

**Tradewinds Utilities, Inc.**

P.O. Box 5220  
Ocala, FL 34478-5220  
352-622-4949

RECEIVED-FPSC  
11 JUN 23 7:21 AM 9:41

June 21, 2011

COMMISSION  
CLERK

Ms. Ann Cole  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, Florida 32399-0850

RE: Docket No. 100127-WU  
Docket No. 100126-WU

Dear Ms. Cole,

The following is the Utility Insurance Policy covering both Tradewinds Utilities, Inc. Docket No. 100127-WU and CFAT H2o, Inc. Docket No. 100126-WU.

Sincerely

*Charles deMenzes*

Charles deMenzes

DOCUMENT NUMBER-DATE

04329 JUN 23 =

FPSC-COMMISSION CLERK

# ARCH INSURANCE COMPANY

## WATER DISTRICTS INSURANCE PROGRAM COMMON POLICY DECLARATIONS

Policy No. GWPKG0122401  
Replacement No. GWPKG0122400

**NAMED INSURED AND MAILING ADDRESS:**  
RESIDENTIAL WATER SYSTEMS, INC.  
(SEE NAMED INSUREDS ENDORSEMENT  
CHARLES DE MENZES P.O. BOX 4230  
OCALA, FL 34478

**AGENT NAME AND ADDRESS:**  
Grundy Worldwide  
400 Horsham Rd, P.O. Box 1957  
Horsham PA 19044

**AGENT NO.:** GW001

**POLICY PERIOD:** From 10/07/2010 To 10/07/2011  
at 12:01 a.m. Standard Time at your mailing address shown above.

**TYPE OF DISTRICT:**  Water District  Sewer District  Irrigation District  
 Other:

In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

This policy consists of the following Coverage Parts for which a premium is indicated. This premium may be subject to adjustment.

	PREMIUM
Property and Inland Marine Coverage Part	\$ <u>Included</u>
Liability Coverage Part	\$ <u>Included</u>
Crime Coverage Part	\$ _____
Automobile Coverage Part	\$ <u>Included</u>
Employment-Related Practices Liability Part	\$ _____
_____	\$ _____
_____	\$ _____
TOTAL PREMIUM	\$ <u>6,489.00</u>
State Surcharge	\$ <u>159.01</u>
	_____
	_____
	_____

**FORMS APPLICABLE TO ALL COVERAGE PARTS:** See SD069 03 04

THESE DECLARATIONS TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART SUPPLEMENTAL DECLARATIONS, COVERAGE PARTS, FORMS AND ENDORSEMENTS, IF ANY, ISSUED TO FORM A PART THEREOF, COMPLETE THE ABOVE NUMBERED POLICY.

COUNTERSIGNED 11/9/10  
DATE

by Jan A. Hudy  
AUTHORIZED REPRESENTATIVE

SD066 00 03 04

DOCUMENT NUMBER-DATE

04329 JUN 23 =

FPSC-COMMISSION CLERK

# ARCH INSURANCE COMPANY

## SCHEDULE OF NAMED INSUREDS

Policy No. GWPKG0122401

Effective Date: 10/07/2010  
12:01 A.M., Standard Time

Named Insured: RESIDENTIAL WATER SYSTEMS, INC

Agent No. GW001

TRADEWINDS UTILITIES, INC.  
BFF CORP.  
CFAT H2O, INC.

# ARCH INSURANCE COMPANY

## SCHEDULE OF FORMS AND ENDORSEMENTS

Policy No. GWPKG0122401

Effective Date: 10/07/2010  
12:01 A.M., Standard Time

Named Insured Residential Water Systems, inc.Tradewinds Utilities

Agent No. GW001

### COMMON POLICY FORMS AND ENDORSEMENTS

SD065 00	03-04	Common Policy Conditions
SD066 00	03-04	Water Districts Insurance Program Common Policy Dec.
00 ML0065 00	06-07	U.S. Treasury Department's Office Of Foreign Assets Control ("OFAC") Advisory Notice To Policyholders
SD 068 00	03-04	Schedule of Named Insureds
SD099 10	03-04	Florida Changes – Cancellation and Nonrenewal
00MLT003600	01-06	Terrorism Coverage Disclosure Notice Disclaimer

### PROPERTY FORMS AND ENDORSEMENTS

SD012 00	03-04	Exclusion of Certain Date/Time Computer Related Losses
SD015 00	03-04	Margin Clause
SD005 00	03-04	Water Districts Insurance Program Property and Inland Marine Coverage Part
SD031 00	03-04	Equipment Breakdown Endorsement
SD022 00	03-04	Submersible Pumps Coverage
SD006 00	03-04	Water Districts Insurance Program Property and Inland Marine Coverage Part – Supplemental Declarations
SD017 00	03-04	Limited Coverage - "Fungus", Wet Rot, Dry Rot and Bacteria
SD100 10	03-04	Florida Changes - Property / IM
SD287 00	03-08	Limitation of Coverage for Certified Acts of Terrorism (Sub-Limit on Annual Aggregate Basis)
SD023 00	03-04	Windstorm or Hail Percentage Deductible

### LIABILITY FORMS AND ENDORSEMENTS

SD037 00	03-04	Water Districts Insurance Program Liability Coverage Part
SD038 00	03-04	Water Districts Insurance Program Liability Coverage Part Supplemental Declarations
SD051 00	03-04	Exclusion - Year 2000 Computer-Related and Other Electronic Problems
SD072 00	03-04	Exclusion-Dams

SD043 00	03-04	Blanket Additional Insured
SD047 00	03-04	Liab-Designated Ops Excl
SD290 00	03-08	Certified Acts of Terrorism Aggregate Limit; Cap on Losses from Certified Acts of Terrorism

### AUTOMOBILE FORMS AND ENDORSEMENTS

CA0001	10-01	BUSINESS AUTO COVERAGE FORM
FAIC-SKLBUS-DEC	06-01	Business Auto Cov. Form Dec.
FAIC-SKLBUS-S	06-01	Schedule of Covered Autos
IL 0017	11-98	Common Policy Conditions
IL 0021	07-02	Nuclear Energy Liability Excl.
CA 9933	02-99	Employees As Insured
CA 0045	03-03	Florida War Exclusion
IL 0003	07-02	Calculation of Premium
CA 0267	10-94	Florida Changes – Cancellation and Nonrenewal

