

EQUIPMENT BREAKDOWN COVERAGE — BUSINESSOWNERS

This endorsement, together with the Businessowners Policy Form (BU 04 01) provides additional coverages as described below.

The provisions of this endorsement apply only when the endorsement number is listed in the Declarations.

Except as provided below, all other provisions in this policy are unchanged.

ADDITIONAL SUPPLEMENTAL COVERAGES

The following is added to Part I B — Supplemental Coverages.

A. EQUIPMENT BREAKDOWN

The term Covered Cause of Loss includes the Additional Supplemental Coverage Equipment Breakdown as described and limited below. Without an *equipment breakdown accident* or *electronic circuitry impairment*, there is no Equipment Breakdown Coverage.

We will pay up to the limit shown in the Declarations for your loss caused by or resulting from direct physical damage to covered property that is the direct result of an equipment breakdown accident or electronic circuitry impairment. We will consider electronic circuitry impairment to be physical damage to covered equipment.

B. COVERAGE EXTENSIONS

The following coverage extensions also apply to loss caused by or resulting from an *equipment breakdown accident* or *electronic circuitry impairment*. However, with respect to coverage **B.5.** Service Interruption below and any Dependent Properties coverage provided by this policy, coverage will apply only to the direct result of an *equipment breakdown accident* and will not apply to the direct result of an *electronic circuitry impairment*. These coverage extensions do not provide additional limits of insurance.

1. Expediting Expenses

With respect to *your* damaged covered property, *we* will pay the reasonable extra cost to:

- a. Make temporary repairs; and
- b. Expedite permanent repairs or permanent replacement.

The most *we* will pay for loss or expense under this coverage is \$25,000.

2. 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 expenses required to clean up or dispose of such property.

This does not include contamination of *perishable goods* by refrigerant, including but not limited to ammonia, which is addressed in **B.3.b.** below.

As used in this coverage, additional costs mean

those beyond what would have been payable under this Equipment Breakdown Coverage had no *hazardous substance* been involved.

The most *we* will pay for loss, damage or expense under this coverage, including actual Loss of Income *you* sustain, if shown as covered, is \$25,000.

3. Spoilage

We will pay:

- a. For physical damage to *perishable goods* due to spoilage;
- b. For physical damage to *perishable goods* due to contamination from the release of refrigerant, including but not limited to ammonia;
- c. Any necessary expenses *you* incur to reduce the amount of loss under this coverage to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

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 *equipment breakdown accident*, less discounts and expenses *you* otherwise would have had. Otherwise *our* payment will be determined in accordance with the How Losses Are Settled condition.

The most *we* will pay for loss, damage or expense under this coverage is \$25,000.

4. Data Restoration

We will pay for *your* reasonable and necessary cost to research, replace and restore lost *data*. The most *we* will pay for loss or expense under this coverage, including actual Loss of Income *you* sustain, if shown as covered, is \$25,000.

5. Service Interruption

- a. Any insurance provided for Loss of Income, Data Restoration or Spoilage is extended to apply to *your* loss, damage or expense caused by the interruption of utility services. The interruption must result from an *equipment breakdown accident* to equipment, including overhead transmission lines, that is owned by a utility, landlord, a landlord's utility or other

supplier who provides *you* with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks, *cloud computing services*, or data transmission. The equipment must meet the definition of *covered equipment* except that it is not covered property.

Cloud computing services must be provided by a professional provider with whom *you* have a contract.

With respect to the Data Restoration portion of this Service Interruption coverage, coverage will also apply to *data* stored in the equipment of a provider of *cloud computing services*.

- b. Service Interruption coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the *equipment breakdown accident*.
- c. The most *we* will pay in any *one equipment breakdown accident* for loss, damage or expense under this coverage is the applicable limit for Loss of Income, Data Restoration or Spoilage.

6. Loss of Income

Any insurance provided under this policy for loss of business income or reasonable extra expenses is extended to the coverage provided by this endorsement. The most *we* will pay for loss or expense under this coverage is the applicable limit for Loss of Income.

7. Off Premises Equipment Breakdown

- a. *We* will pay for physical damage to transportable *covered equipment* that, at the time of the *equipment breakdown accident* or *electronic circuitry impairment*, is not at a covered location. As respects this Off Premises Equipment Breakdown coverage only, the *equipment breakdown accident* or *electronic circuitry impairment* may occur in any country except one in which the United States has imposed sanctions, embargoes or similar

restrictions on the provision of insurance.

