

EQUIPMENT BREAKDOWN ENDORSEMENT COMMERCIAL FORM

INSURING AGREEMENT

1. In consideration of the premium, we agree with you that if there is a Breakdown occurring during the Period of Coverage to the Insured Equipment as defined herein, while the Insured Equipment is at a location specified in the Declarations and subject to all the terms, provisions and conditions (including Statutory Conditions) of the policy, except as they may be varied herein, and to the Declarations, Exclusions and Conditions applicable to this Endorsement, as follows:
 - (a) to pay for loss
 - (i) to the Insured Equipment and
 - (ii) to other Insured Propertydirectly damaged by the Breakdown;
 - (b) to pay for loss to perishable Insured Property that spoils solely as a result of the Breakdown;
 - (c) if Loss of Income/Extra Expense is covered by the policy to which this endorsement is attached, to pay for the Loss of Income/Extra Expense which results solely from the Breakdown.

EXCLUSIONS

2. This endorsement does not apply:
 - (a) to loss caused by or resulting from nuclear reaction or radiation, or radioactive contamination, however caused;
 - (b) to loss caused by or resulting from:
 - (i) war, including undeclared or civil war;
 - (ii) 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
 - (iii) insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these;but unless associated with the foregoing, loss from a Breakdown of Insured Equipment arising out of any strike, riot, civil commotion, acts of sabotage, vandalism or malicious acts by others is covered;
 - (c) to loss caused by or resulting from pollution, contamination or damage by a Hazardous Substance, however caused, except as provided in Condition 7;
 - (d) to loss from a Breakdown caused by or resulting from:
 - (i) earth movement, including but not limited to earthquake, landslide, mud flow, subsidence, volcanic eruption, tidal wave or tsunami;
 - (ii) wind, including but not limited to cyclone, tornado or hurricane;
 - (iii) fire, smoke or combustion explosion; or
 - (iv) water or other means used to extinguish a fire;
 - (e) to loss caused by or resulting from:
 - (i) fire, smoke or combustion explosion that occurs at the same time as a Breakdown or that ensues from a Breakdown. However, with respect to any Insured Equipment which is an electrical or electronic machine or apparatus, fire damage within the said machine or apparatus which occurs at the same time as a Breakdown or that ensues from a Breakdown is covered;
 - (ii) flood, however, if a Breakdown of Insured Equipment results from a flood, damage or expense caused by the Breakdown is covered;
 - (iii) lightning, if coverage for that cause of loss is provided by any other insurance in effect at the time of the loss;
 - (iv) damage to Data used with any electronic computer or electronic data processing equipment;
 - (v) escape of water resulting from a Breakdown unless:
 1. coverage is not provided by any other insurance in effect at the time of the loss, and
 2. the water escapes from Insured Equipment that normally contains water or steam;
 - (f) to loss from:
 - (i) delay or interruption of business except as may be provided in Insuring Agreement 1(c);
 - (ii) any other indirect result of a Breakdown except as may be provided in Insuring Agreement 1(b) and 1(c);
 - (g) to loss to Insured Property damaged by water, resulting from a Breakdown of Insured Equipment if coverage is provided by any other insurance in effect at the time of the loss;
 - (h) to loss caused by or resulting from:

the partial or total failure, malfunction or loss of use of any electronic equipment, computer system, information repository, microchip, integrated circuit or other similar device due to:

 - (i) The erasure, destruction, corruption, misappropriation, or misinterpretation of Data;
 - (ii) any error in creating, amending, entering, deleting or using Data;
 - (iii) the inability to receive, transmit or use Data; or
 - (iv) the impact of any virus or the functioning or malfunctioning of the internet, intranet, local area networks, virtual private networks or similar facility, or of any internet address, website or similar facility;however the Company shall pay for loss that ensues solely from the Breakdown of any other Insured Equipment.
 - (i) to loss covered under the property commercial building, equipment and stock form or under any extension endorsement attached thereto.

CONDITIONS

1. LIMIT OF LIABILITY

We accept total liability from any One Breakdown under Insuring Agreements 1(a) and 1(b) shall not exceed the Limit of Liability as specified in the Declarations as applicable to this endorsement.

