

## Equipment Breakdown

THIS ENDORSEMENT CHANGES THE POLICY- PLEASE READ IT CAREFULLY.

### Equipment Breakdown Coverage

This endorsement modifies insurance provided under the following:

- Building and Personal Property Coverage Form**
- Causes of Loss-- Basic Form**
- Causes of Loss-- Broad Form**
- Causes of Loss-- Special Form**

A. The Building and Personal Property Coverage Form is modified as follows:

Additional Coverages

The following is added to 4. Additional Coverages:

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- (1) We will pay for loss caused by or resulting from an "accident" to "covered equipment." As used in this Additional Coverage, an "accident" means direct physical loss as follows:
  - (a) mechanical breakdown, including rupture or bursting caused by centrifugal force;
  - (b) artificially generated electric current, including electric arcing, that disturbs electrical devices, appliances or wires;
  - (c) explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
  - (d) loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
  - (e) loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.
  
- (2) Unless otherwise shown in a Schedule, the following coverages also apply to loss caused by or resulting from an "accident" to "covered equipment". These coverages do not provide additional amounts of insurance.
  - (a) **Expediting Expenses**

With respect to your damaged Covered Property, we will pay, up to \$25,000 unless otherwise shown in a Schedule, the reasonable extra cost to:

    - (i) make temporary repairs; and
    - (ii) expedite permanent repairs or permanent replacement.
  - (b) **Hazardous Substances**

We will pay for the additional cost to repair or replace Covered Property because of contamination by a "hazardous substance." This includes the additional costs to clean up or dispose of such property.  
Additional costs mean those beyond what would have been required had no "hazardous substance" been involved.  
The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain, necessary Extra Expense you incur and loss under Spoilage coverage, if shown as covered, is \$25,000 unless otherwise shown in a Schedule.
  - (c) **Spoilage**
    - (i) We will pay for your loss of "perishable goods" due to spoilage.
    - (ii) We will also pay for your loss of "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia.
    - (iii) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay for such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.
    - (iv) if you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "accident," less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Valuation condition.  
The most we will pay for loss or damage under this coverage is \$25,000 unless otherwise shown in a Schedule.
  - (d) **Computer Equipment**

We will pay for loss or damage caused by or resulting from an "accident" to "computer equipment."  
The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$50,000 unless otherwise shown in a Schedule. Computers used primarily to control or operate "covered equipment" are not subject to this limit.

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- (e) **Data Restoration**  
We will pay for your cost to research, replace and restore data, including programs and operating systems, that is lost or corrupted due to an "accident." The most we will pay for loss or damage under this coverage is \$25,000 unless otherwise shown in a Schedule.
- (f) **CFC Refrigerants**  
We will pay for the additional cost to repair or replace Covered Property because of the use or presence of a refrigerant containing CFC (chlorofluorocarbon) substances. This means the additional cost to do the least expensive of the following:
  - (i) Repair the damaged property and replace any lost CFC refrigerant;
  - (ii) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
  - (iii) Replace the system with one using a non-CFC refrigerant.Additional costs mean those beyond what would have been required had no CFC refrigerant been involved. The most we will pay for loss or damage under this coverage, including actual loss of Business Income you sustain, necessary Extra Expense you incur and loss under Spoilage coverage, if shown as covered, is \$25,000 unless otherwise shown in a Schedule.
- (g) **Service Interruption**  
Any insurance provided for Business Income, Extra Expense and Spoilage is extended to apply to loss caused by or resulting from an "accident" to equipment that is owned by a utility, landlord, or other supplier with whom you have a contract to provide you with any of the following services: electrical power, communications, waste disposal, air conditioning, refrigeration, heating, gas, air, water or steam.