- b. *We* will also pay for *your* reasonable and necessary cost to research, replace and restore lost *data* contained within *covered equipment* as described under **a.** above. This amount may not exceed the limit applicable to Data Restoration coverage.
- c. The most *we* will pay for loss, damage or expense under this coverage, including actual Loss of Income *you* sustain and Data Restoration as described in **b.** above is \$10,000.

8. Public Relations

- a. This coverage only applies if *you* have sustained an actual loss of business income covered under this endorsement.
- b. *We* will pay for *your* reasonable costs for professional services to create and disseminate communications, when the need for such communications arises directly from the interruption of *your* business. This communication must be directed to one or more of the following:
 - (1) The media;
 - (2) The public; or
 - (3) *Your* customers, clients or members.
- c. Such costs must be incurred during the Loss of Income coverage period or up to 30 days after the Loss of Income coverage period has ended.
- d. The most *we* will pay for loss or expense under this coverage is \$5,000.

ADDITIONAL EXCLUSIONS

A. COVERAGE MODIFICATIONS

- 1. All of the Property Exclusions, Property Limitations, Losses Not Insured and Common Exclusions in *your* policy apply except the following:

Part I E — Losses Not Insured

- a. Provisions 4. and 5.; and
- b. Provisions 14.A. and 14.B.

- 2. The following exclusions are modified:

- a. Provision 12.A. is deleted and replaced with the following:

Wear and tear; birds, domestic animals, insects, raccoons, rodents, or vermin; corrosion; decay or deterioration; deficiency, error, or omission in design, materials, plans or workmanship; disease; dry or wet rot; *fungi*; mold; spores; mildew; bacterium; or other natural growth;

inherent vice; (a customary characteristic of the property); latent defect (an original condition or fault leading to loss); rust.

However, if loss by an *equipment breakdown accident* or *electronic circuitry impairment* results, *we* will pay for the loss or damage caused by that *equipment breakdown accident* or *electronic circuitry impairment*.

Contamination or pollution including, but not limited to: (1) the discharge, dispersal, emission, escape, migration, release or seepage of *pollutants*; (2) the costs associated with enforcement of any governmental directive, law or ordinance which requires *you* or any others to cleanup, contain, detoxify, monitor, neutralize, remove, test for, or in any way respond to *pollutants*, asbestos, *fungi*, mold, lead contamination, viruses or other pathological agents or assess the effects of *pollutants*, asbestos, *fungi*, mold, lead contamination, viruses or other pathological agents; but see Supplemental Coverage 12 for certain coverage.

- b. The following paragraph is added to provisions **12.B.**, **12.E.**, and **12.F.**: However, if loss by an *equipment breakdown accident* or *electronic circuitry impairment* results, *we* will pay for the loss, damage or expense caused by that *equipment breakdown accident* or *electronic circuitry impairment*.

B. LOSSES NOT INSURED

The following exclusions are added:

1. *We* will not pay for loss, damage or expense caused directly or indirectly by any of the following, whether or not caused by or resulting from an *equipment breakdown accident* or *electronic circuitry impairment*:
 - a. Fire, including smoke from a fire;
 - b. Explosion of gas or unconsumed fuel within the furnace of any boiler or fired vessel or within the passages from that furnace to the atmosphere;
 - c. Any other explosion, except as specifically covered under this endorsement;
 - d. Any earth movement, including but not limited to earthquake, subsidence, sinkhole collapse, landslide, earth sinking, tsunami or volcanic action;
 - e. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not; mudslide or mudflow; or water that backs up or overflows from a sewer, drain or sump;
 - f. Vandalism; or
 - g. *Your* failure to use all reasonable means to protect covered property from damage following an *equipment breakdown accident* or

electronic circuitry impairment.

