustion explosion.

- e. Mechanical breakdown, including rupture or bursting caused by centrifugal force.

But if mechanical breakdown results in a Covered Cause of Loss, the Fund will pay for the loss or damage caused by that Covered Cause of Loss.

- 3. This policy does not insure against the following types of loss or damage:

- a. Indirect or remote loss or damage;
- b. Delay or loss of market; or
- c. Interruption of business;
- d. The cost of correcting or making good:
  - (1) Faulty workmanship, material, construction or design; or
  - (2) Inherent or latent defect.

NOTE: Coverage for some of the above situations may be available through other insurance policies.

**C. LIMITS OF INSURANCE**

The most the Fund will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations, except the Fund will pay the replacement cost at the time of loss for State-owned buildings.

The most the Fund will pay for any loss of or damage to any one head of "livestock" (other than animals individually described and specifically covered under this coverage) is the least of the following amounts:

1. 120% of the amount obtained by dividing the total insurance on the class and type of animal involved by the number of head of that class and type owned by you at the time of loss.
2. The actual cash value of the animal destroyed or damaged.
3. \$2,000

Each "calf", "lamb", "pig", "foal", "kid", or ostrich or emu "chick" will be valued at 50 percent of these amounts unless described separately.

For covered poultry, the limit of insurance per bird is its cash market value at time of loss.

#### **D. DEDUCTIBLE**

The Fund will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds a Deductible of \$500 for all covered types of losses, except \$1,000 for theft. The Fund will then pay the amount of loss or damage in excess of the Deductible, up to the applicable Limit of Insurance. Higher deductibles may apply if agreed upon by the agency and the Fund.

#### **E. COMMON COVERAGE CONDITIONS**

##### **1. CANCELLATION**

- a. Coverage may be canceled by you by mailing or delivering to the Fund advance written notice of cancellation. Any premium refund will be on a prorated basis.
- b. The Fund may cancel this coverage for nonpayment of premium.

##### **2. EXAMINATION OF YOUR BOOKS AND RECORDS**

The Fund may examine and audit your books and records as they relate to this coverage at anytime during the policy year and up to three years afterward.

##### **3. PREMIUMS**

You are responsible for the payment of all premiums by the beginning of the coverage period. If premiums are not received within 90 days after the beginning of the coverage period or receipt of the billing statement, the account will be referred to the Attorney General's Office for collection, in accordance with the Statewide Accounts Receivable Program.

#### **F. LOSS CONDITIONS**

##### **1. ABANDONMENT**

There can be no abandonment of any property to the Fund.

##### **2. DUTIES IN THE EVENT OF LOSS OR DAMAGE**

You must see that the following are done in the event of loss or damage to Covered Property:

- a. Notify the police if a law may have been broken.
- b. Give the Fund prompt notice of the loss or damage. Include a description of the property involved. Failure to notify the Fund promptly may void the coverage if the ability of the Fund or its reinsurer to adjust the claim is materially affected. However, in no event will a claim be paid unless the Fund is notified within 30 days of the loss occurrence. Special or unusual circumstances that prohibit prompt notification may be taken into consideration.
- c. As soon as possible, give the Fund a description of how, when and where the loss or damage occurred.
- d. Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in settlement of the claim. This will not increase the Limit of Insurance. However, the Fund will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- e. At the request of the Fund, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- f. As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records. Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.
- g. Send the Fund a signed statement of loss containing the information we request. The Fund will provide you with the necessary forms.
- h. Cooperate with the Fund in the investigation or settlement of the claim and keep the Fund apprised of the status of the claim.
- i. Final request for claim payment must be submitted within 90 days of completion of repair or replacement.
- j. The Fund will not honor claims that are submitted for payment more than three years from the date of the loss, unless the Fund agrees to an extension in writing. (This requires that (1) notification; (2) repair, reconstruction or replacement; and (3) final request for claim payment be completed within three years).

**3. INSURANCE UNDER TWO OR MORE COVERAGES**

If two or more of this policy's coverages apply to the same loss or damage, the Fund will not pay more than the actual amount of loss or damage.

**4. LOSS PAYMENT**

- a. In the event of loss or damage covered by this policy, the Fund will, at its option, either:
  - (1) Pay the value of lost or damaged property;
  - (2) Pay the cost of repairing or replacing the lost or damaged property, subject to **b.** below;
  - (3) Take all or any part of the property at an agreed or appraised value; or
  - (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to **b.** below.
- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance, code or law regulating the construction, use or repair of any property.
- c. The Fund will not pay you more than your financial interest in the Covered Property.

