

**MICHIGAN COUNTY ROAD COMMISSION
SELF-INSURANCE POOL
(Hereinafter Called the Pool)**

PHYSICAL DAMAGE COVERAGE AGREEMENT

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

Throughout this Agreement, the words “you” and “your” refer to the Named Member shown in the Declarations. The words “we”, “us”, and “our” refer to the Pool.

Subject to the terms, conditions and exclusions, this Agreement covers all buildings and contents (including improvements and betterments) of the Member or property held by the Member in trust or in commission or on consignment for which the Member may be held legally liable including various “equipment”, “vehicles”, including accessories, spare parts, materials, and tools used in the operations of the Member against ALL RISKS OF LOSS except those specifically excluded occurring during the period of this Agreement.

This Agreement provides coverage only to the buildings, contents, “vehicles”, “equipment”, EDP “equipment” and EDP media shown as insured on the schedule on file with the Pool.

NEWLY ACQUIRED OR CONSTRUCTED PROPERTY, “VEHICLES” OR “EQUIPMENT”, INCLUDING LEASED OR RENTED: Coverage is extended for 30 days after you acquire such Property, “Vehicles” or “Equipment”. For coverage to continue after 30 days, you must list the values on the schedule on file with the Pool.

The contribution for this Agreement is based on the exposures insured when this Coverage Agreement began. The Pool may examine the Member’s records at any time during the Agreement period and for a period of three years afterward.

PROPERTY COVERED

Buildings

Buildings shall include all such property which is owned by the Member, in which the Member has an insurable interest or which the Member is under legal obligation to cover by virtue of an enforceable written agreement entered into prior to loss, and shall also include supplies, tools and fixtures, machinery and “equipment” constituting a permanent part of, and pertaining to the service of, such property while situated on the premises listed on the schedule on file with the Pool.

Contents

Contents shall include all such property owned by the Member and usual to the Member’s occupancy while contained in any building on premises listed on the schedule on file with the Pool, and within 1,000 feet of the building. This coverage shall include the Member’s interest in improvements and betterments.

Vehicles

“Vehicle” means a land motor “vehicle”, trailer or semi-trailer designed for travel on public roads listed on the schedule on file with the Pool.

Equipment

“Equipment” means machinery, including accessories, spare parts, tools, and “equipment” used in the operations of the Member, property of the Member or the property of others leased or rented to the Member, and for which the Member shall be liable, and listed on the schedule on file with the Pool.

THE FOLLOWING ADDITIONAL COVERAGES ARE SUBJECT TO THE SUBLIMITS SHOWN ON THE DECLARATIONS CERTIFICATE:

Business Interruption & Extra Expense

Business Interruption and Extra Expense covers an actual loss that is sustained due to the necessary suspension of the Member’s operations during a “period of restoration”. The suspension must be caused by or result from a Covered Cause of



Loss to covered property at a location shown on the schedule on file with the Pool.

“Period of Restoration” means the period of time that:

1. Begins with the date of direct physical loss caused by or resulting from any Covered Cause of Loss at the premises; and
2. Ends on the date when the property at the premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

“Period of restoration” does not include any increased period due to the enforcement of any ordinance or law that:

- a) Regulates the construction, use of, repair of, or requires the tearing down of any property; or
- b) 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 pollutants.

The expiration date of this Agreement will not cut short the “period of restoration”.

Valuable Papers and Records

“Valuable papers and records” means inscribed, printed or written documents, manuscripts or records, including abstracts, books, deeds, drawings, films, maps or mortgages, but does not include money or securities, converted data, programs or instructions used in your data processing operations, including the materials on which the data is recorded while contained in any building on premises listed on the schedule on file with the Pool.

Accounts Receivable

Accounts receivable includes all sums due the Member from customers, provided the Member is unable to effect collection, as the direct result of loss or damage to records while contained in any building on premises listed on the schedule on file with the Pool interest charges on any loan to offset impaired collection pending



repayment of such sums made uncollectible by such loss or damage, collection expenses in excess of normal and made necessary by such loss or damage and any other expenses, when reasonably incurred by the Member in re-establishing records of accounts receivable following such loss or damage.