2. Coverage under this endorsement does not apply to an *equipment breakdown accident* or *electronic circuitry impairment* caused by or resulting from:
 - a. Lightning;
 - b. Windstorm or hail. However this exclusion does not apply when:
 - (1) *Covered equipment* located within a building or structure suffers an *equipment breakdown accident* or *electronic circuitry impairment* that results from wind-blown rain, snow, sand or dust; and
 - (2) The building or structure did not first sustain wind or hail damage to its roof or walls through which the rain, snow, sand or dust entered.
 - c. Smoke; aircraft or vehicles; riot or civil commotion; sprinkler leakage; elevator collision;
 - d. Breakage of glass; falling objects; weight of snow, ice or sleet; freezing (caused by cold weather); collapse or molten material;
 - e. A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any type of electrical equipment; or
 - f. Water or other means used to extinguish a fire.
3. With respect to Loss of Income and Service Interruption coverages, *we* will also not pay for:
 - a. Loss caused by *your* failure to use due diligence and dispatch and all reasonable means to resume business; or
 - b. Any increase in loss resulting from an agreement between *you* and *your* customer or supplier.
4. *We* will not pay for loss, damage or expense caused directly or indirectly by the following, whether or not caused by or resulting from an *equipment breakdown accident* or *electronic circuitry impairment*: Any *fungi*, wet rot or dry rot, including any presence, growth, proliferation, spread or any activity of *fungi*, wet rot or dry rot. This includes, but is not limited to, costs arising from clean up, removal, or abatement of such *fungi*, wet rot or dry rot. However, this exclusion does not apply to spoilage of personal property that is *perishable goods*, to the extent that such spoilage is covered under Spoilage coverage.
5. *We* will not pay for any loss or damage to animals.
6. Exclusions **B.2.a.**, **B.2.b.**, **B.2.c.** and **B.2.d.** above shall not apply if:
 - a. The excluded cause of loss occurs away from any covered location and causes an electrical surge or other electrical disturbance;

- b. Such surge or disturbance is transmitted through utility service transmission lines to the covered location and results in an *equipment breakdown accident* or *electronic circuitry impairment*; and
- c. The loss, damage or expense caused by such surge or disturbance is not covered elsewhere under the policy.

ADDITIONAL CONDITIONS

1. SUSPENSION

Whenever *covered equipment* is found to be in, or exposed to, a dangerous condition, *our* representative may immediately suspend the insurance against loss from an *equipment breakdown accident* or *electronic circuitry impairment* 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 insurance is suspended, it can be reinstated only by an endorsement for that *covered equipment*. If insurance is suspended, *you* will receive a pro rata refund of premium for that *covered equipment* for the period of suspension. The suspension will be effective even if *we* have not yet offered or made a refund of premium.

2. JURISDICTIONAL INSPECTIONS

If any property that is *covered equipment* under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, *we* agree to perform such inspection on *your* behalf.

3. DEDUCTIBLE

We are liable for that amount of the loss in any *one equipment breakdown* in excess of the deductible shown in the Declarations for the peril of fire, but in no event less than \$500.

4. As respects this endorsement only, **Part I G**, Special Part I Conditions, Bases of Settlement Condition **2.C**, in the Businessowners Policy is deleted and replaced with the following:

C. *We* will determine the value of covered property as follows:

1. Except as specified otherwise, *our* payment for damaged covered property will be the smallest of:
 - a. The cost to repair the damaged property;
 - b. The cost to replace the damaged property on the same site; or
 - c. The amount *you* actually spend that is necessary to repair or replace the damaged property.
2. The amount of *our* payment will be based on the most cost-effective means to replace the

function, capacity and remaining useful life of the damaged property. This may include the use of generic, used or reconditioned parts, equipment or property.

3. Except as described in **4.** below, *you* must pay the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.

4. Environmental, Safety and Efficiency Improvements

If *covered equipment* requires replacement due to an *equipment breakdown accident* or *electronic circuitry impairment*, *we* will pay *your* additional cost to replace with equipment that is better for the environment, safer for people or more energy or water efficient than the equipment being replaced. However, *we* will not pay to increase the size or capacity of the equipment and *we* will not pay more than 150% of what the cost would have been to replace with like kind and quality. This provision does not apply to the replacement of component parts or to any property to which Actual Cash Value applies and does not increase any of the applicable limits.

5. The following property will be valued on an Actual Cash Value basis:
 - a. Any property that does not currently serve a useful or necessary function for *you*; and
 - b. Any covered property that *you* do not repair or replace within 24 months after the date of the *equipment breakdown accident* or *electronic circuitry impairment*.

Actual Cash Value includes deductions for depreciation.

6. If any one of the following conditions is met, property held for sale by *you* will be valued at the sales price as if no loss or damage had occurred, less any discounts and expenses that otherwise would have applied:
 - a. The property was manufactured by *you*;
 - b. The sales price of the property is less than the replacement cost of the property; or
 - c. *You* are unable to replace the property before its anticipated sale.

7. Except as specifically provided for under Data Restoration coverage, *data* and *media* will be valued on the following basis:
 - a. For mass-produced and commercially available software, at the replacement cost.
 - b. For all other *data* and *media*, at the cost of blank *media* for reproducing the records. *We* will not pay for *data* representing financial records based on the face value of such records.

The most *we* will pay for loss, damage or expense under this endorsement arising from any *one equipment breakdown accident* is the amount determined in accordance with the How Losses are Settled condition. Coverage provided under this endorsement does not provide an additional amount of insurance.

