

EQUIPMENT BREAKDOWN PROTECTION 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

1. Covered Cause Of Loss

Covered Cause of Loss is a "Breakdown" to "Covered Equipment".

2. Coverages Provided

Each of the following coverages is provided if either a limit or the word INCLUDED is shown for that coverage in the Declarations. If neither a limit nor the word INCLUDED is shown, then that coverage is not provided.

These coverages apply only to that portion of the loss or damage that is a direct result of a Covered Cause of Loss.

a. Property Damage

We will pay for direct damage to "Covered Property" located at the premises described in the Declarations.

b. Expediting Expenses

With respect to direct damage to "Covered Property" we will pay for the extra cost you necessarily incur to:

- (1) Make temporary repairs; and
- (2) Expedite the permanent repairs or replacement of the damaged property.

c. Business Income And Extra Expense Or Extra Expense Only

(1) We will pay:

- (a) Your actual loss of "Business Income" during the "Period of Restoration"; and
- (b) The "Extra Expense" you necessarily incur to operate your business during the "Period of Restoration".

However, if coverage for "Extra Expense" only is indicated in the Declarations, then coverage for "Business Income" is not provided.

We will consider the experience of your business before the "Breakdown" and the probable experience you would have had without the "Breakdown" in determining the amount of our payment.

(2) If you have coverage for "Business Income" and "Extra Expense" or "Extra Expense" only and:

- (a) If a number of days is shown in the Declarations for Extended Period of Restoration Coverage, it will replace the five consecutive days in the definition of "Period of Restoration".
- (b) If you have coverage for Ordinance or Law, then the "Period of Restoration" is extended to include the additional period of time required for demolition, removal, repair, remodeling or reconstruction.
- (c) If "Media" is damaged or "Data" is lost or corrupted, we will pay your actual loss of "Business Income" and/or "Extra Expense" during the time necessary to:
 - (i) Research, replace or restore the damaged "Media" or lost or corrupted "Data"; and
 - (ii) Reprogram instructions used in any covered "Computer Equipment".

There shall be no coverage for any "Media" or "Data" that we determine is not or cannot be replaced or restored.

Unless a higher limit is shown in the Declarations, we will pay the lesser of your actual loss of "Business Income" and/or "Extra Expense" up to 30 days after the "Period of Restoration" or \$25,000.

d. Spoilage Damage

- (1) We will pay for the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
 - (a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
 - (b) You must own or be legally liable under written contract for the raw materials, property in process or finished products; and
 - (c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- (2) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Form.

e. Utility Interruption

If you have coverage for "Business Income" and "Extra Expense", "Extra Expense" only or Spoilage Damage, that coverage is extended to include loss resulting from the interruption of utility services provided all of the following conditions are met:

- (1) The interruption is the direct result of a "Breakdown" to "Covered Equipment" owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which you receive;
- (2) The "Covered Equipment" is used to supply electric power, communication services, air conditioning, heating, gas, sewer, water or steam to your premises; and
- (3) The interruption of utility service to your premises lasts at least the consecutive period of time shown in the Declarations. Once this waiting period is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

f. Newly Acquired Premises

We will automatically provide coverage at newly acquired premises you have purchased or leased. This coverage begins at the time you acquire the property and continues for a period not exceeding the number of days indicated in the Declarations for Newly Acquired Premises, under the following conditions:

- (1) You must inform us, in writing, of the newly acquired premises as soon as practicable;
- (2) You agree to pay an additional premium as determined by us;
- (3) The coverage for these premises will be subject to the same terms, conditions, exclusions and limitations as other insured premises; and
- (4) If the coverages and deductibles vary for existing premises, then the coverages for the newly acquired premises will be the broadest coverage and highest limits and deductible applicable to the existing premises.

g. Ordinance Or Law Coverage

The following applies despite the Ordinance or Law Exclusion and provided these increases in loss are necessitated by the enforcement of any laws or ordinances that are in force at the time of the "Breakdown", which regulate the demolition, construction, repair or use of the building or structure. With respect to the building or structure that was damaged as a result of a "Breakdown":

- (1) We will pay for:
 - (a) The loss in value of the undamaged portion of the building or structure as a consequence of enforcement of an ordinance or law that requires the demolition of undamaged parts of the same building or structure;
 - (b) Your actual cost to demolish and clear the site of the undamaged parts of the same building or structure as a consequence of enforcement of an ordinance or law that requires the demolition of such undamaged property; and
 - (c) The increased cost actually and necessarily expended to:
 - (i) Repair or reconstruct the damaged or destroyed portions of the building or structure; and