**ARCH INSURANCE COMPANY**

**WATER DISTRICTS INSURANCE PROGRAM  
PROPERTY AND INLAND MARINE COVERAGE PART SUPPLEMENTAL DECLARATIONS**

These Supplemental Declarations form a part of policy number GWPKG0122401

**SCHEDULE OF COVERAGES AND LIMITS OF INSURANCE**

**Policy Limit of Insurance:**

Real and Personal Property (Owned) and Mobile Equipment (Owned)      Blanket Limit Per Schedule on file

**Deductibles:** Property      \$2,500 Per Occurrence

**Covered Property**

**Limit of Insurance**

Aboveground Piping	\$100,000 Per Occurrence
Above and Belowground Penstock	\$100,000 Per Occurrence
Communication Equipment	\$100,000 Per Occurrence
Computer Equipment and Electronic Media	\$100,000 Per Occurrence
Fine Arts	\$5,000 Per Occurrence
Mobile Equipment (Non-owned)	\$100,000 Per Occurrence
Outdoor Property including Signs	\$100,000 Per Occurrence
Paved Surfaces	\$100,000 Per Occurrence
Property in the Course of Construction	\$100,000 Per Occurrence
Real and Personal Property (Of Others)	\$100,000 Per Occurrence
Trees, Shrubs, and Landscape Plantings	\$1,000 Per Occurrence, No more than \$1,000 any one tree, shrub or landscape planting
Underground Piping (Within 100 feet of Premises)	\$100,000 Per Occurrence
Valuable Papers and Records	\$100,000 Per Occurrence

**Coverage Extensions**

**Limit of Insurance**

Accounts Receivable	\$100,000 Per Occurrence
Ammonia Contamination	\$100,000 Per Occurrence
Arson and Crime Reward	\$10,000 Per Occurrence
Bridges	\$1,000 Per Occurrence
Collapse	Included in Policy Limit of Insurance
Debris Removal	\$25,000 Per Occurrence
Demolition and Increased Cost of Construction	\$100,000 Per Occurrence
Expediting Expenses	\$100,000 Per Occurrence
Extra Expense	\$100,000 Per Occurrence
Fire Department Service Charge	\$25,000 Per Occurrence
Loss of Income	\$100,000 Per Occurrence
Pollutant Clean Up and Removal	\$25,000 Per 12-Month Policy Period
Preservation of Property	\$100,000 Per Occurrence
Rental Value	\$100,000 Per Occurrence
Utility Interruption	\$100,000 Per Occurrence
Vacant Buildings	\$100,000 Per Occurrence

**Mortgageholder Name And Mailing Address:**

**Forms And Endorsements**

Forms and endorsements applying to this Coverage Part and made part of this policy at time of issue: See SD069 00

Premium: \$ Included

THIS SUPPLEMENTAL DECLARATIONS AND THE COMMON POLICY DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART(S), FORMS AND ENDORSEMENTS, IF ANY, COMPLETE THE ABOVE NUMBERED POLICY.

**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC. TRADEWINDS UTILITY	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION OF CERTAIN DATE/TIME COMPUTER-RELATED LOSSES**

This endorsement modifies insurance provided under the following:

**PROPERTY COVERAGE PART  
CRIME COVERAGE PART**

- A.** We will not pay for loss or damage caused directly or indirectly by the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in sequence to the loss or damage.
- 1.** The failure, malfunction or inadequacy of:
    - a.** Any of the following, whether belonging to any insured or to others:
      - (1) Computer hardware, including microprocessors;
      - (2) Computer application software;
      - (3) Computer operating systems and related software;
      - (4) Computer networks;
      - (5) Microprocessors (computer chips) not part of any computer system; or
      - (6) Any other computerized or electronic equipment or components; or
    - b.** Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;
  - 2.** Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph **A.1.** of this endorsement.
- B.** If an excluded Cause of Loss as described in Paragraph **A.** of this endorsement results in:
1. A Covered Cause of Loss under the Crime Coverage Part; or
  2. A "specified cause of loss" under Property Coverage Part;
- we will pay only for the loss or damage caused by such "specified cause of loss" or Covered Cause of Loss.
- C.** We will not pay for repair, replacement or modification of any item in Paragraphs **A.1.a.** and **A.1.b.** of this endorsement to correct any deficiencies or change any features.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC. TRADEWINDS UTILITIES	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**MARGIN CLAUSE**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

**I. Real and Personal Property (Owned)**

In the event of loss or damage to Covered Property that is Real and Personal Property (Owned), we will not pay more than 125% of the value shown for that Covered Property in the Statement of Values.

**II. Mobile Equipment (Owned)**

In the event of loss or damage to Covered Property that is Mobile Equipment (Owned) with a value greater than \$25,000 per item, we will not pay more than 125% of the value shown for that Covered Property in the Statement of Values.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

# ARCH INSURANCE COMPANY

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**LIMITED COVERAGE – “FUNGUS”, WET ROT, DRY ROT AND BACTERIA**

This endorsement modifies insurance provided under the following:

**WATER DISTRICT INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

**SCHEDULE**

“Fungus”, Wet Rot, Dry Rot or Bacteria Sublimit of Insurance	\$ <u>15,000</u>
“Fungus”, Wet Rot, Dry Rot or Bacteria - Loss of Income/Extra Expense	_____ Days

- I. Exclusion H. under **SECTION VI – EXCLUSIONS** is deleted and replaced by the following:
  - H. Moths, vermin, termites, or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, contamination, rust or other corrosion or the normal settling, shrinkage, or expansion of the building or foundation. This exclusion does not apply to loss or damage by a cause of loss not otherwise excluded.
- II. The following exclusions are added to **SECTION VI – EXCLUSIONS**:
  - A. Presence, growth, proliferation, spread or any activity of “fungus”, wet or dry rot or bacteria.  
But if “fungus”, wet or dry rot or bacteria results in a “specified cause of loss”, we will pay for the loss or damage caused by that “specified cause of loss”.  
This exclusion does not apply:
    - 1. When “fungus”, wet or dry rot or bacteria results from fire or lightning; or
    - 2. To the extent that coverage is provided in the Coverage Extension for Limited Coverage For “Fungus”, Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.
- B. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.
- III. The following coverage extension is added to **SECTION VIII – COVERAGE EXTENSIONS**:
 

**Limited Coverage for “Fungus”, Wet Rot, Dry Rot And Bacteria**

  - 1. The coverage described in paragraphs 2. and 5. below only applies when the “fungus”, wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.
    - a. A “specified cause of loss” other than fire or lightning; or
    - b. Flood, if the Flood Coverage Sublimit endorsement applies to the affected premises.
  - 2. We will pay for loss or damage by “fungus”, wet rot or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:



## ARCH INSURANCE COMPANY

- a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
  - b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and
  - c. The cost of testing preformed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.
3. The most we will pay for loss or damage for the Limited Coverage described under paragraph 2. is the "Fungus", Wet Rot, Dry Rot or Bacteria Sublimit of Insurance shown in the Schedule above.

