

Preferred Mutual Insurance Company
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07/028/2015 Claim #15117965
JEFFREY T KAUFMAN & JULIA D WISE
[REDACTED]

SOMERVILLE, MA 02144

Re: Insured: JEFFREY T KAUFMAN & JULIA D WISE
- Date of Occurrence: 07/01/2015
Policy #: PHO0100908646
Claim #: 15117965

Dear JEFFREY T KAUFMAN & JULIA D WISE,

Previously reported to Preferred was a claim for the discovery of mercury in your home during remodeling. This claim was reported on July 2, 2015 and was denied that date, as pollution seepage or leakage is excluded unless it is caused by a peril specified within the policy. You originally reported that the mercury was discovered during the demolition and reconstruction when a wall was opened. For the reasons stated in our July 2, 2015 denial letter, that is not a covered cause of loss.

Subsequently, on July 6, 2015, you called to revise the claim to state that the mercury had escaped from a heating system. In light of the revisions to the claim, we assigned Brian Aspell from Lamarche Associates to inspect the loss and to detail the facts of the mercury leakage, including the new claim that the mercury escaped from a heating system.

We have now received the report from Mr. Aspell who advises the leakage of mercury did not occur during the policy period in which Preferred Mutual insured your home. Mr. Aspell met with your contractor from CleanHarbors during the inspection of the reported loss. While the exact time frame of the mercury release is not known, it appears the mercury leaked from an old heat generator that was once located in the home. The heat generator was removed prior to the policy period. Although the exact time frame of the mercury release is not known, it is known that no heating or plumbing system was removed in the course of the demolition when the mercury was discovered. You purchased your home and secured the policy of insurance with Preferred in February 2015. Thereafter, you began renovations to your property and discovered the mercury contamination on the third floor where it is reported the old heat generator once resided. However, the removal of this heat generator from the premises was done years prior and was not part of your demolition or remodel. Significantly, the heat generator was not present in the home during the policy period. Therefore, the loss did not occur during the effective dates of this policy.

Your Form 3, Edition 2.0 policy, effective 02-19-2015 to 02-19-2016 was reviewed in conjunction with the facts of the loss and it has been determined that we will be unable to afford coverage to you for this loss. The damage caused by the mercury was not from an "accidental discharge or overflow of liquids or steam from a plumbing, heating, air-condition or automatic fire protective sprinkling system; water heater; or domestic appliance" during the policy period and as such, we will not be able to provide coverage for your loss.

Your Form 5-0200 policy provides, in pertinent part, the following:

AGREEMENT

This policy, subject to all of its "terms", provides property and liability insurance and other described coverages during the policy period. In return "you" must pay the required premium. Each of the Principal Coverages described in this policy applies only if a "limit" is shown on the "declarations" for that coverage.

DEFINITIONS

14. "Pollutant" means:

- a. any solid, liquid, gaseous, thermal, or radioactive irritant or contaminant, including acids, alkalis, chemicals, fumes, smoke, soot, vapor, and waste. Waste includes materials to be recycled, reclaimed, or reconditioned, as well as disposed of; and
- b. electrical or magnetic emissions, whether visible or invisible, and sound emissions.

19. "Specified perils" means:

- a. accidental discharge or overflow of liquids or steam from a plumbing, heating, air-conditioning, or automatic fire protective sprinkling system; water heater; or domestic appliance. (Plumbing systems and domestic appliances do not include a sump, sump pump, or related equipment.)

However, "we" do not pay for loss:

- 1) caused by continuous or repeated seepage or leakage;
 - 2) on the "insured premises" caused by accidental discharge or overflow which comes from off the "insured premises"; or
 - 3) to the system, heater, or appliance from which the liquid or steam escapes;
- b. aircraft;
 - c. explosion;
 - d. falling objects;
 - e. fire or lightning;
 - f. freezing of a plumbing, heating, air-conditioning, or automatic fire protective sprinkling system; water heater, or domestic appliance;
 - g. riot or civil commotion;
 - h. "sinkhole collapse";
 - i. sudden and accidental damage from smoke. However, "we" do not pay for loss caused by smoke from agricultural smudging or industrial operations;
 - j. sudden and accidental damage from artificially generated electrical currents;
 - k. sudden and accidental tearing apart, cracking, burning, or bulging of a heating, air-conditioning, or automatic fire protective sprinkling system or water heater;
 - l. theft;

- m. vandalism;
- n. vehicles;
- o. "volcanic action";
- p. weight of ice, snow, or sleet; and
- q. windstorm or hail.

PRINCIPAL PROPERTY COVERAGES

Coverage A -- Residence

"We" cover the "residence" on the "insured premises". This includes additions and built-in components and fixtures, as well as building materials and supplies located on the "insured premises" for use in the construction, alteration, or repair of the "residence".

"We" do not cover land, including the land on which covered property is located, underground water, or surface water.