- (ii) Reconstruct or remodel the undamaged portion of that building or structure with buildings or structures of like materials, height, floor area, and style for like occupancy, whether or not demolition is required on:
 - i. The same premises or on another premises if you so elect. However if you rebuild at another premises, the most we will pay is the increased cost of construction that we would have paid to rebuild at the same premises; or
 - ii. Another premises if the relocation is required by the ordinance or law. The most we will pay is the increased cost of construction at the new premises.
- (2) We will not pay for any:**
- (a) Demolition or site clearing until the undamaged portions of the buildings or structures are actually demolished;
 - (b) Increase in loss until the damaged or destroyed buildings or structures are actually rebuilt or replaced and approved by the regulating government agency;
 - (c) Loss due to any ordinance or law that:
 - (i) You were required to comply with before the loss, even if the building was undamaged; and
 - (ii) You failed to comply with;
 - (d) Increase in the loss, excess of the amount required to meet the minimum requirement of any ordinance or law enforcement at the time of the "Breakdown";
 - (e) Increase in loss resulting from a substance declared to be hazardous to health or environment by any government agency;
 - (f) Loss or expense sustained due to the enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to the presence, growth, proliferation, spread or any activity of "Fungus", wet or dry rot; or

- (g) Costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "Fungus", wet or dry rot.

(3) If:

- (a) The building or structure is damaged by a "Breakdown" that is covered under this policy;
- (b) There is other physical damage that is not covered under this policy; and
- (c) The building damage in its entirety results in enforcement of ordinance or law;

then we will not pay the full amount of the loss under this coverage. Instead, we will pay only that proportion of such loss; meaning the proportion that the covered "Breakdown" loss bears to the total physical damage.

But if the building or structure sustains direct physical damage that is not covered under this policy and such damage is the subject of the ordinance or law, then there is no Ordinance Or Law coverage under this Coverage Part even if the building has also sustained damage by a covered "Breakdown".

h. Errors And Omissions

We will pay for any loss or damage, which is not otherwise payable under this Coverage Part solely because of the items listed below:

- (1) Any error or unintentional omission in the description or location of property as insured under this Coverage Part or in any subsequent amendments;
- (2) Any failure through error to include any premises owned or occupied by you at the inception date of this Coverage Part; or
- (3) Any error or unintentional omission by you that results in cancellation of any premises insured under this policy.

No coverage is provided as a result of any error or unintentional omission by you in the reporting of values or the coverage you requested.

It is a condition of this coverage that such errors or unintentional omissions shall be reported and corrected when discovered. The policy premium will be adjusted accordingly to reflect the date the premises should have been added had no error or omission occurred.

i. Brands And Labels

- (1) If branded or labeled merchandise that is "Covered Property" is damaged by a "Breakdown", we may take all or any part of the property at an agreed or appraised value. If so, you may:
 - (a) Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
 - (b) Remove the brands or labels if doing so will not physically damage the merchandise. You must re-label the merchandise or its containers to comply with any law.
- (2) We will pay reasonable costs you incur to perform the activity described in Paragraphs (1)(a) and (1)(b), but the total we pay for these costs and the value of the damaged property will not exceed the applicable Limit of Insurance on such property.

j. Contingent Business Income And Extra Expense Or Extra Expense Only Coverage

- (1) Subject to the same terms and conditions, the "Business Income" and "Extra Expense" or "Extra Expense" only coverage provided by this Coverage Part is extended to cover your loss, if any, resulting from a "Breakdown" to "Covered Equipment" at a premises shown in the Declarations, that is not owned or operated by you which:
 - (a) Wholly or partially prevents the delivery of services or materials shown in the Declarations, to you or from you to others for your account; or
 - (b) Results in the loss of sales at your premises shown in the Declarations.

- (2) You shall use your influence to induce the contributing or recipient premises to make use of any other machinery, equipment, supplies or premises available in order to resume operations and delivery of services or materials to you, or the acceptance of products or services from you. You shall cooperate with the contributing or recipient premises to this effect in every way, but not financially unless authorized by us.

B. Exclusions

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

The exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Increase in loss from the enforcement of any ordinance, law, rule, regulation or ruling which restricts or regulates the repair, replacement, alteration, use, operation, construction, installation, clean-up or disposal of "Covered Property".

However the words use and operation shall be eliminated as respects a covered "Breakdown" to electrical supply and emergency generating equipment located on the premises of a Hospital.

2. Earth Movement

Earth movement, including but not limited to earthquake, landslide, land subsidence, mine subsidence or volcanic action.

3. Water

- a. Flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- b. Mudslide or mudflow;
- c. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;

- d. Water damage caused by the discharge or leakage of a sprinkler system or domestic water piping;
- e. 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;
 - (3) Doors, windows or other openings; or
- f. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph **a.**, **c.** or **e.**, or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs **a.** through **f.**, is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

4. Nuclear Hazard

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

5. War Or Military Action

- a. War, including undeclared or civil war;
- b. 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
- c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

- 6. An explosion. However, we will pay for loss or damage caused by an explosion of "Covered Equipment" of a kind specified in **a.** through **g.** below, if not otherwise excluded in this Section **B.:**

- a. Steam boiler;
- b. Electric steam generator;
- c. Steam piping;
- d. Steam turbine;
- e. Steam engine;
- f. Gas turbine; or
- g. Moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.

- 7. Fire or combustion explosion including those that:

- a. Result in a "Breakdown";
- b. Occur at the same time as a "Breakdown"; or
- c. Ensur from a "Breakdown".

