

**AMENDMENT TO THE AGREEMENT BETWEEN THE COUNTY OF SAN  
MATEO AND**

Peninsula Pathologists Medical Group, Inc.

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2005,  
by and between the COUNTY OF SAN MATEO (hereinafter called "County") and  
(hereinafter called "Contractor"),

**W I T N E S S E T H:**

WHEREAS, on February 5<sup>th</sup>, 2002, the parties hereto entered into an agreement (hereinafter referred to as the "Original Agreement") for the furnishing of certain services by Contractor to County as set forth in that Original Agreement; and

WHEREAS, it is now the mutual desire and intent of the parties hereto to amend and clarify that Original Agreement;

NOW, THEREFORE, IT IS HEREBY AGREED between the parties that the Original Agreement is amended as follows:

1. Section 2, Payments, Paragraph A, Maximum Amount, of the Original Agreement is hereby amended to read as follows:

"2. Payments

- A. Maximum Amount. In full consideration of Contractor's performance of the services described in Schedule A, the amount that County shall be obligated to pay for services rendered under this Agreement shall not exceed ONE MILLION NINE HUNDRED AND SEVENTY FIVE THOUSAND DOLLARS (\$1,975,000) for the contract term."

2. Section 6, Non-Discrimination, of the Original Agreement is hereby amended to read as follows:

"6. Non-Discrimination

Contractor shall comply with the non-discrimination requirements described in Schedule C, which is attached hereto, and incorporated herein.

Contractor shall comply with County admission and treatment policies which shall provide that patients are accepted for care without discrimination on the basis of race, color, religion, sex, sexual orientation, national origin, age, handicap, or political affiliation.

Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject Contractor to penalties, to be determined by the County Manager, including, but not limited to:

- i. termination of this Agreement;
- ii. disqualification of Contractor from bidding on or being awarded a County contract for a period of up to three (3) years;
- iii. liquidated damages of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500) per violation;
- iv. imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.

To effectuate the provisions of this paragraph, the County Manager shall have the authority to:

- i. examine Contractor's employment records with respect to compliance with this paragraph;
- ii. set off all or any portion of the amount described in this paragraph against amounts due to Contractor under the Contract or any other contractor between Contractor and County.

Contractor shall report to the County Manager the filing by any person in any court of any complaint of discrimination or the filing by any person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within thirty (30) days of such filing, provided that within such thirty (30) days such entity has not notified Contractor that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint, and a description of the circumstance. Contractor shall provide County with a copy of its response to the complaint when filed.

With respect to the provision of employee benefits, Contractor shall comply with the County Ordinance which prohibits contractors from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse”.

3. Section 12, Term of the Agreement, of the Original Agreement is hereby amended to read as follows:

“12. Term of the Agreement

Subject to the compliance with the terms and conditions of this Agreement, the term of this Agreement shall be from January 1, 2002 through March 30, 2005. This Agreement may be terminated by Contractor, Chief Executive Officer of Hospital and Clinics or her designee at any time upon thirty (30) days’ written notice to the other party.”

4. Schedule H, Health Insurance Portability and Accountability Act (HIPAA) Business Associate Requirements is hereby added to this agreement:

**Schedule H**  
**Health Insurance Portability and Accountability Act (HIPAA)**  
**Business Associate Requirements**

Definitions

Terms used, but not otherwise defined, in this Schedule shall have the same meaning as those terms are defined in 45 Code of Federal Regulations section 160.103 and 164.501. (All regulatory references in this Schedule are to Title 45 of the Code of Federal Regulations unless otherwise specified.)

- (a) *Designated Record Set.* "Designated Record Set" shall have the same meaning as the term "designated record set" in Section 164.501.
- (b) *Electronic Protected Health Information.* "Electronic Protected Health Information" ("EPHI") means individually identifiable health information that is transmitted or maintained in electronic media, limited to the information created, received, maintained or transmitted by Business Associate from or on behalf of Covered Entity.
- (c) *Individual.* "Individual" shall have the same meaning as the term "individual" in Section 164.501 and shall include a person who qualifies as a personal representative in accordance with Section 164.502(g).
- (d) *Privacy Rule.* "Privacy Rule" shall mean the Standards for Privacy of Individually Identifiable Health Information at 45 Code of Federal Regulations Part 160 and Part 164, Subparts A and E.
- (e) *Protected Health Information.* "Protected Health Information" shall have the same meaning as the term "protected health information" in Section 164.501 and is limited to the information created or received by Contractor from or on behalf of County.
- (f) *Required By Law.* "Required by law" shall have the same meaning as the term "required by law" in Section 164.501.
- (g) *Secretary.* "Secretary" shall mean the Secretary of the United States Department of Health and Human Services or his or her designee.
- (h) *Security Incident.* "Security Incident" shall mean the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with systems operations in an information system, but does not include minor incidents that occur on a daily basis, such as scans, "pings", or unsuccessful random attempts to penetrate computer networks or servers maintained by Business Associate
- (i) *Security Rule.* "Security Rule" shall mean the Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 160 and Part 164, Subparts A and C.

#### Obligations and Activities of Contractor

- (a) Contractor agrees to not use or further disclose Protected Health Information other than as permitted or required by the Agreement or as required by law.

- (b) Contractor agrees to use appropriate safeguards to prevent the use or disclosure of the Protected Health Information other than as provided for by this Agreement.
- (c) Contractor agrees to mitigate, to the extent practicable, any harmful effect that is known to Contractor of a use or disclosure of Protected Health Information by Contractor in violation of the requirements of this Agreement.
- (d) Contractor agrees to report to County any use or disclosure of the Protected Health Information not provided for by this Agreement.
- (e) Contractor agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by Contractor on behalf of County, agrees to the same restrictions and conditions that apply through this Agreement to Contractor with respect to such information.
- (f) If Contractor has protected health information in a designated record set, Contractor agrees to provide access, at the request of County, and in the time and manner designated by County, to Protected Health Information in a Designated Record Set, to County or, as directed by County, to an Individual in order to meet the requirements under Section 164.524.
- (g) If Contractor has protected health information in a designated record set, Contractor agrees to make any amendment(s) to Protected Health Information in a Designated Record Set that the County directs or agrees to make pursuant to Section 164.526 at the request of County or an Individual, and in the time and manner designed by County.
- (h) Contractor agrees to make internal practices, books, and records relating to the use and disclosure of Protected Health Information received from, or created or received by Contractor on behalf of, County available to the County, or at the request of the County to the Secretary, in a time and manner designated by the County or the Secretary, for purposes of the Secretary determining County's compliance with the Privacy Rule.
- (i) Contractor agrees to document such disclosures of Protected Health Information and information related to such disclosures as would be required for County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.
- (J) Contractor agrees to provide to County or an Individual in the time and manner designed by County, information collected in accordance with Section (i) of this Schedule, to permit County to respond to a request by an Individual for an accounting of disclosures of Protected Health Information in accordance with Section 164.528.

- (K) Contractor shall implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of EPHI that Contractor creates, receives, maintains, or transmits on behalf of County.
- (L) Contractor shall conform to generally accepted system security principles and the requirements of the final HIPAA rule pertaining to the security of health information.
- (M) Contractor shall ensure that any agent to whom it provides EPHI, including a subcontractor, agrees to implement reasonable and appropriate safeguards to protect such EPHI.
- (N) Contractor shall report to County any Security Incident within 5 business days of becoming aware of such incident.
- (O) Contractor shall make its policies, procedures, and documentation relating to the security and privacy of protected health information, including EPHI, available to the Secretary of the U.S. Department of Health and Human Services and, at County's request, to the County for purposes of the Secretary determining County's compliance with the HIPAA privacy and security regulations.

#### Permitted Uses and Disclosures by Contractor

Except as otherwise limited in this Schedule, Contractor may use or disclose Protected Health Information to perform functions, activities, or services for, or on behalf of, County as specified in the Agreement; provided that such use or disclosure would not violate the Privacy Rule if done by County.

#### Obligations of County

- (a) County shall provide Contractor with the notice of privacy practices that County produces in accordance with Section 164.520, as well as any changes to such notice.
- (b) County shall provide Contractor with any changes in, or revocation of, permission by Individual to use or disclose Protected Health Information, if such changes affect Contractor's permitted or required uses and disclosures.
- (c) County shall notify Contractor of any restriction to the use or disclosure of Protected Health Information that County has agreed to in accordance with Section 164.522.