EDP Equipment and Media

Electronic Data Processing systems shall include “equipment” and component parts owned by the Member, or leased, rented or under control of the Member, and active data processing media while contained in any building on premises listed on the schedule on file with the Pool.

Ordinance or Law Coverage

Coverage for Loss to the Undamaged Portion of the Building

If a covered cause of loss occurs to any building on premises listed as insured on the schedule on file with the Pool, we will pay for the loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that:

1. Requires the demolition of parts of the same property not damaged by a covered cause of loss;
2. Regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises; and
3. Is in force at the time of loss.

Demolition Cost Coverage

If a covered cause of loss occurs to a covered building, we will pay the cost to demolish and clear the site of undamaged parts of the property caused by enforcement of building, zoning or land use ordinance or law.

Increased Cost of Construction Coverage

If a covered cause of loss occurs to an insured building, we will pay for the increased cost to:

1. Repair or reconstruct damaged portions of that property;

and/or
 2. Reconstruct or remodel undamaged portions of that property, whether or not demolition is required;
- when the increased cost is a consequence of enforcement of building, zoning or land use ordinance or law.

Transit

Transit covers your property or the property of others which you are picking up or delivering. This extension applies to property while it is in transit more than 1,000 feet from the described premises and while between points in the coverage territory while in a “vehicle” owned, leased or operated by the Member.

COVERED CAUSE OF LOSS

This Agreement covers All Risk of loss to the property listed as insured on the schedule on file with the Pool during the coverage period unless excluded elsewhere in this Agreement.

EXCLUSIONS

THIS AGREEMENT DOES NOT COVER:

1. Loss or damage caused by or resulting from moth, vermin, termites or other insects, inherent vice, latent defect, wear, tear or gradual deterioration, contamination, rust, wet or dry rot, fungus or bacteria, mold, dampness of atmosphere, smog or extremes of temperature; or loss or damage by normal setting, shrinkage or expansion in building, foundation or “equipment”.
2. Loss or damage caused by the presence of condensation, humidity, moisture or vapor that occurs over a period of 14 days or more.
3. Loss or damage caused by water that backs up or overflows from a sewer, drain or sump or water under the ground surface pressing on, or flowing or seeping through: (a) Foundations, walls, floors or paved surfaces; (b) Basements, whether paved or not; or (c) Doors, windows



or other openings. But if Water results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

4. Breakdown or derangement of machinery and/or boiler explosion unless fire ensues and then only for the actual loss or damage caused by such ensuing fire. (refer to Endorsement 1 Equipment Breakdown)
5. Infidelity or any dishonest act on the part of the Member or any of its employees or others to whom the property may be delivered or entrusted; inventory shortage or unexplained disappearance.
6. Loss or damage to electrical appliances, devices, fixtures or wiring caused by artificially generated electrical current, unless fire or explosion ensues and then only for the actual loss or damage caused by such ensuing fire or explosion, mechanical breakdown, electrical breakdown or failure from gradual deterioration or depreciation.
7. Loss or damage arising directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination, however, such nuclear reaction, nuclear radiation or radioactive contamination may have been caused. If a fire arises directly or indirectly from nuclear reaction, nuclear radiation or radioactive contamination, any loss or damage arising directly from that fire shall (subject to the provision of this Agreement) be covered excluding all loss or damage caused by nuclear reaction, nuclear radiation or radioactive contamination arising directly or indirectly from that fire.
8. Loss of or damage occasioned directly or indirectly by war, invasions, hostilities, acts of foreign enemies, civil war, rebellion, insurrection, military or usurped power or martial law or confiscation by order to any Government of Public Authority.
9. Loss or damage caused by processing, renovation, repairing or faulty workmanship, unless fire and/or explosion ensues and then only for the direct loss or damage caused by such ensuing fire or explosion.
10. Loss or damage resulting from: shrinkage, evaporation, loss of weight, leakage, breakage of glass or other fragile articles, marring, scratching, exposure to light or change in color, texture or flavor, unless such loss

or damage is caused directly by fire or the combating thereof, lightning, windstorm, hail, explosion, strike, riot or civil commotion, aircraft, “vehicles”, breakage of pipes or apparatus, sprinkler leakage, vandalism and malicious mischief, theft or attempted theft.