8. "Fungus", Wet Rot And Dry Rot

Presence, growth, proliferation, spread or activity of "Fungus", wet or dry rot. However, if a "Breakdown" occurs, we will pay the resulting loss or damage.

This exclusion does not apply to the extent that coverage for "Fungus", wet rot or dry rot is provided elsewhere in this Coverage Form and then only for that portion of any loss or damage resulting from the presence, growth, proliferation, spread or activity of "Fungus", wet or dry rot as a result of a "Breakdown".

- 9. Any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease. However:

- a. If a "Breakdown" occurs, we will pay the resulting loss or damage;
- b. This exclusion does not apply to loss or damage caused by or resulting from "Fungus", wet rot or dry rot. Such loss or damage is addressed in Exclusion **B.8.**;
- c. Regardless of the application of this exclusion to any particular loss, the provisions of this Exclusion **9.** do not serve to create coverage for any loss that would otherwise be excluded under this Coverage Form.

- 10. Explosion within the furnace of a chemical recovery type boiler or within the passage from the furnace to the atmosphere.

- 11. Damage to "Covered Equipment" undergoing a pressure or electrical test.

- 12. Water or other means used to extinguish a fire, even when the attempt is unsuccessful.

- 13. Depletion, deterioration, corrosion, erosion, or wear and tear. However, if a "Breakdown" occurs, we will pay the resulting loss or damage.

- 14. A "Breakdown" that is caused by any of the following causes of loss if coverage for that cause of loss is provided by another policy of insurance you have, whether collectible or not:

- a. Aircraft or vehicles;
- b. Freezing caused by cold weather;
- c. Lightning;

- d. Sinkhole collapse;
 - e. Smoke;
 - f. Riot, civil commotion or vandalism; or
 - g. Weight of snow, ice or sleet.
15. A "Breakdown" that is caused by Windstorm or Hail.
16. A delay in, or an interruption of any business, manufacturing or processing activity except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only and Utility Interruption coverages.
17. With respect to "Business Income" and "Extra Expense", "Extra Expense" only and Utility Interruption coverages, the following additional exclusions shall apply:
- a. The business that would not or could not have been carried on if the "Breakdown" had not occurred;
 - b. Your failure to use due diligence and dispatch and all reasonable means to operate your business as nearly normal as practicable at the premises shown in the Declarations; or
 - c. The suspension, lapse or cancellation of a contract following a "Breakdown" extending beyond the time business could have resumed if the contract had not lapsed, been suspended or canceled.
18. Any indirect loss following a "Breakdown" to "Covered Equipment" that results from the lack or excess of power, light, heat, steam or refrigeration except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only, Spoilage Damage and Utility Interruption coverages.
19. With respect to Utility Interruption Coverage, any loss resulting from the following additional causes of loss whether or not coverage for that cause of loss is provided by another policy you have:
- a. Acts of sabotage;
 - b. Collapse;
 - c. Deliberate act(s) of load shedding by the supplying utility;
 - d. Freezing caused by cold weather;
 - e. Impact of aircraft, missile or vehicle;
 - f. Impact of objects falling from an aircraft or missile;
 - g. Lightning;
 - h. Riot, civil commotion or vandalism;
 - i. Sinkhole collapse;
 - j. Smoke; or
 - k. Weight of snow, ice or sleet.
20. Any indirect result of a "Breakdown" to "Covered Equipment" except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only, Spoilage Damage and Utility Interruption coverages.
21. Neglect by you to use all reasonable means to save and preserve "Covered Property" from further damage at and after the time of the loss.
- C. Limits Of Insurance**
1. The most we will pay for any and all coverages for loss or damage from any "One Breakdown" is the applicable Limit of Insurance shown in the Declarations.
2. Any payment made will not be increased if more than one insured is shown in the Declarations.
3. For each coverage in Paragraph **A.2.** if:
- a. INCLUDED is shown in the Declarations, the limit for such coverage is part of, not in addition to, the Limit per Breakdown.
 - b. A limit is shown in the Declarations, we will not pay more than the Limit of Insurance for each such coverage.
4. For any "Covered Equipment" that is:
- a. Used solely to supply utility services to your premises;
 - b. Owned by a public or private utility;
 - c. Not in your care, custody or control and for which you are legally liable; and
 - d. Covered under this Coverage Form;
- the Limit of Insurance for Property Damage stated in the Declarations is deleted and replaced by the sum of one dollar.
- If you are a public or private utility, **4.b.** is deleted and replaced by the following:
- b. Owned by a public or private utility other than you.
5. Unless a higher limit or INCLUDED is shown in the Declarations, the most we will pay for direct damage as a direct result of a "Breakdown" to "Covered Equipment" is \$25,000 for each of the following. The limits are part of, not in addition to, the Limit of Insurance for Property Damage or Limit per Breakdown.
- a. **Ammonia Contamination**
The spoilage to "Covered Property" contaminated by ammonia, including any salvage expense.

b. Consequential Loss

The reduction in the value of undamaged "Stock" parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of the product.

c. Data And Media

Your cost to research, replace or restore damaged "Data" or "Media" including the cost to reprogram instructions used in any "Computer Equipment".

d. Hazardous Substance

Any additional expenses incurred by you for the clean-up, repair or replacement or disposal of "Covered Property" that is damaged, contaminated or polluted by a "Hazardous Substance".