Regardless of the number of claims, this sublimit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12-month period (starting with the beginning of the present annual policy period).

With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than the "Fungus", Wet Rot, Dry Rot or Bacteria Sublimit of Insurance shown in the Schedule above even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.

4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited

by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

5. The following, 5.a. or 5.b., applies only if the Loss of Income and/or Extra Expense Coverage Extensions apply to the described premises and only if the suspension of operations satisfies all terms and conditions of the applicable Loss of Income and/or Extra Expense Coverage Extensions.

a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a suspension of operations, but such suspension is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, then our payment under Loss of Income and/or Extra Expense Coverage Extensions is limited to the amount of loss and/or expense sustained in a period of not more than the number of days shown in the Schedule above for "Fungus", Wet Rot, Dry Rot or Bacteria - Loss of Income/Extra Expense. The days need not be consecutive.

b. If a covered suspension of operations was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the period of restoration, we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the period of restoration), but such coverage is limited to the number of days shown in the Schedule above for "Fungus", Wet Rot, Dry Rot or Bacteria - Loss of Income/Extra Expense. The days need not be consecutive.

#### IV. The following is add to Paragraph G. Demolition and Increased Cost of Construction in SECTION VIII - COVERAGE EXTENSIONS:

Under this Coverage Extension, we will not pay for:

1. The enforcement of any ordinance or law which requires demolition, repair, replacement, reconstruction, remodeling or

**ARCH INSURANCE COMPANY**

remediation of property due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or

2. Any costs associated with the enforcement of an ordinance of 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, or assess the effects of "fungus", wet or dry rot or bacteria.

- V. The following definition is added to **SECTION X – DEFINITIONS**:

"Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

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AUTHORIZED REPRESENTATIVE

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DATE

**ARCH INSURANCE COMPANY**

**ENDORSEMENT NO.** \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**SUBMERSIBLE PUMPS COVERAGE**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

Paragraph O. concerning Submersible pumps located 50 feet or more below the surface of the ground is deleted from **SECTION IV – PROPERTY NOT COVERED** and added to **SECTION III – COVERED PROPERTY**.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

**ARCH INSURANCE COMPANY**

**ENDORSEMENT NO.** \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

**WINDSTORM OR HAIL PERCENTAGE DEDUCTIBLE**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

**SCHEDULE**

Premises No	Bldg. No.	Windstorm or Hail Deductible Percentage Deductible
ALL	ALL	2%

The Windstorm or Hail Deductible, as shown in the Schedule, applies to loss or damage to Covered Property caused directly or indirectly by Windstorm or Hail, regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage. If loss or damage from a covered weather condition other than Windstorm or Hail occurs, and that loss or damage would not have occurred but for the Windstorm or Hail, such loss or damage shall be considered to be caused by Windstorm or Hail and therefore part of the Windstorm or Hail occurrence.

With respect to Covered Property at a location identified in the Schedule, no other deductible applies to Windstorm or Hail.

The Windstorm or Hail Deductible applies whenever there is an occurrence of Windstorm or Hail.

Any loss or damage caused by windstorm or hail that occurs within any period of seventy-two (72) consecutive hours shall constitute a single occurrence. The expiration of this policy will not reduce the seventy-two (72) hour period.

As used in this endorsement, the terms "specific insurance" and "blanket insurance" have the following meanings: Specific insurance covers each item of insurance (for example, each building or personal property in a building) under a separate Limit of Insurance. Blanket insurance covers two or more items of insurance (for example, a building and personal property in that building, or two buildings) under a single Policy Limit of Insurance. Items of insurance and corresponding Limit(s) of Insurance are shown in the Declarations.

**WINDSTORM OR HAIL DEDUCTIBLE CLAUSE**

- A.** A Deductible is calculated separately for, and applies separately to:
1. Each building, if two or more buildings sustain loss or damage;
  2. The building and to personal property in that building, if both sustain loss or damage;
  3. Personal property at each building, if personal property at two or more buildings sustains loss or damage;

**ARCH INSURANCE COMPANY**

**4. Personal property in the open.**

**B.** We will not pay for loss or damage until the amount of loss or damage exceeds the Deductible. We will then pay the amount of loss or damage in excess of the Deductible, up to the applicable Limit of Insurance.

**C.** When property is newly acquired during the policy period and is considered Covered Property: In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to a percentage of the value(s) of the property at time of loss. The applicable percentage for newly acquired property is the highest percentage shown in the Schedule for any described premises.

**D. Calculation of the Deductible**

**1. Specific Insurance – Property Not Subject to Value Reporting Forms – Other than Property in the Course of Construction**

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to the percentage deductible (as shown in the Schedule) of the Limit(s) of

Insurance applicable to the property that has sustained loss or damage.

**2. Blanket Insurance – Property Not Subject to Value Reporting Forms – Other than Property in the Course of Construction**

In determining the amount, if any, that we will pay for loss or damage, we will deduct an amount equal to the percentage deductible (as shown in the Schedule) of the value(s) of the property that has sustained loss or damage. The value(s) to be used are those shown in the most recent Statement of Values on file with us.

**3. Property in the Course of Construction Other than Reporting Form**

In determining the amount, if any, that we will pay for property that has sustained loss or damage, we will deduct an amount equal to the deductible percentage (as shown in the Schedule) of the actual cash value(s) of that property as of the time of loss or damage.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

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AUTHORIZED REPRESENTATIVE

---

DATE

**ARCH INSURANCE COMPANY**

**ENDORSEMENT NO.** \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EQUIPMENT BREAKDOWN ENDORSEMENT**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

I. The following Coverage Extension is added to **SECTION VIII – COVERAGE EXTENSIONS:**

**Equipment Breakdown**

**1. Coverage**

We will pay for loss caused by or resulting from an "accident" to "covered equipment" except as excluded in paragraph 2. below.