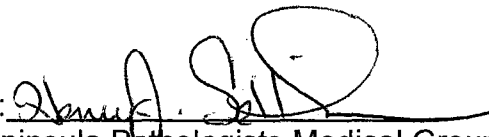
NOW, THEREFORE, IT IS HEREBY AGREED BY THE PARTIES that the Agreement of February 2, 2002, be amended accordingly.

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have affixed their hand on the day and year first above written.

COUNTY OF SAN MATEO

CONTRACTOR

By: \_\_\_\_\_  
Richard S. Gordon, President,  
Board of Supervisors  
San Mateo County

By:  \_\_\_\_\_  
Peninsula Pathologists Medical Group,  
Inc.

Date: \_\_\_\_\_

Date: 2/9/05

ATTEST:

By: \_\_\_\_\_  
Clerk of Said Board

Date: \_\_\_\_\_

### Permissible Requests by County

County shall not request Contractor to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by County, unless the Contractor will use or disclose Protected Health Information for, and if the Agreement provides for, data aggregation or management and administrative activities of Contractor.

### Duties Upon Termination of Agreement

- (a) Upon termination of the Agreement, for any reason, Contractor shall return or destroy all Protected Health Information received from County, or created or received by Contractor on behalf of County. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of Contractor. Contractor shall retain no copies of the Protected Health Information.
- (b) In the event that Contractor determines that returning or destroying Protected Health Information is infeasible, Contractor shall provide to County notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of Protected Health Information is infeasible, Contractor shall extend the protections of the Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains such Protected Health Information.

### Miscellaneous

- (A) *Regulatory References.* A reference in this Schedule to a section in the Privacy Rule means the section as in effect or as amended, and for which compliance is required.
- (B) *Amendment.* The Parties agree to take such action as is necessary to amend this Schedule from time to time as is necessary for County to comply with the requirements of the Privacy Rule and the Health Insurance Portability and Accountability Act, Public Law 104-191.
- (C) *Survival.* The respective rights and obligations of Contractor under this Schedule shall survive the termination of the Agreement.



- (D) *Interpretation.* Any ambiguity in this Schedule shall be resolved in favor of a meaning that permits County to comply with the Privacy Rule.
- (E) *Reservation of Right to Monitor Activities.* County reserves the right to monitor the security policies and procedures of Contractor

COUNTY OF SAN MATEO

Equal Benefits Compliance Declaration Form

I Vendor Identification

Name of Contractor: PENINSULA PATHOLOGISTS MEDICAL GROUP  
Contact Person: HENRY J. Sellenthin  
Address: 393 E. GRAND AVENUE, SUITE I  
SSF CA 94080  
Phone Number: 650 616 2950  
Fax Number: 650 737 8920

II Employees

Does the Contractor have any employees?  Yes  No

Does the Contractor provide benefits to spouses of employees?  Yes  No

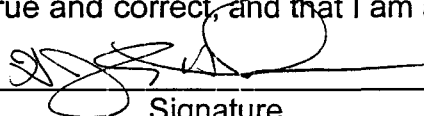
\*If the answer to one or both of the above is no, please skip to Section IV.\*

III Equal Benefits Compliance (Check one)

- Yes, the Contractor complies by offering equal benefits, as defined by Chapter 2.93, to its employees with spouses and its employees with domestic partners.
- Yes, the Contractor complies by offering a cash equivalent payment to eligible employees in lieu of equal benefits.
- No, the Contractor does not comply.
- The Contractor is under a collective bargaining agreement which began on \_\_\_\_\_ (date) and expires on \_\_\_\_\_ (date).

IV Declaration

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that I am authorized to bind this entity contractually.

  
Signature  
Director of Operations  
Title

Henry J. Sellenthin  
Name (Please Print)  
2/9/05  
Date

Attachment I

Assurance of Compliance with Section 504 of the  
Rehabilitation Act of 1973, as Amended

The undersigned (hereinafter called the "Contractor(s)") hereby agrees that it will comply with Section 504 of the Rehabilitation Act of 1973, as amended, all requirements imposed by the applicable DHHS regulation, and all guidelines and interpretations issued pursuant thereto.

The Contractor(s) gives/give this assurance in consideration of and for the purpose of obtaining contracts after the date of this assurance. The Contractor(s) recognizes/recognize and agrees/agree that contracts will be extended in reliance on the representations and agreements made in this assurance. This assurance is binding on the Contractor(s), its successors, transferees, and assignees, and the person or persons whose signatures appear below are authorized to sign this assurance on behalf of the Contractor(s).

The Contractor(s): (Check a or b)

- a. ( ) has no employees.
- b. ( ) employs fewer than 15 persons.
- c. (  ) employs 15 or more persons and, pursuant to Section 84.7 (a) of the regulation (45 C.F.R. 84.7 (a)), has designated the following person(s) to coordinate its efforts to comply with the DHHS regulation.

Henry J. Sellenthin

Name of 504 Person - Type or Print

Peninsula Pathologists Med Gp.  
Name of Contractor(s) - Type or Print

393 E. Grand Ave, Suite I  
Street Address or PO Box

South San Francisco  
City

CA  
State

94080  
Zip Code

I certify that the above information is complete and correct to the best of my knowledge.

2/9/05  
Date

  
Signature and Title of Authorized Official

\*Exception: DHHS regulations state that:

"If a recipient with fewer than 15 employees finds that, after consultation with a handicapped person seeking its services, there is no method of complying with (the facility accessibility regulations)...other than making a significant alteration in its existing facilities, the recipient may, as an alternative, refer the handicapped person to other providers of those services that are accessible."

**CERTIFICATE OF INSURANCE**

This certificate is issued as a matter of information only and confers no rights upon the certificate holder. This certificate does not amend, extend or alter the coverage afforded by the policy below.

Certificate Holder  Peninsula Pathologists Med Grp, Inc. 393 E. Grand Avenue, Suite 1 South San Francisco, CA 94080		Name and Address of Insured  Peninsula Pathologists Med Grp, Inc. 393 E. Grand Avenue, Suite 1 South San Francisco, CA 94080	
Current Medical Specialty:  Organization		The above Insured is:  <input checked="" type="checkbox"/> Named Insured <input type="checkbox"/> Additional Insured  <input type="checkbox"/> Locum Tenens	
Policy Number  101493	Insured's Effective Date  01/01/2005	Insured's Expiration Date  01/01/2006	Insured's Retroactive Date  07/01/1977
Coverage and Limits of Liability			
\$2,000,000	Each Claim	Deductible \$Nil	Each Claim
\$4,000,000	Aggregate Limit per Policy Period	\$Nil	Aggregate
<input type="checkbox"/> Shared Limits of Liability		<input checked="" type="checkbox"/> Separate Limits of Liability	
<input checked="" type="checkbox"/> COVERAGE A	Professional Liability Insurance Claims Made		
<input checked="" type="checkbox"/> COVERAGE B	Limited Professional Office Premises Liability Insurance Claims Made (Limits of liability applicable to this coverage are shared with the Named Insured)		

This is to certify that the policy of insurance listed above has been issued to the insured named above for the period indicated as the insured's effective date to the insured's expiration date subject to payment of all billed premiums by the due date specified. The insurance afforded by the policy described above is subject to all the terms, exclusions and conditions of such policy. It is the responsibility of the insured to inform recipients of Certificates of Insurance of any changes in coverage, declination of issuance, or cancellation before the expiration date. Failure by the insured to provide such notice shall impose no obligation or liability of any kind upon NORCAL, its agents, or representatives.