As used here, additional expenses mean the additional cost incurred over and above the amount that we would have paid had no "Hazardous Substance" been involved with the loss.

Ammonia is not considered to be a "Hazardous Substance" as respects this limitation.

This coverage applies despite the operation of the Ordinance or Law Exclusion.

e. Water Damage

The damage to "Covered Property" by water including any salvage expenses.

If "Fungus", wet or dry rot results from damage by water as limited in this paragraph, loss or damage attributable to "Fungus", wet or dry rot will be:

- (1) Limited as described in Paragraphs **C.6.a.(1)** through **C.6.a.(5)**; and
- (2) Part of the Water Damage limit, not in addition to it.

6. Limited Coverage For "Fungus", Wet Rot And Dry Rot

a. Property Damage

We will pay for loss or damage by "Fungus", wet or dry rot only when the "Fungus", wet or dry rot is the direct result of a "Breakdown" to "Covered Equipment" that occurs during the policy period. As used in this Limited Coverage, the term loss or damage means:

- (1) Direct physical loss or damage to "Covered Property" caused by "Fungus", wet or dry rot including the cost of removal of the "Fungus", wet or dry rot;

(a) The cost to tear out and replace any "Covered Property" as needed to gain access to the "Fungus", wet or dry rot; and

(b) The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "Fungus", wet or dry rot are present.

- (2) The coverage described under Paragraph **6.a.(1)** of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "Breakdown" to "Covered Equipment" which take place within the 12-month period starting with the beginning of the present annual policy period. With respect to a particular occurrence of loss which results in "Fungus", wet or dry rot, we will not pay more than a total of \$15,000 even if the "Fungus", wet or dry rot continues to be present or active or recurs in a later policy period.

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

If there is covered loss or damage to "Covered Property" not caused by "Fungus", wet or dry rot, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "Fungus", wet or dry rot causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

- (4) If a Revised Limit is shown in the Declarations, the amount of \$15,000 in Paragraph **6.a.(2)** is deleted and replaced by the amount indicated in the Declarations.

- (5) If the Declarations indicates that the Separate Premises Option applies, then the amount of coverage (\$15,000, unless a higher amount is shown in the Declarations) is made applicable to separate premises as described in the Declarations. For each premises so described, the amount of coverage is an annual aggregate limit, subject to the terms set forth in Paragraph **6.a.(2)**.

b. Business Income And Extra Expense Or Extra Expense Only

- (1) If you have coverage for "Business Income" and "Extra Expense" or "Extra Expense" only, then Paragraph **b.(1)(a)** or **b.(1)(b)** applies provided that the incurred loss or expense satisfies the terms and conditions applicable to the "Business Income" and "Extra Expense" or "Extra Expense" only coverage.

(a) If:

- (i)** The "Breakdown"; or

- (ii)** Any damage from water resulting from the "Breakdown"

which resulted in "Fungus", wet or dry rot, does not in itself generate a loss of "Business Income" or an "Extra Expense" but the loss of "Business Income" or "Extra Expense" is solely due to loss or damage to property caused by "Fungus", wet or dry rot, then our payment under "Business Income" and "Extra Expense" or "Extra Expense" only is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

- (b)** If a covered loss of "Business Income" or an "Extra Expense" was caused by loss or damage other than "Fungus", wet or dry rot but remediation of "Fungus", wet or dry rot prolongs the "Period of Restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "Period of Restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

- (2) If a Revised Number Of Days is shown in the Declarations, the number of days (30) in Paragraph **b.(1)(a)** or **b.(1)(b)** is deleted and replaced by the number of days indicated in the Declarations.

- c.** If you have coverage for Ordinance Or Law then with respect to Property Damage, "Business Income" and "Extra Expense" or "Extra Expense" only, we will not pay under the Ordinance Or Law coverage for:

- (1) Loss or expense sustained due to the enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to the presence, growth, proliferation, spread or any activity of "Fungus", wet or dry rot; or

- (2) The costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "Fungus", wet or dry rot.

D. Deductibles

1. Application Of Deductibles

We will not pay for loss or damage resulting from any "One Breakdown" until the amount of covered loss or damage exceeds the deductible shown in the Declarations for each applicable coverage. We will then pay the amount of covered loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

Deductibles apply separately for each applicable coverage except if:

- a.** A deductible is shown as COMBINED for any of the coverages in the Declarations, then we will first subtract the combined deductible amount from the aggregate amount of any loss to which the combined deductible applies; or
- b.** More than one "Covered Equipment" is involved in "One Breakdown", then only one deductible, the highest, shall apply for each of the applicable coverages.