**2. Exclusions**

a. Under this Coverage Extension, we will not pay for loss or damage caused by or resulting from:

- (1) Depletion, deterioration, corrosion, erosion or other gradually developing conditions. But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.
- (2) A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an insulation breakdown test of any type of electrical equipment.
- (3) Any defect, virus, loss of "electronic data" or other situation within "media". But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.

b. We will not pay for loss, damage or expense caused directly or indirectly by the following, whether or not caused by or resulting from an "accident": Any mold, fungus, mildew or yeast, including any spores or toxins produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean up, removal, or abatement of such mold, fungus, mildew or yeast, spores or toxins. However, this exclusion does not apply to

spoilage of personal property that is "perishable goods," to the extent that spoilage is covered under Spoilage coverage.

c. In addition to the exclusions listed in a. above, all exclusions and limitations under **SECTION VI – EXCLUSIONS** apply, except exclusion P.

**3. Additional Coverages**

The following coverages also apply to loss caused by or resulting from an "accident" to "covered equipment". These coverages do not provide additional amounts of insurance. The limit of your insurance under each of these coverages for loss or damage arising from any "one accident" is the amount indicated below.

**a. Expediting Expenses**

With respect to your damaged Covered Property, we will pay the reasonable cost to:

- (1) Make temporary repairs;
- (2) Expedite permanent repairs; and
- (3) Expedite permanent replacement.

The most we will pay for loss under this coverage is \$100,000.

**b. Hazardous Substances**

We will pay for the additional cost to repair or replace Covered Property because of contamination by a hazardous substance. This includes the additional costs to clean up or dispose of such property.

Hazardous substance means any substance other than ammonia that has been declared to be hazardous to health by a governmental agency.

## ARCH INSURANCE COMPANY

Additional costs mean those costs beyond what would have been required had no hazardous substance been involved.

The most we will pay for loss under this coverage, including actual loss of income you sustain and necessary "extra expense" you incur, and loss under Spoilage coverage, is \$100,000.

### c. Spoilage

We will pay for your loss of "perishable goods" due to spoilage.

We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

If you are unable to replace the "perishable goods" before their anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "accident", less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Valuation provision.

The most we will pay for loss under this coverage is \$100,000.

### d. Ammonia Contamination

We will pay for your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.

The most we will pay for loss under this coverage is \$100,000.

### e. Computer Equipment

We will pay for loss or damage caused by or resulting from an "accident" to computer equipment.

Computer equipment means Covered Property that is electronic computer or other data processing equipment, including, "media" and peripherals used in conjunction with such equipment.

The most we will pay for loss or damage under this coverage, including actual loss of income you sustain and necessary "extra expense" you incur, is \$100,000.

Computers used primarily to control or operate "covered equipment" are not subject to this limitation.

### f. Data Restoration

We will pay for your cost to research, replace and restore "data", including programs and operating systems, that are lost or corrupted due to an "accident".

The most we will pay for loss under this coverage is \$100,000.

## 4. Deductible

The deductible shown in the Supplemental Declarations applies unless a separate Equipment Breakdown Deductible is shown in the Equipment Breakdown Schedule.

As respects coverage provided by this endorsement, provision **B. Application of Deductible** is deleted and replaced by the following provisions.

If deductibles vary by type of "covered equipment" and more than one type of equipment is involved in any "one accident", the highest deductibles will apply.

### a. Direct and Indirect Coverages

Direct Coverages Deductibles apply to all loss or damage covered by the Equipment Breakdown Coverage Extension, with the exception of those coverages subject to the Indirect Coverages Deductibles as noted below.

Unless more specifically indicated in the Equipment Breakdown Schedule, the Indirect Coverages Deductibles apply to loss of income and "extra expense".

### b. Application of Deductibles

#### (1) Dollar Deductibles

If a Dollar Deductible is shown in the Supplemental Declarations or the Equipment Breakdown Schedule, whichever applies, we will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the applicable Dollar Deductible shown in the Supplemental Declarations or the Equipment Breakdown Schedule, whichever applies. We will then pay the amount of loss or damage in excess of the applicable Dollar Deductible, up to the applicable Limit of Insurance.

#### (2) Time Deductible

If a Time Deductible is shown in the Equipment Breakdown Schedule, we will not be liable for any loss or damage resulting from an "accident" to "covered equipment" occurring during the specified number of hours or days immediately following the "accident".

## ARCH INSURANCE COMPANY

If a Time Deductible is expressed in days, each day shall mean twenty-four (24) consecutive hours.

Once the Time Deductible has expired, we will then pay the amount of loss or damage up to the applicable Limit of Insurance.

### 5. Conditions

#### Suspension

When any "covered equipment" is found to be in, or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment". We can do this by mailing or delivering a written notice of suspension to your address as shown in the Declarations, or at the address where the equipment is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment".

If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.

### 6. Definitions

a. "Accident" means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:

- (1) Mechanical breakdown, including rupture or bursting caused by centrifugal force;
- (2) Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires;
- (3) Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
- (4) Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
- (5) Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any

condition or event inside such boilers or equipment.

b. "Covered equipment" means Covered Property built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy.

"Covered equipment" does not mean:

- (1) Structures, foundations, cabinets, compartments or air supported structure or building;
- (2) Insulating or refractory material;
- (3) Sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;
- (4) Water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
- (5) Vehicle, aircraft, floating vessel, "mobile equipment" or any equipment mounted on such vehicle, aircraft, floating vessel or "mobile equipment". However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power supplier will not be considered a vehicle, aircraft, floating vessel or "mobile equipment";
- (6) Dragline, excavation or construction equipment; or
- (7) Equipment manufactured by you for sale.

c. "One accident" means if an initial "accident" causes other "accidents", all will be considered "one accident". All "accidents" that are the result of the same event will be considered "one accident".

d. "Perishable goods" means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.

The most we will pay for loss or damage under this endorsement is the applicable Limit of Insurance shown in the Supplemental Declarations. Coverage provided under this endorsement does not provide an additional amount of insurance.

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE



**ARCH INSURANCE COMPANY**  
**WATER DISTRICTS INSURANCE PROGRAM**  
**LIABILITY COVERAGE PART**  
**SUPPLEMENTAL DECLARATIONS**

These Supplemental Declarations form a part of policy number GWPKG0122401

**SCHEDULE OF COVERAGES AND LIMITS OF INSURANCE**

Insurance is only provided for the coverages indicated by an X.