### (3) Conditions

- (a) **Suspension**  
When any "covered equipment" is found to be in, or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." We can do this by mailing or delivering a written notice of suspension to your address as shown in the Declarations, or at the address where the equipment is located. Once suspended in this way, your insurance can be reinstated only by endorsement from us. If we suspend your insurance, you will get a pro rata refund of premium. But the suspension will be effective even if we have not yet made or offered a refund.
- (b) **Environmental, Safety and Efficiency Improvements**  
If "covered equipment" requires replacement due to an "accident," we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced. However, we will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.
- (c) **Jurisdictional Inspections**  
If any "covered equipment" requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf.
- (d) **Coinsurance**  
If indicated in a Schedule, specified coverages may be subject to coinsurance. We will not pay for the full amount of your loss if the applicable limit is less than the product of the specified coinsurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, we will determine what percentage this calculated product is compared to the applicable limit and apply that percentage to the gross amount of loss. We will then subtract the applicable deductible. The resulting amount, or the applicable limit, is the most we will pay. We will not pay for the remainder of the loss.  
EXAMPLE 1 (Underinsurance)  
When:  
The value of "perishable goods" at the location of loss at the time of the "accident" is \$200,000.  
The Spoilage Limit is \$100,000 @ 80% Coinsurance.  
The actual loss under Spoilage Coverage resulting from the "accident" is \$40,000.  
The Spoilage Deductible is \$5,000.  
Step 1:  $\$200,000 \times 80\% = \$160,000$   
Step 2:  $\$100,000 / \$160,000 = .625$   
Step 3:  $\$40,000 \times .625 = \$25,000$   
Step 4:  $\$25,000 - \$5,000 = \$20,000$

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The total Spoilage loss recovery, after deductible, would be \$20,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

### EXAMPLE 2 (Adequate insurance)

When:

The value of "perishable goods" at the location of loss at the time of the "accident" is \$100,000.

The Spoilage Limit is \$100,000 @ 80% Coinsurance.

The actual loss under Spoilage Coverage resulting from the "accident" is \$40,000.

The Spoilage Deductible is \$5,000.

Step 1:  $\$100,000 \times 80\% = \$80,000$

Step 2:  $\$100,000 / \$80,000 = 1.25$

Coinsurance does not apply.

Step 3:  $\$40,000 - \$5,000 = \$35,000$

The total Spoilage loss recovery, after deductible, would be \$35,000.

#### (4) Deductible

The deductible in the Declarations applies unless a separate Equipment Breakdown deductible is shown in a Schedule. If a separate Equipment Breakdown deductible is shown, the following applies.

Only as regards Equipment Breakdown Coverage, provision D. Deductible is deleted and replaced with the following:

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

##### (a) Direct and Indirect Coverages

Unless otherwise shown in the Schedule, the Direct Coverages Deductibles apply to all loss or damage covered by this endorsement, with the exception of those coverages subject to the Indirect Coverages Deductibles as noted below.

Unless more specifically indicated in the Schedule, the Indirect Coverages Deductibles apply to Business Income and Extra Expense.

##### (b) Application of Deductibles

###### (i) Dollar Deductibles

We will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the applicable Deductible shown in the Schedule. We will then pay the amount of loss or damage in excess of the applicable Deductible, up to the applicable Limit of Insurance, after any deduction required by the Coinsurance condition or the Agreed Value Optional Coverage.

###### (ii) Time Deductible

If a time deductible is shown in the Schedule, we will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident." If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.

###### (iii) Multiple of Average Daily Value (ADV)

If a deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV (Average Daily Value) will be the Business Income (as defined in any Business Income coverage that is part of this policy) that would have been earned had no "accident" occurred during the period of interruption of business divided by the number of working days in that period. No reduction shall be made for the Business Income not being earned, or in the number of working days, because of the "accident" or any other scheduled or unscheduled shutdowns during the period of interruption. The ADV applies to all locations included in the valuation of the loss.

The number indicated in the Schedule shall be multiplied by the ADV as determined above. The result shall be used as the applicable deductible.