By: NORCAL Mutual Insurance Company

Issue Date: October 30, 2004

*James Sunseri*  
 James Sunseri  
 President

*David R. Holley M.D.*  
 David R. Holley, M.D.  
 Secretary

# ACORD™ CERTIFICATE OF LIABILITY INSURANCE

DATE  
08-31-2004

**PRODUCER**  
INSURANCE BY ALLIED BROKERS/PHS  
151446 P: (866)467-8730 F: (877)905-0457  
P. O. BOX 33015  
SAN ANTONIO TX 78265

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

**INSURERS AFFORDING COVERAGE**

**INSURED**  
PENINSULA PATHOLOGIST MEDICAL GROUP INC  
393 E GRAND AVE #I  
SAN FRANCISCO CA 94080

INSURER A: Hartford Casualty Ins Co  
INSURER B:  
INSURER C:  
INSURER D:  
INSURER E:

**COVERAGES**

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	<b>GENERAL LIABILITY</b>	57 SBA NL6707	10/01/04	10/01/05	EACH OCCURRENCE	\$1,000,000
	<input type="checkbox"/> COMMERCIAL GENERAL LIABILITY				FIRE DAMAGE (Any one fire)	\$300,000
	<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person)	\$10,000
	<input checked="" type="checkbox"/> Business Liab				PERSONAL & ADV INJURY	\$1,000,000
					GENERAL AGGREGATE	\$2,000,000
					PRODUCTS - COMP/OP AGG	\$2,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC					
A	<b>AUTOMOBILE LIABILITY</b>	57 SBA NL6707	10/01/04	10/01/05	COMBINED SINGLE LIMIT (Ea accident)	\$1,000,000
	<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
	<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$
	<input checked="" type="checkbox"/> HIRED AUTOS				PROPERTY DAMAGE (Per accident)	\$
<input checked="" type="checkbox"/> NON-OWNED AUTOS						
	<b>GARAGE LIABILITY</b>				AUTO ONLY - EA ACCIDENT	\$
	<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	\$
					AGG	\$
	<b>EXCESS LIABILITY</b>				EACH OCCURRENCE	\$
	<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE	\$
	<input type="checkbox"/> DEDUCTIBLE					\$
	<input type="checkbox"/> RETENTION \$					\$
	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b>				WC STATUTORY LIMITS	OTHER
					E.L. EACH ACCIDENT	\$
					E.L. DISEASE - EA EMPLOYEE	\$
					E.L. DISEASE - POLICY LIMIT	\$
	<b>OTHER</b>					

**DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/EXCLUSIONS ADDED BY ENDORSEMENT/SPECIAL PROVISIONS**

Those usual to the Insured's Operations.

**CERTIFICATE HOLDER**  **ADDITIONAL INSURED; INSURER LETTER:** A

**CANCELLATION**

Blum Courtyard Associates  
Attn Sara Fuller-O'gara  
601 California St #400  
San Francisco CA 94108

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE (10 DAYS FOR NON-PAYMENT) TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE  
*R. J. [Signature]*

17 PAGES

Workers Compensation and Employers Liability Insurance Policy

Employers Compensation Insurance Company

A Stock Company
Home Office - Glendale, CA

Information Page
POLICY NUMBER
DR-323030-01
PRIOR POLICY NUMBER
NEW

WCIRB Company No. 00441

1. INSURED AND MAILING ADDRESS

PENINSULA PATHOLOGISTS MEDICAL GROUP (A CORP)
393 EAST GRAND AVE #1
SOUTH SAN FRANCISCO, CA 94080

Entity CORPORATION
FEIN 942219459
Board File Number 2802664
Group DR
Reference

OTHER WORKPLACES NOT SHOWN ABOVE: See Extension of Information Page.

- 2. The policy period is from 06/30/2004 12:01 A.M. to 06/30/2005 12:01 A.M. at the Insured's mailing address.
3. A. Workers Compensation Insurance: Part One of the policy applies to the Workers' Compensation Law of the states listed here: CALIFORNIA

B. Employers Liability Insurance: Part Two of the policy applies to work in each state listed in Item 3.A. The limits of our Liability under Part Two are:

Table with 3 columns: Description, Amount, and Limit. Rows include Bodily Injury by Accident (\$1,000,000 Each Accident), Bodily Injury by Disease (\$1,000,000 Each Employee), and Bodily Injury by Disease (\$1,000,000 Policy Limit).

C. Other States Insurance: Part Three of the policy applies to the states, if any, listed here:

NONE

D. This policy includes these endorsements and schedules:

WC990405 WC000419 WC000420 WC040301A WC040360A
WC040407 WC990308A WC990316A WC990638B

- 4. The premium for this policy will be determined by our Manuals of Rules, Classifications, Rates and Rating Plan. All information required below is subject to verification and change by audit: See Extension of Information Page.

Table with 3 columns: Description, Amount, and Unit. Rows include Minimum Premium (\$1,000), Interim Adjustment of Premium Shall Be Made (Annual), and Interim Payment of Premium Shall Be Made (Monthly 9).

PRODUCER

MARSH AFFINITY GROUP SERVICES
777 S FIGUEROA ST #2300
LOS ANGELES, CA 90017

Countersigned by:

Authorized Representative

Date: 06/24/2004

07702332-0100 DIRECT BILL

SERVICING OFFICE

500 N. BRAND BLVD., #800
GLENDALE, CA 91203

WC 00 00 01 A

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

Page 1 **EXTENSION OF INFORMATION PAGE**

**Name and Address of Insured:**

PENINSULA PATHOLOGISTS MEDICAL GROUP (A CORP)  
 393 EAST GRAND AVE #1  
 SOUTH SAN FRANCISCO, CA 94080

**Policy Number:**

DR-323030-01

**Issue Date:**

06/24/2004

ITEM 4 \*\* Schedule of Premium \*\*

St	Loc	Code No.	Classification	Premium Basis: Total Estimated Annual Remuneration	Rate Per \$100 of Remuneration	Estimated Annual Premium
CA	0001		06/30/2004 To 06/30/2005			
		8834	PHYSICIANS--ALL EMPLOYEES--INCLUDING LOCATION TOTAL	600,000 600,000	4.54	27,240 27,240
			PREMIUM SUBJECT TO RATE MODIFIER			27,240
		9898	EXPERIENCE MODIFICATION ADJUSTMENT		72%	-7,627
		9740	TERRORISM RISK ACT - CERT LOSSES		0.040	240
			TOTAL ESTIMATED PREMIUM			19,853
		0935	SWCAS .2996% - STATE W.C. ADMINISTRATIVE		0.2996%	59
		0936	SWCFA .0685% - STATE W.C. FRAUD ASSMT		0.0685%	14
			CIGA 2% - CA INSURANCE GUARANTY ASSOC.		2.00%	397
		0938	UEBTF .1115% - UNINSURED EMPLOYERS		0.1115%	22
		0939	SIBTF .0192% - SUBSEQUENT INJURIES		0.0192%	4
			STATE TOTAL	600,000		20,349
			TOTAL ESTIMATED COST	600,000		20,349

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

Page 2

**EXTENSION OF INFORMATION PAGE**

**Name and Address of Insured:**

PENINSULA PATHOLOGISTS MEDICAL GROUP (A CORP)  
393 EAST GRAND AVE #1  
SOUTH SAN FRANCISCO, CA 94080

**Policy Number:**

DR-323030-01

**Issue Date:**

06/24/2004

**ITEM 1 \*\* Other Work Places \*\***

Location Number	Address	# Of Employees
CA 0001	PENINSULA PATHOLOGISTS MEDICAL GROUP (A CORP) 393 EAST GRAND AVENUE SUITE 1 SOUTH SAN FRANCISCO, CA 94080 FEIN: 942219459 EFF: 06/30/2004 EXP: 06/30/2005	16



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

Page 3

**EXTENSION OF INFORMATION PAGE**

**Name and Address of Insured:**

PENINSULA PATHOLOGISTS MEDICAL GROUP (A CORP)  
 393 EAST GRAND AVE #1  
 SOUTH SAN FRANCISCO, CA 94080

**Policy Number:**

DR-323030-01

**Issue Date:**

06/24/2004

**ITEM 3D " Endorsements And Schedules "**

State	Number	Description	Effective Date	Endorsement Premium
	WC990405	INSTALLMENT PAYMENT ENDORSEMENT	06/30/2004	
CA	WC000419	PREMIUM DUE DATE ENDORSEMENT	06/30/2004	
CA	WC000420	TERRORISM RISK INSURANCE ACT ENDORSEMENT	06/30/2004	
CA	WC040301A	CA POLICY AMENDATORY ENDORSEMENT	06/30/2004	
CA	WC040360A	CA ELL AMENDATORY	06/30/2004	
CA	WC040407	PREMIUM ADJUSTMENT ENDORSEMENT - CA	06/30/2004	
CA	WC990308A	DUTY TO DEFEND	06/30/2004	
CA	WC990316A	CA LIMITING RESTRICTING ENDORSEMENT	06/30/2004	
CA	WC990638B	CA CANCELLATION ENDORSEMENT	06/30/2004	
CA	PN049901B	POLICYHOLDER NOTICE: Your Right to Rating and Dividend Information		
CA	PN049902B	POLICYHOLDER NOTICE: California Workers' Compensation Insurance Rating Laws		
CA	PN999904A	POLICYHOLDER NOTICE: CIGA, SWCFA & SWCAS, SIBTF & DEBTF		

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**INSTALLMENT PAYMENT ENDORSEMENT**

In addition to the deposit premium, you agree to make the following installment payments on the date specified.

These payments may be revised pursuant to a mid-term analysis of premium based on payrolls which you may be asked to submit to us.