**Coverage**

**Limit of Insurance**

<input checked="" type="checkbox"/> Bodily Injury and Property Damage	\$ 1,000,000 \$ 3,000,000	Per Occurrence Bodily Injury and Property Damage Aggregate
<input checked="" type="checkbox"/> Personal Injury and Advertising Injury	\$ 1,000,000 \$ 3,000,000	Per Person or Organization Personal Injury and Advertising Injury Aggregate
<input type="checkbox"/> Professional Liability  Professional Liability Retroactive Date:	\$ \$	Per Claim Professional Liability Aggregate
<input type="checkbox"/> Wrongful Acts  Wrongful Acts Retroactive Date:	\$ \$	Per Claim Wrongful Acts Aggregate
<input type="checkbox"/> Employee Benefits Liability  Employee Benefits Liability Retroactive Date:	\$ \$	Per Person Employee Benefits Liability Aggregate
<input type="checkbox"/> Damage To Premises Rented To You	\$ 100,000	Any One Premises
<input type="checkbox"/> Employment Practices Liability  Employment Practices Liability Retroactive Date:	\$	Per Claim Employment Practices Liability Aggregate
<input type="checkbox"/>	\$	

**FORMS AND ENDORSEMENTS**

Forms and endorsements applying to this Coverage Part and made part of this policy at time of issue:  
 See SD069 00 03 04

Premium: \$ Included

THIS SUPPLEMENTAL DECLARATIONS AND THE COMMON POLICY DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART(S), FORMS AND ENDORSEMENTS, IF ANY, COMPLETE THE ABOVE NUMBERED POLICY.

**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**BLANKET ADDITIONAL INSURED ENDORSEMENT**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – LIABILITY COVERAGE**

**Additional Premium: INCLUDED:**

- A. **SECTION II - WHO IS AN INSURED** is amended to include as an insured any person or organization whom you are required to add as an additional insured to this policy under a written contract, agreement or permit:
  - 1. Currently in effect or which will become effective during the term of the policy; and
  - 2. Executed prior to the "occurrence", offense, error, omission, "wrongful act" or "act, error or omission".
- B. The insurance provided to this additional insured is limited as follows:
  - 1. That person or organization is an additional insured only with respect to liability arising out of:
    - a. Premises you own, rent, lease or occupy; or
    - b. Your ongoing operations performed for that additional insured as specified in the written contract, agreement or permit.
  - 2. The limits of insurance applicable to the additional insured are those specified in the contract, agreement, permit or in the Declarations of this policy, whichever are less. These limits of insurance are inclusive of and not in addition to the Limits of Insurance shown in the Declarations.
- 3. Coverage is not provided for liability or damages arising out of the sole negligence of the additional insured.
- C. The insurance provided to the additional insured does not apply to liability or damages arising out of an architect's, engineer's or surveyor's rendering or failure to render any professional services including:
  - 1. The preparing, approving or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; and
  - 2. Supervisory, inspection, architectural or engineering activities.
- D. Coverage provided by this endorsement will apply on a primary and non-contributory basis if a written contract, agreement or permit specifically requires that this insurance be primary and non-contributory.
 

Otherwise, coverage provided by this endorsement will be excess over any other valid and collectible insurance available to the additional insured whether primary, excess, contingent or on any other basis.

**ARCH INSURANCE COMPANY**

When this insurance is excess, we will have no duty under **SECTION I - INSURING AGREEMENT** to defend the additional insured against any "suit" if any other insurer has a duty to

defend the additional insured against that "suit". If no other insurer defends, we may undertake to do so, but we will be entitled to the additional insured's rights against all those other insurers.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC TRADEWINDS UTILITIES	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION – DESIGNATED OPERATIONS**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – LIABILITY COVERAGE**

**SCHEDULE**

**Description of excluded operations:**

All operations except water operations and sewer operations

**Specified Location (If Applicable):**

This insurance does not apply to "bodily injury", "property damage", "personal injury", "advertising injury", "professional liability", "wrongful acts" or "acts, errors or omissions" arising out of the operations described in the Schedule of this endorsement, regardless of whether such operations are conducted by you or on your behalf or whether the operations are conducted for yourself or for others.

Unless a "location" is specified in the Schedule, this exclusion applies regardless of where such operations are conducted by you or on your behalf. If a specific "location" is designated in the Schedule of this endorsement, this exclusion applies only to the described operations conducted at that "location".

For the purpose of this endorsement, "location" means premises involving the same or connecting lots, or premises whose connection is interrupted only by a street, roadway, waterway or right-of-way of a railroad.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

**ARCH INSURANCE COMPANY**

**ENDORSEMENT NO.** \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC. TRADEWINDS UTILITIES	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EXCLUSION - YEAR 2000 COMPUTER-RELATED AND OTHER ELECTRONIC PROBLEMS**

This endorsement modifies insurance provided under the following:

**LIABILITY COVERAGE PART**

This insurance does not apply to any loss, claim or "suit" alleging any "bodily injury", "property damage," "personal injury", "advertising injury", professional liability", "wrongful acts", economic injury, non-economic injury or any other damage directly or indirectly arising out of or as a consequence of:

- (1) The total or partial impairment, failure or defect of any software, hardware, microprocessor, microcode, firmware, systems software, applications program, date terminal, file, database, microcontroller imbedded in non-computer equipment, mechanical or electrical equipment or device, or any related communications network to respond correctly to the change of the millennium, including but not limited to:
  - (a) the inability or failure to differentiate between (i) date or time data before January 1, 2000, and (ii) date or time data on or after January 1, 2000; or
  - (b) the inability or failure to otherwise accurately process, provide and/or receive date or time data involving dates or times in or after the year 1999 if such inability arises solely because such dates or times are in the year 1999 or any subsequent year, including without limitation data problems associated with leap year calculations if the cause of such problems relates only to leap years in or after the year 2000;
- (2) Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement, or supervision by you or on your behalf to determine, rectify, or test for any potential or actual problems described in this exclusion;
- (3) Any change or modification of or to any software, hardware, microprocessor, microcode, firmware, systems software, applications program, date terminal, file, database, microcontroller imbedded in non-computer equipment, mechanical or electrical equipment or device, or any related communications network in preparation for or anticipation of the change of the millennium;
- (4) Any representation, guarantee, or assurance by you or on your behalf concerning the ability of any of your software, hardware, microprocessors, microcodes, firmware, systems software, applications programs, date terminals, files, databases, microcontrollers imbedded in non-computer equipment, mechanical or electrical equipment or devices, or any related communications networks to respond correctly to the change of the millennium; or
- (5) Loss of use, loss of data, loss of profits, or additional expense arising from any of the above.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYATEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**FLORIDA CHANGES – CANCELLATION AND NONRENEWAL**