**5. OTHER INSURANCE**

It is anticipated that all property insurance available in this policy, for property belonging to the State of North Carolina, will be obtained from the Fund. If there is other insurance covering the same loss or damage, the Fund will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But the Fund will not pay more than the applicable Limit of Insurance.

**6. RECOVERED PROPERTY**

If you recover any property after loss settlement, you must give the Fund prompt notice. You must then return to the Fund the amount paid to you for the property. The Fund will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

**7. VACANCY**

If the building where loss or damage occurs has been "vacant" or "unoccupied" for more than 60 consecutive days before that loss or damage, the Fund will not pay for any loss or damage caused by any of the following events, if they are Covered Causes of Loss:

- a. Vandalism;
- b. Sprinkler leakage, unless you have protected the system against freezing;
- c. Theft or attempted theft.

For other Covered Causes of Loss, permission may be granted to cease operations or remain "vacant" or "unoccupied" for more than sixty (60) consecutive days, provided fire protection, watch and alarm services are maintained, and further provided that written notice is given to the Fund prior to the sixtieth consecutive day of cessation of operations, vacancy or unoccupancy.

The Fund will pay if the building is "unoccupied" due to circumstances that are usual or incidental to the described occupancy.

Buildings under construction are not considered "vacant" or "unoccupied".

## **8. VALUATION**

The Fund will determine the value of Covered Property in the event of loss or damage as follows:

- a.** At replacement cost as of the time of loss or damage, except as provided in b., c., and d. below.
- b.** "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- c.** Glass at the cost of replacement with safety glazing material if required by law.
- d.** Tenant's Improvements and Betterments at:
  - (1)** Replacement cost of the lost or damaged property if you make repairs promptly.
  - (2)** A proportion of your original cost if you do not make repairs promptly. The Fund will determine the proportionate value as follows:
    - (a)** Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (b)** Divide the amount determined in **(a)** above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
  - (3)** Nothing if others pay for repairs or replacement.
- e.** Valuable papers and records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of blank materials for reproducing the records;

The Fund will not pay on a replacement cost basis for any loss or damage:

- (1)** Until the lost or damaged property is actually repaired or replaced; and
- (2)** Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

The Fund will not pay more for loss or damage on a replacement cost basis than the least of:

- (1) The Limit of Insurance applicable to the lost or damaged property;
- (2) The cost to replace, on the same premises, the lost or damaged property with other property:
  - (a) Of comparable material and quality; and
  - (b) Used for the same purpose; or
- (3) The amount you actually spend that is necessary to repair or replace the lost or damaged property.

The Fund will have no liability for any property that is not repaired or replaced as a result of loss or damage.

#### **F. PERIOD OF COVERAGE AND TERRITORY**

Under this policy:

The Fund will cover loss or damage commencing:

- a. During the period shown in the Declarations; and
- b. Within the State of North Carolina. Coverage may be extended to other territories if the Fund is notified and agrees to insure.

#### **G. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO FUND**

If a State Agency or University to or for whom the Fund makes payment under this policy has rights to recover damages from another, those rights are transferred to the Fund to the extent of our payment. That agency or university must do everything necessary to secure our rights and must do nothing after a loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your covered property.
2. After a loss to your covered property only if, at time of loss, that party is someone insured by this insurance.

#### **H. DEFINITIONS**

1. "Extended Coverage" means insurance against loss or damage caused by windstorm, hail, explosion, riot, riot attending a strike, civil commotion, aircraft, vehicles or smoke.

- 2. a.** "Livestock" means cattle, sheep, swine, goats, horses, mules, donkeys, ostriches, and emus.

**b.** A "calf" is a bovine that is less than one year old.  
A "lamb" is a sheep that is less than six months old.  
A "pig" is a hog that weighs less than 100 pounds.  
A "foal" is a horse that is less than one year old.  
A "kid" is a goat that is less than six months old.  
An ostrich or emu "chick" is an ostrich or emu less than three months old.
- 3.** "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
- 4.** "Stock" means merchandise held in storage or for sale, raw materials and in process or finished goods, including supplies used in their packing or shipping.
- 5.** "Unoccupied" means containing contents pertaining to the occupancy of the building while operations or other customary activities are suspended.
- 6.** "Vacant" means containing no contents pertaining to operations or activities customary to occupancy of the building.

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