2. LOSS OF INCOME/EXTRA EXPENSE

If the policy to which this endorsement is attached insures against Loss of Income/Extra Expense, but not otherwise, this endorsement also covers such Loss of Income/Extra Expense which results solely from a Breakdown of Insured Equipment subject to all the terms, provisions and conditions of the Loss of Income/Extra Expense coverages forming a part of this policy, and subject to the following additional provisions:

(a) Notice of Breakdown and Commencement of Liability

You shall immediately give notice of Breakdown to any of our offices and that notice must be confirmed in writing. The commencement of our liability under this coverage shall be (1) the time of the Breakdown or (2) twenty-four hours before the notice of Breakdown is received, whichever is later.

(b) Limit of Insurance

Under Insuring Agreement 1(c), we accept liability for Loss of Income/Extra Expense shall be separate from and in addition to the Limit of Liability specified in the Declarations applicable to this endorsement. This liability, however, is not to exceed the limit of Loss of Income/Extra Expense specified for this coverage in the policy.

3. EXPEDITING EXPENSES

If there is a Breakdown of Insured Equipment, we shall pay the reasonable extra cost to:

- (a) make temporary repairs;
- (b) expedite permanent repairs; or
- (c) expedite permanent replacement;

of the Insured Equipment or other Insured Property which is directly damaged by the Breakdown.

4. BY-LAWS

If prior to the time of a Breakdown of Insured Equipment there is in force a law, by-law, ordinance, regulation, rule or ruling regulating or restricting repair, alteration, use, operation, construction or installation of Insured Property, we shall be liable under this endorsement for:

- (a) the increase in cost of repair or replacement of both damaged and undamaged property (including any demolition and site clearing costs) which is necessary to meet the minimum requirements of the law, by-law, ordinance, regulation, rule or ruling;
- (b) if Loss of Income/Extra Expense is provided by this endorsement, but not otherwise, the increase in Loss of Income/Extra Expense caused solely as a result of the law, by-law, ordinance, regulation, rule or ruling.

5. PROFESSIONAL FEES/AUDITORS FEES

If the policy to which this endorsement is attached covers Professional Fees or Auditors Fees, but not otherwise, this endorsement also covers such Professional or Auditors Fees subject to the limit specified for this coverage in the policy.

6. SERVICE INTERRUPTION

If there is a Breakdown of equipment not owned or operated by you, we shall be liable:

- (a) for loss of perishable Insured Property which spoils; and
- (b) only if Loss of Income/Extra Expense insurance is provided by this endorsement, for Loss of Income/Extra Expense;

but only if the equipment is:

- (a) of a type described as Insured Equipment;
- (b) located on or within one thousand (1000) metres of the Insured's premises;
- (c) owned by the building owner at the premises of the Insured or by a public utility company; and
- (d) used to supply communication, refrigeration, electricity, air conditioning, heating, gas, water or steam services to your premises.

7. HAZARDOUS SUBSTANCES

If a Hazardous Substance is involved in or released by a Breakdown of Insured Equipment, we shall be liable to pay:

- (a) the increase in cost to repair, replace, clean up or dispose of, affected Insured Property; and
- (b) if Loss of Income/Extra Expense coverage is provided by this endorsement, the increase in Loss of Income/Extra Expense loss because of the presence of Hazardous Substances;

however, in no event shall we be liable for loss in excess of \$100,000.

As used in this coverage, increase in cost or in loss is that cost or loss beyond that for which we would have been liable had no Hazardous Substance been present.

8. DATA COVERAGE

If, as a result of a Breakdown of Insured Equipment, Data is lost or damaged, we shall be liable for:

- (a) the cost of gathering or reproducing the Data; and
- (b) the Business Interruption/Extra Expense resulting from the loss or damage to the data only if Business Interruption/Extra Expense is provided by this endorsement,

however, in no event shall we be liable for loss in excess of \$25,000.

We shall not be liable for Data which is lost or damaged as a result of programming errors of any kind including the inability of software to correctly read, recognize, save, process or interpret any date or time.

9. BASIS OF SETTLEMENT

(a) Property Damage

Under Insuring Agreement 1(a), we agree to pay for Insured Property which is damaged, as follows:

- (i) on media, the cost of blank material;
- (ii) on exposed film, records, manuscripts and drawings, the cost of blank material plus the cost of transcription;
- (iii) on any heat exchanger that forms part of forced air heating equipment that is five (5) years old or more from the date of purchase new, its Actual Cash Value;

- (iv) on all other Insured Property, the lesser of the cost at the time of the Breakdown
 - (a) to repair; or
 - (b) to replace with similar property of like kind, capacity, size, quality and function.