This endorsement modifies insurance provided under the following:

- WATER DISTRICTS INSURANCE PROGRAM – CRIME COVERAGE**
- WATER DISTRICTS INSURANCE PROGRAM – LIABILITY COVERAGE**
- WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

A. Paragraph 2. of D. **Cancellation** in the **COMMON POLICY CONDITIONS** is replaced by the following:

**2. Cancellation For Policies In Effect 90 Days Or Less**

a. If this policy has been in effect for 90 days or less, we may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation, accompanied by the specific reasons for cancellation, at least:

- (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
- (2) 20 days before the effective date of cancellation if we cancel for any other reason, except we may cancel immediately if there has been:
  - (a) A material misstatement or misrepresentation; or
  - (b) A failure to comply with underwriting requirements established by the insurer.

b. We may not cancel:

- (1) On the basis of property insurance claims that are the result of an act of God, unless we can demonstrate, by claims frequency or otherwise,

that you have failed to take action reasonably necessary as requested by us to prevent recurrence of damage to the insured property; or

(2) On the basis of filing of claims for partial loss caused by sinkhole damage, regardless of whether this policy has been the subject of a sinkhole claim, or on the basis of the risk associated with the occurrence of such a claim. However, we may cancel this policy if:

- (a) The total of such property insurance claim payments for this policy exceeds the current policy limits of coverage for property damage; or
- (b) You have failed to repair the structure in accordance with the engineering recommendations upon which any loss payment or policy proceeds were based.

B. The following is added to D. **Cancellation** in the **COMMON POLICY CONDITIONS**:

**7. Cancellation For Policies In Effect For More Than 90 Days**

a. If this policy has been in effect for more than 90 days, we may cancel this policy only for one or more of the following reasons:

## ARCH INSURANCE COMPANY

- (1) Nonpayment of premium;
  - (2) The policy was obtained by a material misstatement;
  - (3) There has been a failure to comply with underwriting requirements established by the insurer within 90 days of the effective date of coverage;
  - (4) There has been a substantial change in the risk covered by the policy;
  - (5) The cancellation is for all insureds under such policies for a given class of insureds;
  - (6) On the basis of property insurance claims that are the result of an act of God, if we can demonstrate, by claims frequency or otherwise, that you have failed to take action reasonably necessary as requested by us to prevent recurrence of damage to the insured property; or
  - (7) On the basis of filing of claims for partial loss caused by sinkhole damage, or on the basis of the risk associated with the occurrence of such a claim, if:
    - (a) The total of such property insurance claim payments for this policy exceeds the current policy limits of coverage for property damage; or
    - (b) You have failed to repair the structure in accordance with the engineering recommendations upon which any loss payment or policy proceeds were based.
- b. If we cancel this policy for any of these reasons, we will mail or deliver to the first Named Insured written notice of cancellation, accompanied by the specific reasons for cancellation, at least:
- (1) 10 days before the effective date of cancellation if cancellation is for nonpayment of premium; or
  - (2) 45 days before the effective date of cancellation if:
    - (a) Cancellation is for one or more of the reasons stated in 7.a. (2) through 7.a. (7) above; and
    - (b) This policy does not cover a residential structure or its contents;
  - (3) 90 days before the effective date of cancellation if:
    - (a) Cancellation is for one or more of the reasons stated in 7.a. (2) through 7.a. (7) above; and
    - (b) This policy covers a residential structure or its contents.

C. Item E. **When We Do Not Renew** in the **COMMON POLICY CONDITIONS** is deleted and replaced by the following:

E. **When We Do Not Renew**

1. If we decide not to renew this policy, we will mail or deliver to the first Named Insured written notice of nonrenewal, accompanied by the specific reason for nonrenewal, at least:
  - a. 90 days prior to the expiration of the policy if this policy covers a residential structure or its contents; or
  - b. 45 days prior to the expiration of the policy for all other policies.
2. Any notice of nonrenewal will be mailed or delivered to the first Named Insured's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.
3. We may not refuse to renew this policy:
  - a. On the basis of property insurance claims that are the result of an act of God, unless we can demonstrate, by claims frequency or otherwise, that you have failed to take action reasonably necessary as requested by us to prevent recurrence of damage to the insured property; or
  - b. On the basis of filing of claims for partial loss caused by sinkhole damage, regardless of whether this policy has been the subject of a sinkhole claim, or on the basis of the risk associated with the

**ARCH INSURANCE COMPANY**

occurrence of such a claim. However, we may refuse to renew this policy if:

(1) The total of such property insurance claim payments for this policy exceeds the current policy limits of coverage for property damage; or

(2) You have failed to repair the structure in accordance with the engineering recommendations upon which any loss payment or policy proceeds were based.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED**

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE



**ARCH INSURANCE COMPANY**

ENDORSEMENT NO. \_\_\_\_\_

ATTACHED TO AND FORMING A PART OF POLICY NUMBER	ENDORSEMENT EFFECTIVE (Standard Time)					INSURED	AGENCY AND CODE
	MO.	DAY	YR.	12:01 A.M.	NOON		
GWPKG0122401	10	07	2010	X		RESIDENTIAL WATER SYSTEMS, INC.	GW001

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**FLORIDA CHANGES**

This endorsement modifies insurance provided under the following:

**WATER DISTRICTS INSURANCE PROGRAM – PROPERTY AND INLAND MARINE COVERAGE**

**A. The following is added:**

If loss or damage to Covered Property is caused by or results from Windstorm, the following exclusion applies in:

1. Broward County;
2. Dade County;
3. Martin County;
4. Monroe County;
5. Palm Beach County; and
6. All the areas east of the west bank of the Intra-Coastal Waterway in the Counties of:
  - a. Indian River; and
  - b. St. Lucie.

**Windstorm Exterior Paint and Waterproofing Exclusion**

We will not pay for loss or damage to:

1. Paint; or

**2. Waterproofing material;**

applied to the exterior of Buildings.