###### (iv) Percentage of Loss Deductibles

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

#### (5) Definitions

##### (a) "Boilers and Vessels" means:

- (i) Any boiler, including attached steam, condensate and feedwater piping; and

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- (ii) Any fired or unfired pressure vessel subject to vacuum or internal pressure other than the static pressure of its contents.  
This term does not appear elsewhere in this endorsement, but may appear in a Schedule.
- (b) "Computer equipment" means Covered Property that is electronic computer or other data processing equipment, including "media" and peripherals used in conjunction with such equipment.
- (c) "Covered equipment," unless otherwise specified in a Schedule, means Covered Property built to operate under vacuum or pressure, other than weight of contents, or used for the generation, transmission or utilization of energy.
- (d) "Hazardous substance" means any substance other than ammonia that has been declared to be hazardous to health by a governmental agency.
- (e) "Media" means all forms of electronic, magnetic and optical tapes and discs for use in any electronic computer or electronic data processing equipment.
- (f) "One accident" means: If an initial "accident" causes other "accidents," all will be considered "one accident." All "accidents" that are the result of the same event will be considered "one accident."
- (g) "Perishable Goods" personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.
- (h) "Production Machinery" means any machine or apparatus that processes or produces a product intended for eventual sale. However, "production machinery" does not mean any fired or unfired pressure vessel other than a cylinder containing a movable plunger or piston.  
This term does not appear elsewhere in this endorsement, but may appear in a Schedule.

**B. The Causes of Loss-- Basic Form, Broad Form or Special Form is modified as follows:**

**Exclusions**

- (1) All exclusions and limitations apply except:
  - (a) In the Causes of Loss-- Special Form:
    - (i) Exclusions B.2.a., B.2.d.(6) and B.2.e.; and
    - (ii) Limitations C.1.a. and C.1.b.
  - (b) In the Causes of Loss-- Broad Form: Exclusions B.2.a., B.2.b. and B.2.c.
  - (c) In the Causes of Loss-- Basic Form: Exclusions B.2.a., B.2.d. and B.2.e.
- (2) The exclusions are modified as follows:
  - (a) The following is added to Exclusion B.1.g. (1) of the applicable Causes of Loss form:  
However, if electrical "covered equipment" requires drying out because of the above, we will pay for the direct expenses of such drying out subject to the applicable Limit of Insurance and deductible for Building or Business Personal Property, whichever applies.
  - (b) If the Causes of Loss-- Basic Form or Causes of Loss-- Broad Form applies, the following is added to Exclusion B.2.:  
Depletion, deterioration, corrosion, erosion, wear and tear, or other gradually developing conditions. But if loss or damage from an "accident" results, we will pay for that resulting loss or damage.
  - (c) If the Causes of Loss-- Special Form applies, as respects this endorsement only, the last paragraph of Exclusion B.2.d. is deleted and replaced with the following:  
But if loss or damage by an "accident" results, we will pay for that resulting loss or damage.
- (3) The following exclusions are added:
  - (a) None of the following is "covered equipment":
    - (i) structure, foundation, cabinet, compartment or air supported structure or building;
    - (ii) insulating or refractory material;
    - (iii) sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;
    - (iv) water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
    - (v) vehicle, aircraft, floating vessel or any equipment mounted on such vehicle, aircraft or floating vessel. However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power supplier will not be considered a vehicle, aircraft or floating vessel;
    - (vi) dragline, excavation or construction equipment; or
    - (vii) equipment manufactured by you for sale.
  - (b) We will not pay under this endorsement for loss or damage caused by or resulting from:
    - (i) your failure to use all reasonable means to protect the "perishable goods" from damage following an "accident";
    - (ii) any defect, virus, loss of data or other situation within "media." But if loss or damage from an "accident" results, we will pay for that resulting loss or damage; or

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- (iii) any of the following tests:
  - a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or an insulation breakdown test of any type of electrical equipment.
- (c) With respect to Service Interruption coverage and, if shown as covered, Spoilage coverage, we will also not pay for loss or damage caused by or resulting from: fire; lightning; windstorm or hail; explosion (except for steam or centrifugal explosion); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing or collapse.
- (d) With respect to Service Interruption coverage and, if shown as covered, Business Income and Extra Expense coverages, we will also not pay for delay in resuming operations due to the need to reconstruct or reinput data or programs on "media."

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