We shall not be liable:

- (i) for the cost of repairing or replacing any part or parts of a piece of equipment which is greater than the cost of repairing or replacing the entire piece of equipment;
- (ii) for more than the cost to replace the property with other property of like kind, capacity, size, quality and function;
- (iii) for more than the cost to replace the property at the same or adjacent site; nor
- (iv) for loss or damage to property which is useless or obsolete to the Insured.

If the damaged property is not repaired or replaced within 12 months after the date of the Breakdown, our liability will only be for the Actual Cash Value of the damaged property. Actual Cash Value is the cost of replacing the damaged property with property of similar kind, capacity, size, quality and function less depreciation however caused. In determining depreciation consideration will be given to such items as the age, condition, and normal life expectancy of the property.

(b) Spoilage

We shall pay under Insuring Agreement 1(b) the amount that is spent to replace perishable Insured Property which spoils solely as a result of the Breakdown of Insured Equipment. If the Insured Property is not replaced, we shall only pay for the Actual Cash Value of the property.

10. DEDUCTIBLE

From the total amount of loss, damage and expense for which we are liable following any One Breakdown of Insured Equipment shall be subtracted the Deductible specified in the Declarations.

11. INSPECTION

We, or our reinsurers, shall have the right to make inspections of Insured Equipment at any reasonable time. Neither this right to make inspections nor making them is an undertaking to the Insured or others that the Insured Equipment is safe and not hazardous or injurious to health.

12. SUSPENSION

Upon the discovery of Insured Equipment in or exposed to a dangerous condition, we, or our reinsurers, may immediately suspend the Insurance against loss from the Breakdown of that equipment (which will include any insurance applying to the interest of any Mortgagee specified in the policy). Notice of suspension shall be given either at the Mailing Address specified in the Declarations, or at the location of the equipment. We, or our reinsurers, agree to furnish a copy of the Suspension Notice to the Mortgagee. Once coverage has been suspended, it can only be reinstated by an endorsement issued to form part of this policy. The Insured shall be allowed a pro-rata refund of premium for that equipment for the period that coverage is suspended.

DEFINITIONS

1. INSURED EQUIPMENT

Insured Equipment shall mean any equipment owned, leased, operated or controlled by you as described below:

- (a) any boiler, fired or unfired pressure vessel normally subject to vacuum or internal pressure other than static pressure of contents, any refrigerating or air conditioning vessels and piping or any other piping and its accessory equipment, any heat exchanger that forms part of forced air heating equipment, but not including:
 - (i) any boiler setting, any refractory or insulating material;
 - (ii) any part of a boiler or fired pressure vessel that does not contain steam or water; nor
 - (iii) any buried piping, any drainage piping, any sprinkler piping and its accessory equipment;

- (b) any mechanical or electrical equipment used for the generation, transmission or utilization of mechanical or electrical power, but not including:
 - (i) any vehicle or mobile equipment; nor
 - (ii) any lifting or safety cables, anchorages, car buffers or counterweight buffers forming part of an elevator system;
- (c) any electronic machine, device or instrument or fibre optic cable used for research, diagnosis, treatment, communication, word processing, data processing, duplicating, monitoring or scanning.

2. INSURED PROPERTY

Insured Property is:

- (a) property you own; or
- (b) property of others in your care, custody or control and for which you are legally liable.

3. BREAKDOWN

Breakdown means a sudden and accidental failure of equipment resulting in physical damage to the equipment which requires the repair or replacement of the equipment or a part of the equipment.

Breakdown does not mean:

- (a) depletion, deterioration, corrosion or erosion of material;
- (b) wear and tear;
- (c) vibration or misalignment;
- (d) the functioning of any safety device or protective device; nor
- (e) the failure of a structure or foundation supporting the equipment or a part of the equipment.

4. ONE BREAKDOWN

If either the Breakdown of Insured Equipment causes the Breakdown of other Insured Equipment or a series of Breakdowns occur at the same time as a result of the same cause, they will all be considered as One Breakdown.

5. HAZARDOUS SUBSTANCE

A hazardous substance is:

- a) any pollutant, contaminant or other substance declared by a governmental authority to be hazardous to health or the environment; or
- b) any mould, yeast, fungus or mildew including any spores or toxins created or produced by or emanating from such mould, yeast, fungus or mildew, whether or not allergenic, pathogenic or toxigenic

6. DATA

Data means facts, concepts, information or software in a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment.

7. MEDIA

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