"We" do not cover trees, plants, shrubs, or lawns, except as provided under Incidental Property Coverages.

Coverage B -- Related Private Structures

"We" cover related private structures on the "insured premises" which are not attached to "your" "residence". Structures that are connected to "your" "residence" by only a fence, a utility line, or a similar connection are not considered attached.

"We" cover fences, driveways, sidewalks, and other permanently installed outdoor fixtures, and building materials and supplies located on the "insured premises" for use in the construction, alteration, or repair of a related private structure.

"We" do not cover land, including the land on which covered property is located, underground water, or surface water.

"We" do not cover structures used for "business" purposes. However, this does not apply to structures:

1. rented to a tenant of the "residence" on the "insured premises" and not used for "business"; or
2. used solely for private garage purposes.

"We" do not cover trees, plants, shrubs, or lawns, except as provided under Incidental Property Coverages.

PERILS INSURED AGAINST -- COVERAGES A, B, C, AND D

Coverage A -- Residence, Coverage B -- Related Private Structures, and Coverage C -- Personal Property -- "We" insure property covered under Coverages A, B, and C for risks of direct physical loss, unless the loss is excluded under the Exclusions That Apply To Property Coverages.

EXCLUSIONS THAT APPLY TO PROPERTY COVERAGES

1. "We" do not pay for loss if one or more of the following exclusions apply to the loss, regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
 - a. **Ordinance or Law** -- "We" do not pay for:
 - 1) any loss or increased cost which results from the enforcement of a code, ordinance, or law which regulates the use, construction, repair, or demolition of property or the removal of its debris, except as provided under Incidental Property Coverages;
 - 2) any loss in value of property which results from the enforcement of a code, ordinance, or law; or

- 3) any loss, cost, or expense which results from the enforcement of a code, ordinance, or law requiring that any "insured" or others test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of "pollutants".

This applies whether or not there has been physical damage to covered property.

2. "We" do not pay for loss if one or more of the following exclusions apply to the loss. However, "we" do pay for an ensuing loss that results from any of the following, unless the ensuing loss itself is excluded.
- f. **Wear and Tear** -- "We" do not pay for loss which results from wear and tear, marring, deterioration, inherent vice, latent defect, mechanical breakdown, rust, wet or dry rot, corrosion, mold, contamination, or smog.
 - j. **Pollution** -- "We" do not pay for loss caused by the release, discharge, dispersal, seepage, migration, or escape of "pollutants", unless the release, discharge, dispersal, seepage, migration, or escape is caused by a "specified peril".

"We" do pay for loss not otherwise excluded caused by liquids or steam which escape from a plumbing, heating, air conditioning, or automatic fire protective sprinkling system; water heater; or domestic appliance resulting from a cause or event excluded under exclusions 2.f. through 2.j. above. This includes the reasonable cost of removing and replacing those parts of the building or mobile home needed to repair the system, heater, or appliance. This does not include loss to the system, heater, or appliance from which the liquid or steam escapes.

POLICY CONDITIONS

8. **Policy Period** -- This policy only covers losses, "bodily injury", and "property damage" that occur during the policy period.

Inasmuch as the above policy provisions and exclusions apply to your loss and because the pollutant was not released as a result of a specified peril during the policy period, we will not be able to extend coverage for your loss. We are sorry we cannot be of assistance to you under the circumstances. We would like you to know we appreciate your business and want to thank you for being our customer.

If you have any information that you believe might warrant reconsideration of our decision regarding your claim, please forward it to the undersigned at your earliest opportunity.

The Preferred Mutual Insurance Company specifically reserves its rights to deny coverage in this matter under any and all applicable coverage provisions, exclusions, definitions, conditions and other terms of the above-referenced policy of insurance, whether or not specifically enumerated in this letter. Any activity on our part in the nature of investigation or otherwise does not constitute a waiver of the company's right under the policy. Nothing in this or any subsequent letter should be construed as a waiver of any rights under the Policy or an admission with regard to any obligations of Preferred Mutual.

Please note that your policy provides, in relevant part, as follows:

POLICY CONDITIONS

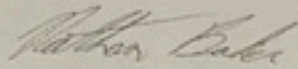
CONDITIONS APPLICABLE TO ALL COVERAGES

11. **Suit Against Us** -- No suit may be brought against "us" unless all the "terms" of this policy have been complied with and:

- a. **Property Coverages** -- The suit is brought within two years after the loss.

If a law of the state where the premises is located makes this time period invalid, the suit must be brought within the time period allowed by the law.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nathan T Baker". The signature is fluid and cursive, with the first name "Nathan" being more prominent than the last name "Baker".

Nathan T Baker,
Property Claims Representative
1-800-333-7642 Ext. 1738
claims@preferredmutual.com

Cc: EAGLE TRUST INSURANCE, 20-22500