2. Determination Of Deductibles

a. Dollar Deductible

If a dollar deductible is shown in the Declarations, we will first subtract the deductible amount from any loss we would otherwise pay.

b. Time Deductible

If a time deductible is shown in the Declarations, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following a "Breakdown". If a time deductible is shown in days, each day shall mean twenty-four consecutive hours.

c. Multiple Of Daily Value Deductible

If a multiple of daily value is shown in the Declarations, this deductible will be calculated as follows:

- (1) For the entire premises where the loss occurred, determine the total amount of "Business Income" that would have been earned during the "Period of Restoration" had no "Breakdown" taken place.
- (2) Divide the result in Paragraph (1) by the number of days the business would have been open during the "Period of Restoration". The result is the daily value.
- (3) Multiply the daily value in Paragraph (2) by the number of days shown in the Declarations. We will first subtract this deductible amount from any loss we would otherwise pay. We will then pay the amount of loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

d. Percentage Of Loss Deductible

If a deductible is expressed as a percentage of loss in the Declarations, we will not be liable for the indicated percentage of gross amount of loss or damage (prior to the applicable deductible or coinsurance) insured under the applicable coverage.

e. Minimum Or Maximum Deductibles

- (1) If:
 - (a) A minimum dollar amount deductible is shown in the Declarations; and

- (b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is less than the Minimum Deductible;

then the Minimum Deductible amount shown in the Declarations will be the applicable deductible.

(2) If:

- (a) A maximum dollar amount deductible is shown in the Declarations; and
- (b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is greater than the Maximum Deductible;

then the Maximum Deductible amount shown in the Declarations will be the applicable deductible.

E. Equipment Breakdown Protection Conditions

The following conditions apply in addition to the Common Policy Conditions:

1. 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 the 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. Defense

We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

d. Duties In The Event Of Loss Or Damage

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

- (a) Give us a prompt notice of the loss or damage. Include a description of the property involved.
- (b) As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (c) Allow us a reasonable time and opportunity to examine the property and premises before repairs are undertaken or physical evidence of the "Breakdown" is removed. But you must take whatever measures are necessary to protect the property and premises from further damage.
- (d) 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.

- (e) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (f) Cooperate with us in the investigation or settlement of the claim.

(2) 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 an insured's books and records. In the event of an examination, an insured's answers must be signed.

e. 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.

f. 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 the date of the "Breakdown"; or
- (3) We agree in writing that you have an obligation to pay for damage to "Covered Property" of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring us into any action to determine your liability.

g. Loss Payable Clause

- (1) We will pay you and the loss payee shown in the Declarations for loss due to a "Breakdown" to "Covered Equipment", as interests may appear. The insurance covers the interest of the loss payee unless the loss results from conversion, secretion or embezzlement on your part.
- (2) We may cancel the policy as allowed by the Cancellation Condition. Cancellation ends this agreement as to the loss payee's interest. If we cancel we will mail you and the loss payee the same advance notice.
- (3) If we make any payment to the loss payee, we will obtain their rights against any other party.

h. Other Insurance

- (1) You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
- (2) If there is other insurance covering the same loss or damage, other than that described in Paragraph (1), we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

i. Privilege To Adjust With Owner

In the event of loss or damage involving property of others in your care, custody or control, we have the right to settle the loss or damage with the owner of the property. A receipt for payment from the owner of that property will satisfy any claim of yours against us.

j. Reducing Your Loss

As soon as possible after a "Breakdown" you must:

- (1) Resume business, partially or completely;
- (2) Make up for lost business within a reasonable period of time. This reasonable period does not necessarily end when operations are resumed; and
- (3) Make use of every reasonable means to reduce or avert loss including:
 - (a) Working extra time or overtime at the premises or at another premises you own or acquire to carry on the same operations;
 - (b) Utilizing the property and/or services of other concerns;
 - (c) Using merchandise or other property, such as surplus machinery, duplicate parts, equipment, supplies and surplus or reserve stock you own, control or can obtain; or
 - (d) Salvaging the damaged "Covered Property".

k. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment.

That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- (1) Prior to a loss to your "Covered Property" or covered income.
- (2) After a loss to your "Covered Property" or covered income only if, at time of loss, that party is one of the following:
 - (a) Someone insured by this insurance;
 - (b) A business firm:
 - (i) Owned or controlled by you; or

(ii) That owns or controls you; or

(c) Your tenant.

This will not restrict your insurance.

l. Valuation

(1) We will determine the value of "Covered Property" in the event of loss or damage as follows:

- (a) The cost to repair, rebuild or replace the damaged property with property of same kind, capacity, size or quality on the same site or another site whichever is the less costly; or
- (b) The cost actually and necessarily expended in repairing, rebuilding, or replacing on the same site or another site whichever is the less costly;

except we will not pay for such damaged property that is obsolete and useless to you.

(2) If you elect or we require that the repair or replacement of the damaged "Covered Equipment" be done in a manner that:

- (a) Improves the environment;
- (b) Increases efficiency; or
- (c) Enhances safety;

while maintaining the existing function, then we will pay, subject to the limit of insurance, up to an additional 25% of the property damage amount for the "Covered Equipment" otherwise recoverable.

(3) If:

- (a) Any damaged "Covered Property" is protected by an extended warranty, or maintenance or service contract; and
- (b) That warranty or contract becomes void or unusable due to a "Breakdown";

we will reimburse you for the unused costs of non-refundable, non-transferable warranties or contracts.