Date	Amount	Taxes	Total Amount
DEPOSIT			
06/30/2004	\$2,978	\$496	\$3,474
INSTALLMENTS			
07/31/2004	\$1,875		
08/31/2004	\$1,875		
09/30/2004	\$1,875		
10/31/2004	\$1,875		
11/30/2004	\$1,875		
12/31/2004	\$1,875		
01/31/2005	\$1,875		
02/28/2005	\$1,875		
03/31/2005	\$1,875		

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**PREMIUM DUE DATE ENDORSEMENT**

This endorsement is used to amend:

Section D. of Part Five of the policy is replaced by this provision.

**PART FIVE  
PREMIUM**

D. Premium is amended to read:

You will pay all premium when due. You will pay the premium even if part or all of a workers compensation Law is not valid. The due date for audit and retrospective premiums is the date of the billing.

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM. standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_

By: \_\_\_\_\_

Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**PREMIUM ADJUSTMENT ENDORSEMENT - CALIFORNIA**

We have the right to adjust the policy premium after issuance of the policy if the cost of providing the benefits required under the workers' compensation laws of California is affected by legislative or regulatory changes adopted after issuance of the policy. The amount of the adjustment will not exceed the change in the cost of providing the benefits as reflected in the pure premium rates approved by the Insurance Commissioner.

**This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.**

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**EMPLOYERS' LIABILITY COVERAGE AMENDATORY ENDORSEMENT - CALIFORNIA**

The insurance afforded by Part Two (Employer's Liability Insurance) by reason of designation of California in item 3 of the information page is subject to the following provisions:

A. "How This Insurance Applies," is amended to read as follows:

A. How This Insurance Applies

This employers' liability insurance applies to bodily injury by accident or bodily injury by disease. Bodily injury means a physical injury, including resulting death.

1. The bodily injury must arise out of and in the course of the injured employee's employment by you.
2. The employment must be necessary or incidental to your work in California.
3. Bodily injury by accident must occur during the policy period.
4. Bodily injury by disease must be caused or aggravated by the conditions of your employment. The employee's last day of last exposure to the conditions causing or aggravating such bodily injury by disease must occur during the policy period.
5. If you are sued, the original suit and any related legal actions for damages for bodily injury by accident or by disease must be brought in the United States of America, its territories or possessions, or Canada.

B. The "Exclusions" section is modified as follows (all other exclusions in the "Exclusions" section remain as is):

1. Exclusion 1 is amended to read as follows:
  1. liability assumed under a contract.
2. Exclusion 2 is deleted.
3. Exclusion 7 is amended to read as follows:
  7. damages arising out of coercion, criticism, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination against or termination of any employee, termination of employment, or any personnel practices, policies, acts or omissions.
4. The following exclusions are added:
  1. bodily injury to any member of the flying crew of any aircraft.
  2. bodily injury to an employee when you are deprived of statutory or common law defenses or are subject to penalty because of your failure to secure your obligations under the workers' compensation law(s) applicable to you or otherwise fail to comply with that law.

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_  
Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

7. **Statutory Provision.** Your employee has a first lien upon any amount which becomes owing to you by us on account of this policy, and in the case of your legal incapacity or inability to receive the money and pay it to the claimant, we will pay it directly to the claimant.

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY****POLICY AMENDATORY ENDORSEMENT - CALIFORNIA**

It is agreed that, anything in the policy to the contrary notwithstanding, such insurance as is afforded by this policy by reason of the designation of California in Item 3. of the Information Page is subject to the following provisions:

1. **Minors Illegally Employed – Not Insured.** This policy does not cover liability for additional compensation imposed on you under Section 4557, Division IV, Labor Code of the State of California, by reason of injury to an employee under sixteen years of age and illegally employed at the time of injury.
2. **Punitive or Exemplary Damages – Uninsurable.** This policy does not cover punitive or exemplary damages where insurance of liability therefor is prohibited by law or contrary to public policy.
3. **Increase in Indemnity Payment – Reimbursement.** You are obligated to reimburse us for the amount of increase in indemnity payments made pursuant to Subdivision (d) of Section 4650 of the California Labor Code, if the late indemnity payment which gives rise to the increase in the amount of payment is due less than seven (7) days after we receive the completed claim form from you. You are obligated to reimburse us for any increase in indemnity payments not covered under this policy and will reimburse us for any increase in indemnity payment not covered under the policy when the aggregate total amount of the reimbursement payments paid in a policy year exceeds one hundred dollars (\$100).

If we notify you in writing, within 30 days of the payment, that you are obligated to reimburse us, we will bill you for the amount of increase in indemnity payment and collect it no later than the final audit. You will have 60 days, following notice of the obligation to reimburse, to appeal the decision of the insurer to the Department of Insurance.

4. **Application of Policy.** Part One, "Workers Compensation Insurance," A, "How This Insurance Applies", is amended to read as follows:

This workers compensation insurance applies to bodily injury by accident or disease, including death resulting therefrom. Bodily injury by accident must occur during the policy period. Bodily injury by disease must be caused or aggravated by the conditions of your employment. Your employee's exposure to those conditions causing or aggravating such bodily injury by disease must occur during the policy period.

5. **Rate Changes.** The premium and rates with respect to the insurance provided by this policy by reason of the designation of California in Item 3 of the Information Page are subject to change if ordered by the Insurance Commissioner of the State of California pursuant to Section 11737 of the California Insurance Code.
6. **Long Term Policy.** If this policy is written for a period longer than one year, all the provisions of this policy shall apply separately to each consecutive twelve-month period or, if the first or last consecutive period is less than twelve months, to such period of less than twelve months, in the same manner as if a separate policy had been written for each consecutive period.

**Limitation of Liability**

The Act may limit our liability to you under this policy. If annual aggregate insured terrorism or war losses of all insurers exceed \$100,000,000,000 during the applicable period provided in the Act, and if we have met our insurer deductible, the amount we will pay for insured terrorism or war losses under this policy will be limited by the Act, as determined by the Secretary of the Treasury

**Policyholder Disclosure Notice**

- 1. Insured terrorism or war losses would be partially reimbursed by the United States Government under a formula established by the Act. Under this formula, the United States Government would pay 90% of our insured terrorism or war losses exceeding our insurer deductible.
- 2. The additional premium charged for the coverage this policy provides for insured terrorism or war losses is shown in Item 4 of the Information Page or the Schedule below.

**Schedule**

State	Rate per \$100 of Remuneration
CA	0.040

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_

Authorized Representative



**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY****TERRORISM RISK INSURANCE ACT ENDORSEMENT**

This endorsement addresses requirements of the Terrorism Risk Insurance Act of 2002.

**Definitions**

The definitions provided in this endorsement are based on the definitions in the Act and are intended to have the same meaning. If words or phrases not defined in this endorsement are defined in the Act, the definitions in the Act will apply.

"Act" means the Terrorism Risk Insurance Act of 2002, which took effect on November 26, 2002, and any amendments.

"Act of terrorism" means any 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 as meeting all of the following requirements:

- a. The act is an act of terrorism.
- b. The act is violent or dangerous to human life, property or infrastructure.
- c. The act resulted in damage within the United States, or outside of the United States in the case of United States missions or certain air carriers or vessels.
- d. The act has been committed by an individual or individuals acting on behalf of any foreign person or foreign interest, 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.

"Insured terrorism or war loss" means any loss resulting from an act of terrorism (including an act of war, in the case of workers compensation) that is covered by primary or excess property and casualty insurance issued by an insurer if the loss occurs in the United States or at United States missions or to certain air carriers or vessels.

"Insurer deductible" means:

- a. For the period beginning on November 26, 2002 and ending on December 31, 2002, an amount equal to 1% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding November 26, 2002.
- b. For the period beginning on January 1, 2003 and ending on December 31, 2003, an amount equal to 7% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2003.
- c. For the period beginning on January 1, 2004 and ending on December 31, 2004, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2004.
- d. For the period beginning on January 1, 2005 and ending on December 31, 2005, an amount equal to 10% of our direct earned premiums, as provided in the Act, over the calendar year immediately preceding January 1, 2005.

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

**CALIFORNIA WORKERS' COMPENSATION DEFENSE ENDORSEMENT**

This endorsement applies only to the insurance provided by the policy because California is shown in item 3.A. of the information page.

Section C. "We Will Defend", and Section D, "We Will Also Pay", of Part One -- Workers' Compensation Insurance of the policy are deleted and replaced by the following provisions:

**C. We Will Defend**

We have the right and duty to defend at our expense any claim, proceeding or suit against you before the Workers' Compensation Appeals Board for benefits payable by this workers' compensation insurance and any matter before the Workers' Compensation Appeals Board which results in an appeal to a higher court of competent jurisdiction. We have the right to investigate and settle these claims, proceedings or suits.