ADDITIONAL DEFINITIONS

Cloud Computing Services

Cloud computing services means professional, on-demand, self-service data storage or data processing services provided through the Internet or over telecommunications lines. This includes services known as IaaS (infrastructure as a service), PaaS (platform as a service), SaaS (software as a service) and NaaS (network as a service). This includes business models known as public clouds, community clouds and hybrid clouds. *Cloud computing services* include private clouds if such services are owned and operated by a third party.

Covered Equipment

1. *Covered equipment* means, covered property:
 - a. That generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
 - b. Which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.
2. The following is not considered *covered equipment*:
 - a. Structure, foundation, cabinet, or compartment;
 - b. Insulating or refractory material;
 - c. Sewer piping, buried vessels or piping, or piping forming a part of a sprinkler or fire suppression system;
 - d. Water piping, other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of refrigerating or air conditioning;
 - e. *Vehicle*, or any equipment mounted on a *vehicle*;
 - f. Satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
 - g. Dragline, excavation or construction equipment; or
 - h. Equipment manufactured by *you* for sale.

Data

Data means information or instructions stored in digital code capable of being processed by machinery.

Electronic Circuitry

Electronic circuitry means microelectronic components, including but not limited to circuit boards, integrated circuits, computer chips and disk drives.

Electronic Circuitry Impairment

1. *Electronic circuitry impairment* means a fortuitous event involving *electronic circuitry* within *covered equipment* that causes the *covered equipment* to suddenly lose its ability to function as it had been functioning immediately before such event. This definition is subject to the conditions specified in 2., 3. and 4. below.
2. *We* shall determine that the reasonable and appropriate remedy to restore such *covered equipment's* ability to function is the replacement of one or more *electronic circuitry* components of the *covered equipment*.
3. The *covered equipment* must be owned or leased by *you*, or operated under *your* control.
4. None of the following is an *electronic circuitry impairment*:
 - a. Any condition that can be reasonably remedied by:
 - (1) Normal maintenance, including but not limited to replacing expendable parts, recharging batteries or cleaning;
 - (2) Rebooting, reloading or updating software or firmware; or
 - (3) Providing necessary power or supply.
 - b. Any condition caused by or related to:
 - (1) Incompatibility of the *covered equipment* with any software or equipment installed, introduced or networked within the prior 30 days; or
 - (2) Insufficient size, capability or capacity of the *covered equipment*.
 - c. Exposure to adverse environmental conditions, including but not limited to change in temperature or humidity, unless such conditions result in an observable loss of functionality. Loss of warranty shall not be considered an observable loss of functionality.

Equipment Breakdown Accident

Equipment breakdown accident means a fortuitous event that causes direct physical damage to *covered equipment*. The event must be one of the following:

1. Mechanical breakdown, including rupture or bursting caused by centrifugal force;
2. Loss by artificially generated electrical currents to electrical or electronic appliances, devices or wiring;
3. Explosion of steam boilers, steam engines, steam pipes or steam turbines *you own or lease or which are operated under your control*;
4. Loss to steam boilers, steam engines, steam pipes or steam turbines caused by any condition or occurrence within such boiler or equipment; or
5. Loss to hot water boilers or other equipment for heating water caused by any condition or occurrence within such boiler or equipment.

None of the following is an *equipment breakdown accident*:

1. Defect, programming error, programming limitation, computer virus, malicious code, loss of *data*, loss of access, loss of use, loss of functionality or other condition within or involving *data* or *media* of any kind; or
2. Misalignment, miscalibration, tripping off-line, or any condition which can be corrected by resetting, tightening, adjusting or cleaning, or by the performance of maintenance.

However, if an *equipment breakdown accident* results, we will pay for the resulting loss, damage or expense caused by that *equipment breakdown accident*.

Hazardous Substance

Hazardous substance means any substance that is hazardous to health or that has been declared to be hazardous to health by a governmental agency.

Media

Media means material on which *data* is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.

One Equipment Breakdown Accident

One equipment breakdown means — If an initial *equipment breakdown accident* or *electronic circuitry impairment* causes other *equipment breakdown accidents* or *electronic circuitry impairments*, all will be considered *one equipment breakdown*. All *equipment breakdown accidents* or *electronic circuitry impairments* that are the result of the same event will be considered *one equipment breakdown*.

Perishable Goods

Perishable goods means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.

Vehicle

Vehicle means, as respects this endorsement only, any machine or apparatus that is used for transportation or moves under its own power. *Vehicle* includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a *vehicle*.