(4) Unless we agree otherwise in writing, if you do not repair or replace the damaged property within 24 months following the date of the "Breakdown", then we will pay only the smaller of the:

- (a) Cost it would have taken to repair or replace; or

- (b) Actual cash value at the time of the "Breakdown".
- (5) If all of the following conditions are met, property held by you for sale will be valued at the selling price as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had:
 - (a) The property was manufactured by you;
 - (b) The selling price of the property is more than the replacement cost of the property; and
 - (c) You are unable to replace the property before its anticipated sale.
- (6) We will pay for loss to damaged "Data" or "Media" as follows:
 - (a) Replacement cost for "Data" or "Media" that are mass produced and commercially available; and
 - (b) The cost you actually spend to reproduce the records on blank material for all other "Data" or "Media" including the cost of gathering or assembling information for such reproduction.

However, we will not pay for "Data" or "Media" that we determine is not or cannot be replaced with "Data" or "Media" of like kind and quality or property of similar functional use.
- (7) We will determine the value of "Covered Property" under Spoilage Damage Coverage as follows:
 - (a) For raw materials, the replacement cost;
 - (b) For property in process, the replacement cost of the raw materials, the labor expended and the proper proportion of overhead charges; and
 - (c) For finished products, the selling price, as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had.
- (8) Any salvage value of property obtained for temporary repairs or use following a "Breakdown" which remains after repairs are completed will be taken into consideration in the adjustment of any loss.

- m. The following additional conditions apply to the "Business Income" and "Extra Expense" coverage:

(1) Annual Reports

You must complete an Annual Report of Values Form approved by us once each year. Your reports must reach us within three months of the annual report date shown in the Declarations and each anniversary of that date.

(2) Adjustment Of Premium

Upon receipt of the annual reports of values you furnish us, we will determine the amount of premium we earned for the past year. If the amount determined is more than the premium we have already charged for this coverage, you must pay the difference. If the amount determined is less than the premium we originally charged, we will refund the difference. However, the amount we return will not exceed 75% of the premium we originally charged.

(3) Coinsurance

This Coinsurance condition applies only if we did not receive your Annual Report of Values Form within three months of the due date as outlined in Paragraph (1).

- (a) We will not pay the full amount of any loss if:
 - (i) The "Business Income Actual Annual Value" at the time of loss is greater than the "Business Income Estimated Annual Value" shown in your latest report; or
 - (ii) Your report was received by us more than three months after the due date, or your report is overdue.
- (b) Instead we will determine the most we will pay using the following steps:
 - (i) Divide the "Business Income Estimated Annual Value" by the "Business Income Actual Annual Value" at the time of the "Breakdown";
 - (ii) Multiply the total amount of the covered loss of "Business Income" by the figure determined in Step (i); and

- (iii) Subtract any applicable deductible from the amount determined in Step (ii).

We will pay the amount determined in Step (iii) or the "Business Income" and "Extra Expense" limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

If coverage is provided for more than one premises, then this Coinsurance Condition applies separately to each premises.

2. General Conditions

a. Additional Insured

If a person or organization is designated in this Coverage Part as an additional insured, we will consider them to be an insured under this Coverage Part to the extent of their interest.

b. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of our obligation under this Coverage Part.

c. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact by you or any other insured, at any time, concerning:

- (1) This Coverage Part;
- (2) The "Covered Property";
- (3) Your interest in the "Covered Property"; or
- (4) A claim under this Coverage Part.

d. Liberalization

If we adopt any standard form revision for general use that would broaden coverage in this Coverage Part without additional premium, the broadened coverage will immediately apply to this Coverage Part if the revision is effective within 45 days prior to or during the policy period.

e. Mortgageholder

- (1) The term – mortgageholder – includes trustee.

- (2) We will pay for direct damage to "Covered Property" due to a "Breakdown" to "Covered Equipment" to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.

- (3) The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the "Covered Property".

- (4) If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:

- (a) Pays any premium due under this Coverage Part at our request if you have failed to do so;
- (b) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
- (c) Has notified us of any change in ownership or material change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- (5) If we pay the mortgageholder for any loss and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (a) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (b) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

(6) If we cancel this policy, we will give written notice to the mortgageholder at least:

(a) 10 days before the effective date of cancellation if we cancel for non-payment of premium; or

(b) 30 days before the effective date of cancellation if we cancel for any other reason.

(7) If we do not renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

(8) If we suspend coverage, it will also be suspended as respects the mortgageholder. We will give written notice of the suspension to the mortgageholder.

f. No Benefit To Bailee

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

g. Policy Period, Coverage Territory

Under this Coverage Part:

(1) We cover loss or damage commencing:

(a) During the policy period shown in the Declarations; and

(b) Within the coverage territory.

(2) The coverage territory is:

(a) The United States of America (including its territories and possessions);

(b) Puerto Rico; and

(c) Canada.

h. Premium And Adjustments

You shall report to us 100% of the total insurable values at each premises every year as of the anniversary date. The values shall be reported separately for each of the coverages provided. Premium for each anniversary will be promulgated for the ensuing period on the basis of rates in effect at the anniversary date and for all values at risk.