We have no duty to defend any claim, proceeding, suit or other matter that is not covered by this insurance.

**D. We Will Also Pay**

We will also pay these costs, in addition to other amounts payable under this workers' compensation insurance, as part of any claim or proceeding we defend:

1. reasonable expenses incurred at our request, but not loss of earnings;
2. premiums for bonds to release attachments and for appeal bonds in bond amounts up to the amount payable under this workers' compensation insurance;
3. litigation costs for which you are responsible;
4. interest on an award as required by law until we offer the amount due under this insurance; and
5. expenses we incur.

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_  
**Authorized Representative**

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY****ENDORSEMENT AGREEMENT LIMITING AND RESTRICTING THIS INSURANCE**

1. **SOLE PROPRIETOR, INCLUDING A HUSBAND AND WIFE EITHER AS INDIVIDUALS OR AS A PARTNERSHIP.** If the employer named in Item 1 of the Information Page is a sole proprietor, a husband and wife, or a partnership in which the general partners are husband and wife, the insurance under this policy is limited as follows:

It is agreed that, anything in this policy to the contrary notwithstanding, this Policy DOES NOT EXTEND TO OR COVER bodily injury sustained by any of the following relatives of the employer and spouse or of either if at the time of injury such relative

- (1) resides in the household of the employer and spouse, or of either,
- (2) is a child under the age of twelve years

unless such relative is specifically covered by name in Item 4 of the Information Page or an endorsement attached to this policy.

**RELATIVES NOT INSURED:** Spouse, child by birth or adoption, stepchild, grandchild, son-in-law, daughter-in-law, parent, stepparent, parent-in-law, grandparent, brother, sister, stepbrother, stepsister, half-brother, half-sister, brother-in-law, sister-in-law, uncle, aunt, nephew, niece.

**Private Residence Employees Not Insured**

It is further agreed that this Policy DOES NOT EXTEND TO OR COVER bodily injury sustained by an employee who is covered for workers' compensation benefits of a policy also affording comprehensive personal liability insurance which has been issued to this insured.

It is further agreed that "remuneration" when used as premium basis for insurance as is afforded by the policy by reason of the designation of California in Item 3 of the Information Page shall not include the remuneration of any person excluded from coverage in accordance with the foregoing.

**Sole Proprietor Not Insured**

If the employer named in Item 1 of the Information Page is an individual employer, whether as an individual or sole proprietor by any means, the employer is not insured as an employee by this policy, anything in this policy to the contrary notwithstanding.

2. **PARTNERSHIP**

If the employer named in Item 1 of the Information Page is a partnership, this policy applies to the general partners, as employees, unless they are specifically excluded by an endorsement issued to form a part of this policy.

The premium basis for this policy includes the entire remuneration of each covered general partner, subject to the minimum and maximum remunerations as established by the California Workers' Compensation Insurance Rating Bureau.

3. **OFFICERS AND DIRECTORS OF A PRIVATE CORPORATION.**

If the employer named in Item 1 of the Information Page is a private corporation, whose officers and directors are the sole shareholders, this policy applies to all such officers and directors, as employees, unless they hold stock and are specifically excluded by an endorsement issued to form a part of this policy.

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY**

The premium basis for this policy includes the entire remuneration of each covered officer or director, subject to the minimum and maximum remunerations as established by the California Workers' Compensation Insurance Rating Bureau.

**EXCLUDED EMPLOYMENTS**

This policy shall not operate as an election by the insured to insure under Part One employees who are excluded by the Workers' Compensation Law of the State of California unless such employees are engaged in operations specifically described in the declarations.

This policy does not apply under Part Two with respect to any employee employment in domestic employment not described in the declarations unless the policy applies under Part One with respect to such employee.

It is further agreed that this policy, including all endorsements forming a part thereof constitutes the entire contract of insurance. No condition, provision, agreement or understanding not set forth in this policy or such endorsement shall affect such contract or any rights, duties or privileges arising therefrom.

**"FAILURE TO SECURE THE PAYMENT OF FULL COMPENSATION BENEFITS FOR ALL EMPLOYEES AS REQUIRED BY LABOR CODE SECTION 3700 IS A VIOLATION OF LAW AND MAY SUBJECT THE EMPLOYER TO THE IMPOSITION OF A WORK STOP ORDER, LARGE FINES AND OTHER SUBSTANTIAL PENALTIES (Labor Code Section 3710.1, et seq.)"**

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to \_\_\_\_\_

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Representative

**WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY****CALIFORNIA CANCELLATION ENDORSEMENT**

This endorsement applies only to the insurance provided by the policy because California is shown in item 3.A. of the information page.

The Final Premium condition in Part Five Section E (Conditions) of the policy is amended to include these conditions:

1. **Premium.** The premium earned in connection with the workers' compensation insurance coverage provided by the company will be computed based on the payroll or other basis of premium and in accordance with the company's authorized rates and any applicable experience modification.
2. **Premium Determination – Cancellation By the Company Including Non-Payment of Premium (or By the Employer When Retiring from Business Covered by the Policy).** Premium will be computed in accordance with Section I, Rule II.

If we cancel for non-report of payroll or for non-payment of premium, final premium will be calculated pro rata based on the time this policy was in force, but will not be less than the policy minimum premium.

If the Employer retires from the business covered by the policy, final premium will be calculated pro rata based on the time this policy was in force, but will not be less than \$120.

The change, material or otherwise, in the ownership of a corporation, does not constitute retiring from business.

1. **Premium Determination – Cancellation By the Employer.** First, the premium computed in accordance with Section I, Rule 2, will be multiplied by the quotient of the number of days for which the policy was written divided by the number of days the policy remained in force to produce the full policy premium. Second, the extended number of days will be determined by dividing the number of days the policy was in force by the number of days for which the policy was written and multiplying the quotient by 365 days. (When the Policy was written for a one-year period, the extended number of days will equal the number of days the policy remained in force.) Third, the short rate percentage corresponding to the extended number of days will be obtained from the short rate cancellation table. Fourth, the short rate premium will be equal to the product of the full policy premium times the short rate percentage. The Short Rate Table below will be used in computing the Short Rate Premium. In no event will the final earned premium be less than the policy minimum premium.
3. **Short Rate Cancellation Table.** The Short Rate Premium shall be computed using the Short Rate Cancellation Table shown on page 2 of 2.

The Cancellation Condition in Part Six (Conditions) of the policy is replaced by these conditions:

**Cancellation**

1. You may cancel this policy. You must mail or deliver advance written notice to us stating when the cancellation is to take effect.
2. We may cancel this Policy for one or more of the following reasons:
  - a. Non-payment of premium;
  - b. Failure to report payroll;
  - c. Failure to permit us to audit payroll as required by the terms of this policy or of a previous policy issued by us;
  - d. Failure to pay any additional premium resulting from an audit of payroll required by the terms of this policy or any previous policy issued by us;
  - e. Material misrepresentation made by you or your agent;
  - f. Failure to cooperate with us in the investigation of a claim;
  - g. Failure to comply with Federal or State safety orders;
  - h. Failure to comply with written recommendations of our designated loss control representatives;
  - i. The occurrence of a material change in the ownership of your business;
  - j. The occurrence of any change in your business or operations that materially increases the hazard for frequency or severity of loss;

WORKERS COMPENSATION AND EMPLOYERS LIABILITY INSURANCE POLICY

- k. The occurrence of any change in your business or operation that requires additional or different classification for premium calculation.
  - l. The occurrence of any change in your business or operation which contemplates an activity excluded by our reinsurance treaties.
3. If we cancel your policy for any of the reasons listed in (a) through (f), we will give you 10 days advance written notice, stating when the cancellation is to take effect. Mailing that notice to you at your mailing address shown in Item 1 of the Information Page will be sufficient to prove notice. If we cancel your policy for any of the reasons listed in Items (g) through (l), we will give you 30 days advance written notice; however, we agree that in the event of cancellation and reissuance of a policy effective upon a material change in ownership or operations, notice will not be provided.
4. The policy period will end on the day and hour stated in the cancellation notice.