11. Loss or damage caused by or resulting from release, discharge or dispersal of contaminants or pollutants.
12. Loss or damage caused by exceeding the manufacturers’ rated capacity of “equipment”.
13. Tools owned or supplied by employees, unless included in the schedule on file with the Pool.
14. Blowouts, punctures or other road damage to tires.
15. Lost or misplaced “equipment”.

16. (Deleted)

17. As respects “Valuable Papers and Records” only:

a. Dishonest or criminal acts committed by:

- 1) You, your employees, directors, trustees or authorized representatives; or
- 2) Anyone else with an interest in the property or their employees or representatives; or
- 3) Anyone to whom the property is entrusted for any purpose.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons, or such acts occur during the hours of employment.

This exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire or to acts of destruction by your employees. Theft by employees is not covered.



- b. Errors or omissions in processing or copying, but, we will pay for loss or damage caused by resulting fire or explosion if these causes of loss would be covered by this coverage form.
- c. Electrical or magnetic injury, disturbances or erasure of electronic recordings, but we will pay for direct loss or damage caused by lightning.
- d. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick device or false pretense.
- e. Unauthorized instructions to transfer property to any person or place.
- f. Neglect of a Member to use all reasonable means to save and preserve property from further damage at and after the time of a loss.
- g. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
- h. Faulty, inadequate or defective:
 - 1) Planning, zoning, development surveying, sitting; or
 - 2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading or compacting; or
 - 3) Materials, used in repair, construction, renovation or remodeling; or
 - 4) Maintenance of part or all of any property wherever located.

18. As respects Accounts Receivable only:

- a. Loss due to bookkeeping, accounting or billing errors or omissions.

- b. Loss, the proof of which as to factual existence, is dependent upon an audit of records or an inventory or computation, but this shall not preclude the use of such procedures in support of claim for the loss which the Member can prove, through evidence, is due solely to a risk of loss to records of accounts receivable not otherwise excluded.
- c. Loss due to alteration, falsification, concealment, destruction or disposal of records or accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent of such wrongful giving, taking, obtaining or withholding.

19. As respects Transit only:

- a. Loss or damage caused by breakdown or derangement of refrigerating units.

20. As respects Electronic Data only:

- a. Loss or damage caused by a “computer virus”.

“Computer Virus” means instructions, code, applications or any software program that has the ability or is suspected to have the ability to damage, destroy, erase, corrupt, alter or prevent access to electronic data, electronic media or computes or to disrupt or interfere with the operations of computers.

DEDUCTIBLE

It is agreed that each claim for loss or damage (separately occurring) shall be adjusted separately, and from each such adjusted claim the deductible amount shown on the declarations shall be paid by the Member.

In the event of any recovery and/or salvage on a loss which has been, or is being, or is about to be paid, except for Michigan mini-tort recovery which shall inure to the Member, such recovery and/or salvage shall accrue entirely to the benefit of the Pool under this Agreement until the sum paid by it has been recovered.

COVERAGE TERRITORY

This Agreement covers property within the United States of America (including its territories and possessions), Puerto Rico, and Canada.

PROPERTY EXCLUDED

THIS AGREEMENT DOES NOT COVER:

1. a. Aircraft, jewelry, precious stones, furs or garments trimmed with fur, standing timber, growing crops and animals.
b. Watercraft, unless under 26 feet in length and under 51 horsepower and scheduled as insured on file with the Pool.
c. Bills, currency, money, notes, securities, deeds, and evidence of debt, unless scheduled as insured on file with the Pool.
2. Property sold by, or under encumbrance to the Member after it leaves the custody of the Member or an employee of the Member.
3. Power transmission lines and feeder lines not on the Member's premises.
4. Land, including water, except water which is normally contained within any type of tank, piping system or other process "equipment"; or any other substance in land, water on land, standing timber, growing crops or animals. (This does not exclude tanks, piping systems or other process "equipment" that is included in the schedule of values and for which a contribution is paid.)
5. Underground mines, any property within and mining property located below the surface of the ground.
6. Dams and dikes.
7. Streets, roads, highways, bridges, and tunnels.
8. Traffic signals and signs not on the Member's premises.