You agree to keep the applicable records for each policy year available for inspection by our representatives at all times during business hours, during the respective policy year, and for a period of twelve months after the end of the respective policy year or after cancellation of this Coverage Part.

i. Suspension

Whenever "Covered Equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from a "Breakdown" to that "Covered Equipment". This can be done by delivering or mailing a written notice of suspension to:

(1) Your last known address; or

(2) The address where the "Covered Equipment" is located.

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

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

3. Joint Or Disputed Loss Agreement

a. This condition is intended to facilitate payment of insurance proceeds when:

(1) Both a commercial property policy and this equipment breakdown protection policy are in effect;

(2) Damage occurs to Covered Property that is insured by the commercial property policy and this equipment breakdown protection policy; and

(3) There is disagreement between the insurers as to whether there is coverage or as to the amount of the loss to be paid, if any, by each insurer under its own policies.

b. This condition does not apply if:

(1) Both the commercial property insurer(s) and we do not admit to any liability; and

(2) Neither the commercial property insurer(s) nor we contend that coverage applies under the other insurer's policy.

c. The provisions of this condition apply only if all of the following requirements are met:

(1) The commercial property policy carried by the Named Insured, insuring the Covered Property, contains a similar provision at the time of the loss or damage, with substantially the same requirements, procedures and conditions as contained in this condition;

- (2)** The damage to the Covered Property was caused by a loss for which:
 - (a)** Both the commercial property insurer(s) and we admit to some liability for payment under the respective policies; or
 - (b)** Either:
 - (i)** The commercial property insurer(s) does not admit to any liability for payment, while we contend that:
 - i.** All liability exists under the commercial property policy; or
 - ii.** Some liability exists under both the commercial property policy and this equipment breakdown protection policy;
 - (ii)** We do not admit to any liability for payment, while the commercial property insurer(s) contends that:
 - i.** All liability exists under this equipment breakdown protection coverage policy; or
 - ii.** Some liability exists under both the commercial property policy and this equipment breakdown protection policy; or
 - (iii)** Both the commercial property insurer(s) and we:
 - i.** Do not admit to any liability for payment; and
 - ii.** Contend that some or all liability exists under the other insurer's policy; and
 - (c)** The total amount of the loss is agreed to by you, the commercial property insurer(s) and us.
- d.** If the requirements listed in Paragraph **c.** above are satisfied, we and the commercial property insurer(s) will make payments to the extent, and in the manner, described as follows:
 - (1)** We will pay, after your written request, the entire amount of loss that we have agreed as being covered, if any, by this equipment breakdown protection policy and one-half (1/2) the amount of the loss that is in disagreement.
 - (2)** The commercial property insurer(s) will pay, after your written request, the entire amount of loss that they have agreed as being covered, if any, by the commercial property policy and one-half (1/2) the amount of loss that is in disagreement.
 - (3)** Payments by the insurers of the amounts that are in disagreement, as described in Paragraphs **(1)** and **(2)**, do not alter, waive or surrender any rights of any insurer against any other with regard to the portion of the loss for which each insurer is liable.
 - (4)** The amount in disagreement to be paid by us under this condition shall not exceed the amount payable under the equivalent Loss Agreement(s) of the commercial property policy.
 - (5)** The amount to be paid under this condition shall not exceed the amount we would have paid had no commercial property policy been in effect at the time of loss. In no event will we pay more than the applicable Limit of Insurance shown in the Declarations.
 - (6)** Acceptance by you of sums paid under this condition does not alter, waive or surrender any other rights against us.

e. Arbitration

- (1)** If the circumstances described in Paragraph **c.(2)(a)** exist and the commercial property insurer(s) and we agree to submit our differences to arbitration, the commercial property insurer(s) and we will determine the amount each will pay and will pay the insured within 90 days. Arbitration will then take place within 90 days after payment of the loss under the terms of this condition.
- (2)** If any of the circumstances described in Paragraph **c.(2)(b)** exist, then the commercial property insurer(s) and we agree to submit our differences to arbitration within 90 days after payment of the loss under the terms of this condition.

- (3) You agree to cooperate with any arbitration procedures. There will be three arbitrators: one will be appointed by us, and another will be appointed by the commercial property insurer(s). The two arbitrators will select a third arbitrator. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. A decision agreed to by two of the three arbitrators will be binding on both parties. Judgment on any award can be entered in any court that has jurisdiction.

f. Final Settlement Between Insurers

The insurer(s) found responsible for the greater percentage of the ultimate loss must return the excess contribution to the other insurer(s). In addition, the insurer(s) found responsible for the greater portion of the loss must pay Liquidated Damages to the other insurer(s) on the amount of the excess contribution of the other insurer(s). Liquidated Damages are defined as interest from the date the insured invokes this Agreement to the date the insurer(s) that contributed the excess amount is reimbursed. The interest is calculated at 1.5 times the highest prime rate from the Money Rates column of the Wall Street Journal during the period of the Liquidated Damages. Arbitration expenses are not a part of the excess contribution for which Liquidated Damages are calculated. Arbitration expenses will be apportioned between insurers on the same basis that the ultimate loss is apportioned.