Short Rate Table

Extended Number of Days	Per Cent of Full Policy Premium	Extended Number of Days	Per Cent of Full Policy Premium	Extended Number of Days	Per Cent of Full Policy Premium
1	5%	95-98	37%	219-223	69%
2	6%	99-102	38%	224-228	70%
3-4	7%	103-105	39%	229-232	71%
5-6	8%	106-109	40%	233-237	72%
7-8	8%	110-113	41%	238-241	73%
9-10	10%	114-116	42%	242-246 (6 mos.)	74%
11-12	11%	117-120	43%	247-250	75%
13-14	12%	121-124 (4 mos.)	44%	251-255	76%
15-16	13%	125-127	45%	256-260	77%
17-18	14%	128-131	46%	261-264	78%
19-20	15%	132-135	47%	265-269	79%
21-22	16%	136-138	48%	270-273 (9 mos.)	80%
23-25	17%	139-142	49%	274-278	81%
26-29	18%	143-146	50%	279-282	82%
30-32 (1 mo.)	19%	147-149	51%	283-287	83%
33-36	20%	150-153 (5 mos.)	52%	288-291	84%
37-40	21%	154-156	53%	292-296	85%
41-43	22%	157-160	54%	297-301	86%
44-47	23%	161-164	55%	302-305 (10 mos.)	87%
48-51	24%	165-167	56%	306-310	88%
52-54	25%	168-171	57%	311-314	89%
55-58	26%	172-175	58%	315-319	90%
59-62 (2 mos.)	27%	176-178	59%	321-323	91%
63-65	28%	179-182 (6 mos.)	60%	324-328	92%
66-69	29%	183-187	61%	329-332	93%
70-73	30%	188-191	62%	333-337 (11 mos.)	94%
74-76	31%	192-196	63%	338-342	95%
77-80	32%	197-200	64%	343-346	96%
81-83	33%	201-205	65%	347-351	97%
84-87	34%	206-209	66%	352-355	98%
88-91 (3 mos.)	35%	210-214 (7 mos.)	67%	356-360	99%
92-94	36%	215-218	68%	361-365 (12 mos.)	100%

This endorsement changes the policy to which it is attached and is effective on the policy effective date unless otherwise stated.

This endorsement, effective on \_\_\_\_\_ at 12:01 AM, standard time, forms a part of

Policy No. \_\_\_\_\_ of the

Policy Period \_\_\_\_\_ to

Issued to \_\_\_\_\_ Endorsement No. \_\_\_\_\_

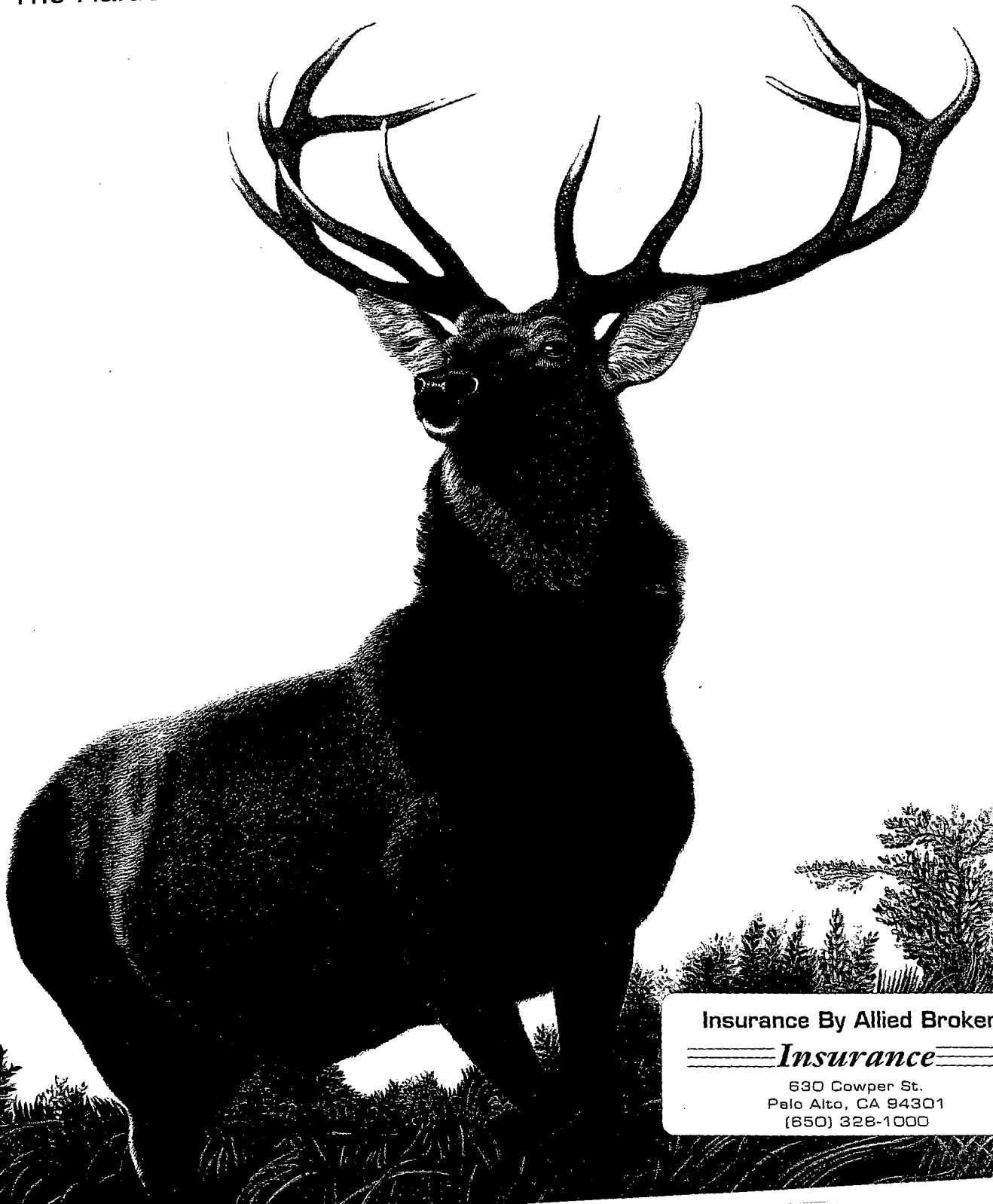
Premium \$ \_\_\_\_\_

Countersigned at \_\_\_\_\_ on \_\_\_\_\_ By: \_\_\_\_\_ Authorized Representative

# Commercial Inland Marine

## POLICY

From The Hartford



Insurance By Allied Brokers

*Insurance*

630 Cowper St.  
Palo Alto, CA 94301  
(650) 328-1000

# QUICK REFERENCE - COMMERCIAL INLAND MARINE

## READ YOUR POLICY CAREFULLY

The Commercial Inland Marine Policy consists of the Policy Jacket, the Declarations, The Common Policy Conditions, The Commercial Inland Marine Conditions, The Coverage Form or Forms and any Endorsements issued as a part of the policy and listed on the Declarations Page.

An outline of the contents of these sections follows.

### DECLARATIONS PAGE

- Company Name and Address
- Policy Number and Previous Policy Number
- Named Insured and Mailing Address
- Policy Period
- Agent's or Broker's Name
- Summary of Coverages and Premium
- Loss Payee
- Forms Applicable

### COMMON POLICY CONDITIONS

- A. Cancellation
- B. Changes
- C. Examination of Your Books and Records
- D. Inspections and Surveys
- E. Premiums
- F. Transfer of Your Rights and Duties Under This Policy

### COMMERCIAL INLAND MARINE CONDITIONS

#### Loss Conditions

- A. Abandonment
- B. Appraisal
- C. Duties in The Event of Loss
- D. Insurance Under Two or More Coverages
- E. Loss Payment
- F. Other Insurance
- G. Pair, Sets or Parts
- H. Privilege to Adjust With Owner
- I. Recoveries
- J. Reinstatement of Limit After Loss
- K. Transfer of Rights of Recovery Against Others To Us

### General Conditions

- A. Concealment, Misrepresentation or Fraud
- B. Legal Action Against Us
- C. No Benefit to Bailee
- D. Policy Period
- E. Valuation

### COVERAGE FORM(S)

- A. Coverage
  - 1. Covered Property
  - 2. Property Not Covered
  - 3. Covered Causes of Loss
  - 4. Coverage Extensions (if applicable)
- B. Exclusions
- C. Limits of Insurance
- D. Deductible
- E. Additional Conditions
- F. Definitions

### SCHEDULES

- Description of Covered Property
- Limit(s) of Insurance
- Rate(s)
- Premium(s)
- Deductible(s)

### ENDORSEMENTS, IF ANY

01120

\*3500257GG66780101





This Marine Policy is provided by the insurance company(s) of The Hartford Insurance Group, shown below.