We will not include the value of paint or waterproofing material to determine the amount of any Windstorm or Hail Deductible.

**B. The following is added to SECTION XI – CONDITIONS:**

**Loss Payment**

Provided you have complied with all the terms of this Coverage Part, we will pay for covered loss or damage:

1. Within 20 days after we receive the sworn proof of loss and reach written agreement with you; or
2. Within 30 days after we receive the sworn proof of loss and:
  - a. There is an entry of a final judgment; or
  - b. There is a filing of an appraisal award with us.

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED

\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

\_\_\_\_\_  
DATE

Policy Number  
**GWPKG0122401**  
 Renewal of Number  
 GWPKG0122400

**BUSINESS AUTO COVERAGE FORM DECLARATIONS**  
**ARCH INSURANCE COMPANY**

**ITEM ONE**

<b>Named Insured and Mailing Address</b>	<b>Agent Name and Address</b>
RESIDENTIAL WATER SYSTEMS, (SEE NAMED INSURED ENDORSEMENT) CHARLES DE MENZES P O BOX 4230 Ocala FL 34478	GRUNDY WORLDWIDE 400 HORSHAM ROAD HORSHAM PA 19044
	Agent No. GW001

<b>Policy Period</b>	<b>From:</b> 10-07-2010	<b>To:</b> 10-07-2011
at 12:01 A.M., Standard Time at your mailing address shown above		

**ITEM TWO – SCHEDULE OF COVERAGES AND COVERED AUTOS**

This policy provides only those coverages where a charge is shown in the premium column below. Each of these coverages will apply only to those "autos" shown as covered "autos". "Autos" are shown as covered "autos" for a particular coverage by the entry of one or more of the symbols from the Covered Autos Section of the Business Auto Coverage Form next to the name of the coverage.

Coverages		Covered Autos**	Limit The most we will pay for any one accident or loss	Premium
Liability		8, 9	\$1,000,000	\$ 221
Personal Injury Protection***			Separately stated in each P.I.P. endorsement minus Deductible.	
Added Personal Injury Protection***			Separately stated in each P.I.P. endorsement.	
Property Protection Insurance (Michigan only)			Separately stated in each P.P.I. endorsement minus Deductible.	
Auto Medical Payments				
Uninsured Motorists				
Underinsured Motorists (When not included in UM Coverage)				
P H D Y A S M I A C G A E L	Comprehensive		Actual cash value or cost of repair, whichever is less minus ded. for each covered auto, but no deductible applies to loss caused by fire or lightning.****	
	Specified Causes of Loss		\$25 ded. for each covered auto for loss caused by mischief or vandalism.****	
	Collision Coverage		ded. for each covered auto.****	
	Towing and Labor (Not available in California)		for each disablement of a private passenger "auto".	

Forms and Endorsements applying to this coverage part and made a part of this policy at time of issue:	Tax/Surcharge/Fee	\$ 2.21
	Premium for Endorsements	
	<b>SEE SCHEDULE OF FORMS AND ENDORSEMENTS</b>	*Estimated Total Premium \$ 223

\* This policy may be subject to final audit  
 \*\* Entry of one or more of the symbols from the COVERED AUTOS Section of the Business Auto Coverage Form shows which autos are covered autos  
 \*\*\* Or equivalent No-Fault Coverage  
 \*\*\*\* See ITEM FOUR for Hired or Borrowed "Autos"

This policy declaration and the supplemental declaration(s), together with the common policy conditions, coverage parts, coverage form(s) and forms and endorsements, if any, complete the above numbered policy.

**ITEM THREE - SCHEDULE OF COVERED AUTOS YOU OWN**

**SEE SCHEDULE OF COVERED AUTOS YOU OWN**

**ITEM FOUR - SCHEDULE OF HIRED OR BORROWED COVERED AUTO COVERAGE AND PREMIUMS**

**LIABILITY COVERAGE - RATING BASIS, COST OF HIRE**

State	Estimated Cost of Hire for Each State	Rate Per Each \$100 Cost of Hire	Factor (if Liability Coverage is Primary)	Premium
FL	IF ANY	\$ 3.164		\$ 64
<b>Total Premium</b>				\$ 64

Cost of hire means the total amount you incur for the hire of "autos" you don't own (not including "autos" you borrow or rent from your partners or employees or their family members). Cost of hire does not include charges for services performed by motor carriers of property or passengers.

**PHYSICAL DAMAGE COVERAGE**

Coverages	Limit of Insurance The Most We Will Pay Deductible	Estimated Annual Cost of Hire	Rate Per Each \$100 Annual Cost of Hire	Premium
Comprehensive	Actual cash value or cost of repair, or	whichever is less, minus ded. for each covered auto, but no deductible applies to loss caused by fire or lightning.		
Specified Causes of Loss		whichever is less, minus \$25 ded. for each covered auto for loss caused by mischief or vandalism.		
Collision		whichever is less, minus ded. for each covered auto.		
<b>Total Premium</b>				

PHYSICAL DAMAGE COVERAGE for covered "autos" you hire or borrow is excess unless indicated below by  "

If this box is checked, PHYSICAL DAMAGE COVERAGE applies on a direct primary basis and for purposes of the condition entitled OTHER INSURANCE, any covered "auto" you hire or borrow is deemed to be a covered "auto" you own.

**ITEM FIVE - SCHEDULE FOR NON-OWNERSHIP LIABILITY**

Named Insured's Business	Rating Basis	Number	Premium
Other than Social Service Agency	Number of Employees	IF ANY	\$ 157
	Number of Partners		
Social Service Agency	Number of Employees		
	Number of Volunteers		
<b>Total Premium</b>			<b>\$ 157</b>

**ITEM SIX - SCHEDULE FOR GROSS RECEIPTS OR MILEAGE BASIS - LIABILITY COVERAGE - PUBLIC AUTO OR LEASING RENTAL CONCERNS**

Estimated Yearly <input type="checkbox"/> Gross Receipts <input type="checkbox"/> Mileage	Rates		Premium	
	<input type="checkbox"/> Per \$100 of Gross Receipts	<input type="checkbox"/> Per Mile	Liability Coverage	Auto Medical Payments
	Liability Coverage	Auto Medical Payments	Liability Coverage	Auto Medical Payments
<b>Total Premiums</b>				
<b>Minimum Premiums</b>				

When used as a premium basis:

**FOR PUBLIC AUTOS**

Gross Receipts means the total amount to which you are entitled for transporting passengers, mail or merchandise during the policy period regardless of whether you or any other carrier originate the transportation. Gross Receipts does not include:

- A. Amounts you pay to railroads, steamship lines, airlines and other motor carriers operating under their own ICC or PUC permits.
- B. Advertising revenue.
- C. Taxes which you collect as a separate item and remit directly to a governmental division.
- D. C.O.D. collections for cost of mail or merchandise including collection fees.