F. Definitions

1. "Breakdown":

- a.** Means the following direct physical loss, that causes damage to "Covered Equipment" and necessitates its repair or replacement:
- (1) Failure of pressure or vacuum equipment;
 - (2) Mechanical failure including rupture or bursting caused by centrifugal force; or
 - (3) Electrical failure including arcing; unless such loss or damage is otherwise excluded within this Coverage Form.
- b.** Does not mean or include:
- (1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;

- (2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to "Covered Equipment";
- (3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- (4) Damage to any vacuum tube, gas tube, or brush;
- (5) Damage to any structure or foundation supporting the "Covered Equipment" or any of its parts;
- (6) The functioning of any safety or protective device; or
- (7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

2. "Business Income" means the:

- a.** Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b.** Continuing normal operating expenses incurred, including payroll.

3. "Business Income Actual Annual Value" means the sum of the Net Income and continuing normal operating expenses incurred, including payroll that would have been earned had the "Breakdown" not occurred.

4. "Business Income Estimated Annual Value" means the sum of the Net Income and continuing normal operating expenses incurred, including payroll as estimated by you in the most recent Annual Report Of Values Form on file with us.

5. "Computer Equipment" means:

- a.** Your programmable electronic equipment that is used to store, retrieve and process data; and
- b.** Associated peripheral equipment that provides communication including input and output functions such as printing or auxiliary functions such as data transmission.

It does not include "Data" or "Media".

6. "Covered Equipment":

- a.** Means and includes any:
 - (1) Equipment built to operate under internal pressure or vacuum other than weight of contents;
 - (2) Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy;

- (3) Communication equipment, and "Computer Equipment"; and
- (4) Equipment in Paragraphs (1), (2) and (3) that is owned by a public or private utility and used solely to supply utility services to your premises.

However, if Coverage **A.2.e.** Utility Interruption is provided, then Paragraph **6.a.(4)** does not apply.

Except for Paragraph **6.a.(4)**, Utility Interruption and Contingent "Business Income" and "Extra Expense" or "Extra Expense" only coverages, the "Covered Equipment" must be located at a premises described in the Declarations and be owned, leased, or operated under your control.

b. Does not mean or include any:

- (1) "Media";
- (2) Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- (3) Insulating or refractory material, but not excluding the glass lining of any "Covered Equipment";
- (4) Non-metallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
- (5) Catalyst;
- (6) Vessels, piping and other equipment that is buried below ground and requires the excavation of materials to inspect, remove, repair or replace;
- (7) Structure, foundation, cabinet or compartment supporting or containing the "Covered Equipment" or part of the "Covered Equipment" including penstock, draft tube or well casing;
- (8) Vehicle, aircraft, self-propelled equipment or floating vessel including any "Covered Equipment" that is mounted upon or used solely with any one or more vehicle(s), aircraft, self-propelled equipment or floating vessel;
- (9) Dragline, excavation, or construction equipment including any "Covered Equipment" that is mounted upon or used solely with any one or more dragline(s), excavation, or construction equipment;
- (10) Felt, wire, screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, non-electrical cable, chain, belt, rope, clutch plate, brake pad, non-metal part or any part or tool subject to periodic replacement;
- (11) Machine or apparatus used solely for research, diagnosis, medication, surgical, therapeutic, dental or pathological purposes including any "Covered Equipment" that is mounted upon or used solely with any one or more machine(s) or apparatus unless Diagnostic Equipment is shown as INCLUDED in the Declarations; or
- (12) Equipment or any part of such equipment manufactured by you for sale.

7. "Covered Property" means any property that:

- a.** You own; or
- b.** Is in your care, custody or control and for which you are legally liable.

8. "Data" means:

- a.** Programmed and recorded material stored on "Media"; and
- b.** Programming records used for electronic data processing, or electronically controlled equipment.

9. "Extra Expense" means the additional cost you incur to operate your business during the "Period of Restoration" over and above the cost that you normally would have incurred to operate the business during the same period had no "Breakdown" occurred.

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

11. "Hazardous Substance" means any substance other than ammonia that has been declared to be hazardous to health by a government agency.

12. "Media" means electronic data processing or storage media such as films, tapes, discs, drums or cells.

13. "One Breakdown" means if an initial "Breakdown" causes other "Breakdowns", all will be considered "One Breakdown". All "Breakdowns" at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered "One Breakdown".

14. "Period of Restoration" means the period of time that:
- a. Begins at the time of the "Breakdown" or 24 hours before we receive notice of "Breakdown" whichever is later; and
 - b. Ends 5 consecutive days after the date when the damaged property at the premises described in the Declarations is repaired or replaced with reasonable speed and similar quality.
15. "Stock" means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MICHIGAN CHANGES

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

- A.** With respect to the **Duties In The Event Of Loss Or Damage** Condition, notice given by or on behalf of the insured to our authorized agent, with particulars sufficient to identify the insured, shall be considered notice to us.