# COMMERCIAL INLAND MARINE DECLARATIONS



**INSURER:** HARTFORD FIRE INSURANCE COMPANY  
HARTFORD PLAZA HARTFORD, CONNECTICUT 06115

**POLICY NUMBER:** 57 MS GG6678 K2  
**RENEWAL OF:** 57 MS GG6678

**Named Insured and Mailing Address:** PENINSULA PATHOLOGIST MEDICAL  
GROUP, INC.  
393 E. GRAND AVENUE, SUITE I  
SO SAN FRANCISCO CA 94080  
(SAN MATEO COUNTY)

**Policy Period:** From 05/01/04 To 05/01/05  
12:01 a.m., standard time at your mailing address shown above.

**Agent's or Broker's Name:** INSURANCE BY ALLIED BROKERS

**Insurance Provided:**

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

This premium was computed based on rates in effect at the time this policy was issued. On each renewal or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

**Summary of Commercial Inland Marine Coverages and Premium:**

Type of Coverage	Advance Premium
MISCELLANEOUS PROPERTY	\$1,444.00
<b>Total Advance Premium</b>	
	<b>\$1,444.00</b>

**The following applies to coverages subject to reporting:**

**Type of Coverage:**

Deposit Premium:

Premium Base:

Computed on:

**Reporting Period:**

**Adjustment Period:**

Reporting Rate:

**Minimum Premium:**

**Type of Minimum Premium :**

We will adjust any losses with you and pay any claim to you and this Loss Payee jointly or as interests may appear.

**LOSS PAYEE:**

**Form Numbers of Coverage Forms, Schedules, Endorsements and other forms that are a part of this policy:**

MS17010997 MS00030997 IL00171198 IH09850203 IL01030699 IL01040204  
IL02700799 MS00010900 MS99070788 MS00201285 MS19011285T  
IH12001185 MINIMUM PREMIUM

Countersigned by

*Alan S. Riley* 5/14/04  
Authorized Representative Date

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## COMMON POLICY CONDITIONS

All Coverage Parts included in this policy are subject to the following conditions.

### A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

### B. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

### C. Examination Of Your Books And Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

### D. Inspections And Surveys

1. We have the right to:
  - a. Make inspections and surveys at any time;
  - b. Give you reports on the conditions we find; and
  - c. Recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.





THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT OF 2002. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

## DISCLOSURE PURSUANT TO TERRORISM RISK INSURANCE ACT OF 2002

### TERRORISM PREMIUM (CERTIFIED ACTS)

Coverage:	Premium (if Covered):
INLAND MARINE	\$ 0.00
TOTAL	\$ 0.00

**A. Disclosure Of Premium**

In accordance with the federal Terrorism Risk Insurance Act of 2002, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under that Act. The portion of your premium attributable to such coverage is shown above in this endorsement.

**B. Disclosure Of Federal Participation In Payment Of Terrorism Losses**

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals 90% of that portion of the amount of such insured losses that exceeds the applicable insurer retention.

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POLICY NUMBER: 57 MS GG6678



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

MINIMUM PREMIUM

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MINIMUM PREMIUM IS \$900.  
TYPE OF MINIMUM PREMIUM IS EARNED.

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

## **CALIFORNIA CHANGES - ACTUAL CASH VALUE**

This endorsement modifies insurance provided under the following:

- BOILER AND MACHINERY COVERAGE PART
- COMMERCIAL CRIME COVERAGE PART
- COMMERCIAL INLAND MARINE COVERAGE PART
- COMMERCIAL PROPERTY COVERAGE PART
- FARM COVERAGE PART
- STANDARD PROPERTY POLICY

The following is added to any provision which uses the term actual cash value:

Actual cash value is calculated as the amount it would cost to repair or replace Covered Property, at the time of loss or damage, with material of like kind and quality, subject to a deduction for deterioration, depreciation and

obsolescence. Actual cash value applies to valuation of Covered Property regardless of whether that property has sustained partial or total loss or damage. The actual cash value of the lost or damaged property may be significantly less than its replacement cost.

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## CALIFORNIA CHANGES

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
 COMMERCIAL INLAND MARINE COVERAGE PART  
 COMMERCIAL PROPERTY COVERAGE PART  
 FARM COVERAGE PART - FARM PROPERTY - OTHER FARM PROVISIONS FORM - ADDITIONAL  
 COVERAGES, CONDITIONS, DEFINITIONS  
 FARM COVERAGE PART - LIVESTOCK COVERAGE FORM  
 FARM COVERAGE PART - MOBILE AGRICULTURAL MACHINERY AND EQUIPMENT COVERAGE FORM  
 STANDARD PROPERTY POLICY

- A. When this endorsement is attached to the Standard Property Policy **CP 00 99** the term Coverage Part in this endorsement is replaced by the term Policy.
- B. The **Concealment, Misrepresentation Or Fraud** Condition is replaced by the following with respect to loss ("loss") or damage caused by fire:
- We do not provide coverage to the insured ("insured") who, whether before or after a loss ("loss"), has committed fraud or intentionally concealed or misrepresented any material fact or circumstance concerning:
1. This Coverage Part;
  2. The Covered Property;
  3. That insured's ("insured's") interest in the Covered Property; or
  4. A claim under this Coverage Part or Coverage Form.
- C. The **Concealment, Misrepresentation Or Fraud** Condition is replaced by the following with respect to loss ("loss") or damage caused by a Covered Cause of Loss other than fire:
- This Coverage Part is void if any insured ("insured"), whether before or after a loss ("loss"), has committed fraud or intentionally concealed or misrepresented any material fact or circumstance concerning:
1. This Coverage Part;
  2. The Covered Property;
  3. An insured's ("insured's") interest in the Covered Property; or
  4. A claim under this Coverage Part or Coverage Form.
- D. Except as provided in E., the **Appraisal** Condition is replaced by the following:
- If we and you disagree on the value of the property or the amount of loss ("loss"), either may make written request for an appraisal of the loss ("loss"). If the request is accepted, each party will select a competent and impartial appraiser. Each party shall notify the other of the appraiser selected within 20 days of the request. The two appraisers will select an umpire. If they cannot agree within 15 days, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss ("loss"). If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:
1. Pay its chosen appraiser; and
  2. Bear the other expenses of the appraisal and umpire equally.
- If there is an appraisal, we will still retain our right to deny the claim.
- E. The **Appraisal** Condition in:
1. Business Income (And Extra Expense) Coverage Form **CP 00 30**; and
  2. Business Income (Without Extra Expense) Coverage Form **CP 00 32**;
- is replaced by the following:

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

## **CALIFORNIA CHANGES - CANCELLATION AND NONRENEWAL**

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART  
 BUSINESSOWNERS POLICY  
 COMMERCIAL AUTO COVERAGE PART  
 COMMERCIAL CRIME COVERAGE PART\*  
 COMMERCIAL GENERAL LIABILITY COVERAGE PART  
 COMMERCIAL INLAND MARINE COVERAGE PART  
 COMMERCIAL PROPERTY COVERAGE PART  
 EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART  
 FARM COVERAGE PART  
 LIQUOR LIABILITY COVERAGE PART  
 POLLUTION LIABILITY COVERAGE PART  
 PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART  
 PROFESSIONAL LIABILITY COVERAGE PART

\*This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form A), forgery or alteration (Coverage Form B), or public employee dishonesty (Coverage Forms O and P).

**A. Paragraphs 2. and 3. of the Cancellation Common Policy Condition are replaced by the following:**

**2. All Policies In Effect For 60 Days Or Less:**

If this policy has been in effect for 60 days or less, and is not a renewal of a policy we have previously issued, we may cancel this policy by mailing or delivering to the first Named Insured at the mailing address shown in the policy and to the producer of record, advance written notice of cancellation, stating the reason for cancellation, at least:

- a. 10 days before the effective date of cancellation if we cancel for:
- (1) Nonpayment of premium; or
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
- b. 30 days before the effective date of cancellation if we cancel for any other reason.