Mileage means the total live and dead mileage of all revenue producing units operated during the policy period.

**FOR RENTAL OR LEASING CONCERNS**

Gross receipts means the total amount to which you are entitled for the leasing or rental of "autos" during the policy period and includes taxes except those taxes which you collect as a separate item and remit directly to a governmental division.

Mileage means the total of all live and dead mileage developed by all the "autos" you leased or rented to others during the policy period.

POLICY NUMBER: GWPKG0133300

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **LIMITATION OF COVERAGE FOR CERTIFIED ACTS OF TERRORISM (SUB-LIMIT ON ANNUAL AGGREGATE BASIS)**

This endorsement modifies insurance provided under the following:

WATER DISTRICTS INSURANCE PROGRAM PROPERTY AND INLAND MARINE COVERAGE PART  
MINING AND CONTRACTOR'S EQUIPMENT COVERAGE FORM

### **SCHEDULE**

#### **SCHEDULE PART I – Applicability Of Terrorism Sub-Limit**

<b>Coverage Form, Coverage Part Or Policy</b>	<b>Description Of Property Or Coverage</b>	<b>Certified Acts Sub-Limit</b>
SD005 00 03 04	Per Statement of Values on file	\$1,000,000

#### **SCHEDULE PART II – Exception: Non-Applicability Of Certified Acts Sub-Limit To Certain Fire Losses (refer to Paragraph D.):**

<b>State(s)</b>	<b>Coverage Form, Coverage Part Or Policy</b>

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**A. The following definition is added with respect to the provisions of this endorsement:**

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**B. Application Of Exclusions**

The terms and limitations of any terrorism exclusion, or the non-applicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

**C. Limitation Of Amount Of Coverage For Certified Acts Of Terrorism**

When coverage applies to loss or damage caused by a "certified act of terrorism", the full Limit of Insurance on the affected property or coverage does not apply to such loss or damage. Instead, the following limitation applies to the loss or damage. The limitation applies even if another Covered Cause of Loss contributes concurrently or in any sequence to the loss or damage, except as otherwise provided in this endorsement.

The Certified Acts Sub-Limit is the most we will pay for the total of all loss or damage (sustained under the coverage to which the Sub-Limit applies) caused by one or more "certified acts of terrorism" in an annual policy period. If losses from a "certified act of terrorism" do not exhaust the Certified Acts Sub-Limit, then the balance of that Sub-Limit is available for losses from a later act(s) that occurs in the same annual policy period. If a "certified act of terrorism" begins during one annual policy period and ends during the following annual policy period, the only amount of coverage available is the Sub-Limit (or balance of it) applicable to the annual policy period in which such act began.

Amounts payable under a Coverage Extension, Additional Coverage or similar provision in the policy do not increase the Certified Acts Sub-Limit.

**D. Exception: Non-Applicability Of The Certified Acts Sub-Limit To Certain Fire Losses**

The following exception applies only with respect to property located in the states indicated in Part II of the Schedule of this endorsement, if covered under the Coverage Form, Coverage Part or Policy indicated therein. The exception relates only to loss or damage caused by a "certified act of terrorism".

When covered direct loss or damage attributable to fire exceeds the amount of the Sub-Limit, we will pay the full amount of the fire loss, up to the Limit of Insurance on the affected property, subject to policy provisions including Deductible and Valuation. In that circumstance, the Limit of Insurance is the most we will pay for the total of all covered direct loss or damage by fire and any other effect of the "certified act of terrorism" and any other Covered Cause of Loss that contributes concurrently or in any sequence to the loss or damage.

When covered direct loss or damage attributable to fire is less than the Sub-Limit, then the Sub-Limit is the most we will pay for the total of fire and any other covered loss or damage.

This Paragraph, D., does not apply to insurance provided under Business Income and/or Extra Expense coverage forms or endorsements that apply to those coverage forms, or to the Legal Liability Coverage Form or the Leasehold Interest Coverage Form. Therefore, when a Sub-Limit is shown for those coverages, the Sub-Limit for those coverages is the maximum recoverable regardless of whether fire is an effect of the "certified act of terrorism".

**E. Cap On Certified Terrorism Losses**

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

**F. Coinsurance**

The Coinsurance Condition in this policy does not apply to the coverage addressed in this endorsement.



POLICY NUMBER:

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **CERTIFIED ACTS OF TERRORISM AGGREGATE LIMIT; CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM**

This endorsement modifies insurance provided under the following:

WATER DISTRICTS INSURANCE PROGRAM LIABILITY COVERAGE PART

### SCHEDULE

<b>Certified Acts Of Terrorism Aggregate Limit:    \$ 1,000,000</b>
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Information required to complete this Schedule, if not shown above, will be shown in the Declarations.
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**A.** Coverage provided by this insurance for "bodily injury", "property damage" or "personal injury" and "advertising injury", arising out of a "certified act of terrorism", is subject to the Certified Acts Of Terrorism Aggregate Limit as described in Paragraph **B.** of this endorsement.

**B.** The following are added to **Section II – Limits Of Insurance:**

The Certified Acts Of Terrorism Aggregate Limit shown in the Schedule of this endorsement is the most we will pay for all:

1. "Bodily injury" or "property damage";
2. "Personal injury" and "advertising injury"

arising out of all "certified acts of terrorism".

Paragraph **C.**, the Personal Injury and Advertising Injury Limit, Paragraph **D.**, the Professional Limit, Paragraph **E.**, the Wrongful Acts Per Claim Limit, and Paragraph **G.**, the Damage to Premises Rented to You Any one Premises Limit of Insurance, of Section II – Limits Of Insurance continue to apply to damages arising out of a "certified act of terrorism". Those limits will only be available if, and to the extent that, limits are available under the Certified Acts Of Terrorism Aggregate Limit.

**C.** The following definition is added:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**D.** If aggregate insured losses attributable to terrorist acts certified under the federal Terrorism Risk Insurance Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