CONDITIONS

1. VALUATION

In case of loss or damage to property covered hereunder, the basis of adjustment shall be as follows:

- a. **BUILDING AND CONTENTS:** For Buildings scheduled as insured on file with the Pool at a value that is at least the amount determined by the most recent appraisal provided by the Pool, the basis of adjustment is Replacement Cost Value (without deduction for depreciation).

For Contents covered under this Agreement, the basis of adjustment is Replacement Cost Value (without deduction for depreciation), as long as those Contents are included on a list maintained in your offices with the total list value scheduled as insured on file with the Pool.

The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property unless a Coverage Limit is specified for Ordinance or Law in the Declarations Certificate, and then only to the extent provided under that coverage.

At the Pool's option, it may pay for repair or replacement of damaged or stolen property.

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

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

If a building is rebuilt at a different location, or if a building is scheduled as insured on file with the Pool at a value that is less than the amount determined by the most recent appraisal provided by the Pool, the Pool will not pay more for loss or damage on a replacement cost basis than the least of:



- 1) The Scheduled Value on File with the Pool applicable to the lost or damaged property;
 - 2) The cost to replace, on the same premises, the lost or damaged property of comparable size, material and quality; and used for the same purpose; or
 - 3) That amount actually spent that is necessary to repair or replace the lost or damaged property.
- b. PRIVATE PASSENGER “VEHICLES” AND STANDARD PICKUP TRUCKS designed and used primarily for transportation, including their permanently installed accessories, including but not limited to, safety lights and light bars, radios and GPS systems, small tool and tote boxes and other similar “equipment”:
- 1) The valuation of each individual item shall be limited to the depreciated value scheduled as insured on file with the Pool immediately prior to the loss.
- c. “SPECIAL EQUIPMENT” means machinery, “equipment”, and tools of a mobile nature that you use in your operations. “Special Equipment” also means but is not limited to:
- 1) “Equipment”, whether self-propelled or not, maintained primarily to provide mobility to permanently-mounted:
 - a) Road maintenance, construction or resurfacing “equipment” such as graders, scrapers, rollers, plow trucks, snow removal and related “equipment”; or
 - b) Power cranes, shovels, loaders, diggers, or drills; or
 - c) Lifts and similar devices to raise or lower workers; or
 - d) Air compressors, pumps and generators, compactors, spraying “equipment” and portable lighting and signing equipment;
 - 2) Trailers, licensed or unlicensed.

The valuation of each individual item shall be limited to the scheduled amount on file with the Pool not to exceed Current Replacement Cost.

The above valuations shall also be used for the purpose of the contribution computation of this Agreement.

2. DUTIES AFTER LOSS

- a. The Member must notify the Pool of any loss or damage within ninety (90) days from the date of such loss or damage. The Member must tell how, when and where the loss or damage happened and assist in obtaining the names and addresses of any witnesses.
- b. Additionally, the Member must:
 - 1) Cooperate with the Pool in the investigation, settlement or the conduct of any suit. The Member shall not, except at its own costs, voluntarily make any payment, assume any obligation or incur any expense.
 - 2) Maintain a detailed schedule to substantiate their Contents Values for each building and premises covered under this Agreement.
 - 3) Permit the Pool to inspect and appraise the damaged property before its repair or disposition.
 - 4) Do what is reasonably necessary after loss, at the Pool's expense, to protect the covered "equipment" from further loss.
 - 5) Promptly notify the police if the covered "equipment" or any of its accessories are stolen.

Failure by a Member to comply with all Duties After Loss shall invalidate any claim under this Agreement for such loss.

3. PROOF OF LOSS

The Member shall render a signed and sworn Proof of Loss within ninety (90) days after the occurrence of a loss (unless such period be extended by the written agreement of the Pool) stating the time, place and cause of loss, the interest of the Member and of all others in the property and the amount of loss or damage.

FAILURE BY THE MEMBER TO TIMELY REPORT THE SAID LOSS OR DAMAGE AND TO FILE SUCH SWORN PROOF OF LOSS AS PROVIDED ABOVE SHALL INVALIDATE ANY CLAIM UNDER THIS AGREEMENT FOR SUCH LOSS.