**3. All Policies In Effect For More Than 60 Days**

- a. If this policy has been in effect for more than 60 days, or is a renewal of a policy we issued, we may cancel this policy only upon the occurrence, after the effective date of the policy, of one or more of the following:
- (1) Nonpayment of premium, including payment due on a prior policy we issued and due during the current policy term covering the same risks.
  - (2) Discovery of fraud or material misrepresentation by:
    - (a) Any insured or his or her representative in obtaining this insurance; or
    - (b) You or your representative in pursuing a claim under this policy.
  - (3) A judgment by a court or an administrative tribunal that you have violated a California or Federal law, having as one of its necessary elements an act which materially increases any of the risks insured against.
  - (4) Discovery of willful or grossly negligent acts or omissions, or of any violations of state laws or regulations establishing safety standards, by you

**2. Residential Property**

This provision applies to coverage on real property used predominantly for residential purposes and consisting of not more than four dwelling units, and to coverage on tenants' household property contained in a residential unit, if such coverage is written under one of the following:

Businessowners Policy

Commercial Property Coverage Part

Farm Coverage Part - Farm Property - Farm Dwellings, Appurtenant Structures And Household Personal Property Coverage Form.

a. We may elect not to renew such coverage for any reason, except as provided in b., c. and d. below:

b. We will not refuse to renew such coverage solely because the first Named Insured has accepted an offer of earthquake coverage.

However, the following applies only to insurers who are associate participating insurers as established by Cal. Ins. Code Section 10089.16. We may elect not to renew such coverage after the first Named Insured has accepted an offer of earthquake coverage, if one or more of the following reasons applies:

(1) The nonrenewal is based on sound underwriting principles that relate to the coverages provided by this policy and that are consistent with the approved rating plan and related documents filed with the Department of Insurance as required by existing law;

(2) The Commissioner of Insurance finds that the exposure to potential losses will threaten our solvency or place us in a hazardous condition. A hazardous condition includes, but is not limited to, a condition in which we make claims payments for losses resulting from an earthquake that occurred within the preceding two years and that required a reduction in policyholder surplus of at least 25% for payment of those claims; or

(3) We have:

(a) Lost or experienced a substantial reduction in the availability or scope of reinsurance coverage; or

(b) Experienced a substantial increase in the premium charged for reinsurance coverage of our residential property insurance policies; and

the Commissioner has approved a plan for the nonrenewals that is fair and equitable, and that is responsive to the changes in our reinsurance position.

c. We will not refuse to renew such coverage solely because the first Named Insured has cancelled or did not renew a policy, issued by the California Earthquake Authority that included an earthquake policy premium surcharge.

d. We will not refuse to renew such coverage solely because corrosive soil conditions exist on the premises. This restriction (d.) applies only if coverage is subject to one of the following, which exclude loss or damage caused by or resulting from corrosive soil conditions:

(1) Businessowners Policy - Businessowners Special Property Coverage Form;

(2) Commercial Property Coverage Part - Causes Of Loss - Special Form; or

(3) Farm Coverage Part - Causes Of Loss Form - Farm Property, Paragraph D. Covered Causes Of Loss - Special.

3. We are not required to send notice of nonrenewal in the following situations:

a. If the transfer or renewal of a policy, without any changes in terms, conditions, or rates, is between us and a member of our insurance group.

b. If the policy has been extended for 90 days or less, provided that notice has been given in accordance with Paragraph C.1.

c. If you have obtained replacement coverage, or if the first Named Insured has agreed, in writing, within 60 days of the termination of the policy, to obtain that coverage.

d. If the policy is for a period of no more than 60 days and you are notified at the time of issuance that it will not be renewed.

e. If the first Named Insured requests a change in the terms or conditions of risks covered by the policy within 60 days of the end of the policy period.

f. If we have made a written offer to the first Named Insured, in accordance with the timeframes shown in Paragraph C.1., to renew the policy under changed terms or conditions or at an increased premium rate, when the increase exceeds 25%.

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## COMMERCIAL INLAND MARINE CONDITIONS

The following conditions apply in addition to the Common Policy Conditions and applicable Additional Conditions in Commercial Inland Marine Coverage Forms:

### LOSS CONDITIONS

#### A. Abandonment

There can be no abandonment of any property to us.

#### B. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

1. Pay its chosen appraiser; and
2. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

#### C. Duties In The Event Of Loss

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

1. Notify the police if a law may have been broken.
2. Give us prompt notice of the loss or damage. Include a description of the property involved.
3. As soon as possible, give us a description of how, when and where the loss or damage occurred.
4. 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 the settlement of the claim. This will not increase the Limit of Insurance. However, we 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.

5. You will not, except at your own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.
6. 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.
7. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including any insured's books and records. In the event of an examination, an insured's answers must be signed.
8. Send us a signed, sworn proof of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
9. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or suit.
10. Cooperate with us in the investigation and settlement of the claim.

#### D. Insurance Under Two or More Coverages

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

#### E. Loss Payment

1. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
2. We will not pay you more than your financial interest in the Covered Property.

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**B. Control Of Property**

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

**C. Legal Action Against Us**

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all the terms of this Coverage Part; and
2. The action is brought within 2 years after you first have knowledge of the direct loss or damage.

**D. No Benefit To Bailee**

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

**E. Policy Period**

We cover loss or damage commencing:

1. During the policy period shown in the Declarations; and
2. Within the coverage territory.

**F. Valuation**

The value of property will be the least of the following amounts:

1. The actual cash value of that property;
2. The cost of reasonably restoring that property to its condition immediately before loss or damage; or
3. The cost of replacing that property with substantially identical property.

In the event of loss or damage, the value of property will be determined as of the time of loss or damage.



# MISCELLANEOUS PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

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

## A. COVERAGE

We will pay for direct physical "loss" to Covered Property caused by any of the Covered Causes of Loss.

1. **Covered Property**, as used in this Coverage Form, means property listed and described in the Declarations or Schedule.

2. **Property Not Covered**

Covered Property does not include contraband or property in the course of illegal transportation or trade.

3. **Covered Causes of Loss**

Covered Causes of Loss means RISKS OF DIRECT PHYSICAL "LOSS" to Covered Property from any external cause except those causes of "loss" listed in the Exclusions.

## B. EXCLUSIONS

1. We will not pay for "loss" caused directly or indirectly by or resulting from any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".

a. Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction to Covered Property ordered by governmental authority and taken at the time of a fire to prevent its spread.

b. (1) Any weapon employing atomic fission or fusion; or

(2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct physical "loss" to Covered Property caused by resulting fire.

- c. (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.

2. We will not pay for "loss" caused by or resulting from any of the following:

- a. Delay, loss of use, loss of market, or any other causes of consequential "loss".
- b. Wear and tear, depreciation or obsolescence.
- c. Rust, corrosion, fungus, decay, deterioration, hidden or latent defect, or any quality in property that causes it to damage or destroy itself.
- d. Insects, birds, rodents, or other animals.
- e. Mechanical breakdown or failure.

But we will pay for direct physical "loss" to Covered Property caused by resulting fire or explosion, except as otherwise excluded.

f. Artificially generated electric current, including electric arcing, that disturbs electrical:

- (1) Devices;
- (2) Equipment;
- (3) Appliances; or
- (4) Wires.

But we will pay for direct physical "loss" to Covered Property caused by resulting fire or explosion, except as otherwise excluded.

g. Unexplained disappearance.

h. Shortage found upon taking inventory.

i. Dishonest acts by:

- (1) You or any of your partners;
- (2) Your directors or trustees;
- (3) Your authorized representatives or employees; or

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

## **FLOOD, EARTHQUAKE AND VOLCANIC ERUPTION EXCLUSION**

This endorsement modifies insurance under the following:

Commercial Inland Marine Coverage Form

The following is added to the EXCLUSIONS section:

We will not pay for "loss" caused directly or indirectly by or resulting from any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss".

1. Any earth movement.

But we will pay for direct physical "loss" to Covered Property caused by resulting fire or explosion, except as otherwise excluded.

Earth movement means any earth movement, including but not limited to earthquake, landslide, mudflow, erosion, contraction or expansion, subsidence, any movement of earth resulting from water combining with the ground or soil, and any other shifting of earth, all whether or not combined with flood or volcanic eruption.

Earthquake means a shaking or trembling of the earth's crust, caused by underground volcanic or tectonic forces or by breaking or shifting of rock beneath the surface of the ground from natural causes. An earthquake includes all related shocks and after shocks.

2. Volcanic eruption, explosion or effusion.

But we will pay for direct physical "loss" to Covered Property caused by resulting fire, building glass breakage or volcanic action, except as otherwise excluded.

Volcanic action means direct physical "loss" to Covered Property resulting from the eruption of a volcano when the "loss" is caused by.

- a. Airborne volcanic blast or airborne shock waves;
- b. Ash, dust or particulate matter; or
- c. Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence. Volcanic action does not include the cost to remove ash, dust or particulate matter which does not cause direct physical "loss" to Covered Property.

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

But we will pay for direct physical "loss" to Covered Property caused by resulting fire or explosion, except as otherwise excluded.

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