4. SUBROGATION

If the Pool becomes liable for any payment under this Agreement in respect of loss or damage, the Pool shall be subrogated, to the extent of such payment, to all the rights and remedies of the Member against any third party that may bear responsibility for such loss or damage and shall be entitled at their own expense to sue in the name of the Member. The Member shall give the Pool all such assistance in their power as the Pool may require to secure their rights and remedies and at the Pool's request, shall execute all documents necessary to enable the Pool to effectively bring suit in the name of the Member including the execution and delivery of the customary form of loss receipt.

5. CANCELLATION

This Agreement may be cancelled by the Member by giving at least sixty (60) days written notice to the Pool. This Agreement may be cancelled by the Pool by mailing to the Member at the address last known to the Pool or its authorized agent, written notice stating when not less than sixty (60) calendar days thereafter such cancellation shall be effective. The mailing of the notice, as aforesaid, shall be sufficient notice and the effective date of cancellation stated therein shall become the expiration date of the Coverage Period. Delivery of such written notice either by the Member or the Pool, shall be equivalent to mailing.

This Agreement may be cancelled by the Pool for non-payment of contribution by mailing to the Member, at the last mailing address known by the Pool, written notice stating when, not less than ten (10) days thereafter, such cancellation shall be effective.

Contribution adjustment may be made either at the time the cancellation is effective or as soon as practicable thereafter but payment or tender of unearned contribution is not a condition precedent to cancellation.

The Pool shall continue servicing any of the Member's pending claims, unless the Member specifically assumes the liability and makes provisions to indemnify the

Pool from loss by taking over the servicing of any such claim(s). The Member shall reimburse the Pool for all claims expenses incurred after the cancellation.

6. CIVIL AUTHORITY

Property which is covered under this Agreement is also covered against the risk of damage or destruction by civil authority during a conflagration and for the purpose of retarding the same; provided that neither such conflagration nor such damage or destruction is caused or contributed to by war, invasion, revolution, rebellion, insurrection or other hostilities or warlike operations.

7. ABANDONMENT

There shall be no abandonment of any property to the Pool.

8. ASSIGNMENT

Assignment or transfer of this Agreement shall not be valid except with the written consent of the Pool.

9. DEBRIS REMOVAL

This Agreement covers expenses incurred in the removal of the debris of the property covered per schedule on file with the Pool which may be destroyed or damaged.

The sub limit for debris removal is 25% of the Total Physical Damage Loss or \$1,000,000 whichever is less.

Debris removal does not apply to costs to:

- a) Extract pollutants from land or water; or
- b) Remove, restore or replace polluted land or water.

10. OTHER COVERAGE

This Agreement does not cover loss or damage which at the time of the occurrence of such loss or damage is covered by any other insurance policy or policies as either primary or excess.



If two or more Pool coverages or Agreements apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

11. INSPECTION AND SURVEYS

The Pool shall be permitted but not obligated to make inspections and surveys at any time. We may give you reports on the conditions we find and recommend changes.

We are not obligated to make any inspections, surveys, reports or recommendations, and any such actions we do undertake relate only to coverage and the contributions to be charged. 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. We do not warrant that conditions:

- a. Are safe or healthful; or
- b. Comply with laws, regulations, codes or standards

We do not provide any inspections, surveys, reports or recommendations relative to certification under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

12. EXAMINATION OF YOUR BOOKS AND RECORDS

The Pool may examine and audit the Member's books and records as they relate to this Agreement at any time during the Agreement period and up to three years after the final termination of this Agreement.

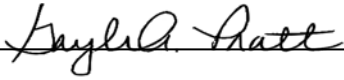
13. SALVAGE AND RECOVERIES

All salvage, recoveries and payments recovered or received subsequent to a loss settlement under this Agreement shall be applied as if recovered or received prior to the settlement and all necessary adjustments shall be made by the parties.

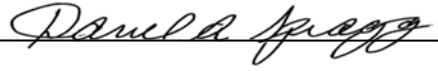
14. FALSE OR FRAUDULENT CLAIMS

If the Member shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Agreement shall become void, and all claims shall be forfeited.

This Agreement shall not be valid unless signed by authorized representatives of the Pool.



Gayle A. Pratt, Administrator



Darrel A. Spragg, Chairman