

## 1. INSURING AGREEMENT

In consideration of the premium, the Insurer agrees with the Insured 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 on the Declarations Page(s) 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 Form, as follows:

- (a) to pay for loss
  - (i) to the “insured equipment” and
  - (ii) to other “insured property”directly damaged by the “breakdown”;
- (b) to pay for loss of perishable “insured property” that spoils solely as a result of the “breakdown”;
- (c) if Business Interruption/Extra Expense is covered by the policy to which this Form is attached, to pay for the Business Interruption/Extra Expense which results solely from the “breakdown”.

## 2. EXCLUSIONS

This Form 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 or 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 directly or indirectly, in whole or in part, by “terrorism” or by any activity or decision of a government agency or other entity to prevent, respond to or terminate “terrorism”. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

As used herein “**terrorism**” means an ideological motivated unlawful act or acts, including but not limited to the use of violence or force or threat of violence or force, committed by or on behalf of any group(s), organization(s) for the purpose of influencing any government and/or instilling fear in the public or a section of the public.

- (d) to loss caused by or resulting from pollution, contamination or damage by a “hazardous substance”, however caused, except as provided in Condition G;
- (e) 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 tsunamis;
  - (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;

- (f) 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) escape of water resulting from a “breakdown” unless:
    - (a) coverage is not provided by any other insurance in effect at the time of the loss, and
    - (b) the water escapes from the “insured equipment” that normally contains water or steam;
  - (iv) lightning, if coverage for that cause of loss is provided by any other insurance in effect at the time of the loss;
  - (v) damage to “data” used with any electronic computer or electronic data processing equipment;
- (g) 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);
- (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 Insurer shall pay for loss that ensues solely from the “breakdown” of any other “insured equipment”.
- (i) to loss not excluded under the Commercial Property (Broad Form) wording or under any Extension Endorsement attached thereto.

### 3. CONDITIONS

#### A. Limits of Insurance

The Insurer’s total liability from any “one breakdown” under Insuring Agreements 1(a) and 1(b) shall not exceed the amount of insurance as specified on the Declarations Page(s) as applicable to this Form.

#### B. Business Interruption/Extra Expense

If the policy to which this Form is attached insures against Business Interruption/Extra Expense, but not otherwise, this Form also covers such Business Interruption/Extra Expense which results solely from a “breakdown” of “insured equipment” subject to all the terms, provisions and conditions of the Business Interruption/Extra Expense coverage forming a part of this policy, and subject to the following additional provisions:

##### (i) Notice of “Breakdown” and Commencement of Liability

The Insured shall immediately give notice of “breakdown” to any office of the Insurer and that notice must be confirmed in writing. The commencement of the Insurer’s liability under this coverage shall be (1) the time of the “breakdown” or (2) twenty-four (24) hours before the notice of “breakdown” is received, whichever is later.

**(ii) Limit of Insurance**

Under Insuring Agreement 1(c), the Insurer's liability for Business Interruption/Extra Expense shall be separate from and in addition to the amount of insurance specified on the Declarations Page(s) applicable to this Form. This liability, however, is not to exceed the limit of Business Interruption/Extra Expense specified for this coverage in the policy.

**C. Expediting Expenses**

If there is a "breakdown" of "insured equipment", the Insurer shall pay the reasonable extra cost to:

- (i) make temporary repairs;
- (ii) expedite permanent repairs; or
- (iii) expedite permanent replacement;

of the 'insured equipment' or other "insured property" which is directly damaged by the "breakdown".

**D. 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", the Insurer shall be liable under this Form for:

- (i) 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;
- (ii) if Business Interruption /Extra Expense is provided by this Form, but not otherwise, the increase in Business Interruption/Extra Expense caused solely as a result of the law, by-law, ordinance, regulation, rule or ruling.

**E. Professional Fees/Auditors Fees**

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

**F. Data Coverage**

If, as a result of a "breakdown" of "insured equipment", "data" is lost or damaged, the Insurer shall be liable for:

- (i) the cost of gathering or reproducing the "data"; and
- (ii) the Business Interruption/Extra Expense resulting from the loss or damage to the "data" only if Business Interruption/Extra Expense is provided by this Form;

however, in no event shall the Insurer be liable for loss in excess of twenty-five thousand dollars (\$25,000).

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

**G. Service Interruption**

If there is a "breakdown" of equipment not owned or operated by the Insured, the Insurer shall be liable:

- (i) for loss of perishable "insured property" which spoils; and
- (ii) only if Business Interruption/Extra Expense insurance is provided by this Form, for Business Interruption/Extra Expense;

but only if the equipment is:

- (i) of a type described in the applicable definition of "insured equipment";
- (ii) located on or within one thousand (1,000) metres of the Insured's premises;
- (iii) owned by the building owner at the premises of the Insured or by a public utility company; and

(iv) used to supply steam, gas, air, water, refrigeration, electricity, air conditioning, heating or communication services to the Insured's premises.

#### H. Hazardous Substances

If a "hazardous substance" is involved in or released by a "breakdown" of "insured equipment", the Insurer shall be liable to pay;

- (i) the increase in cost to repair, replace, clean up or dispose of, affected "insured property"; and
- (ii) if Business Interruption/Extra Expense coverage is provided by this Form, the increase in Business Interruption/Extra Expense loss because of the presence of "hazardous substances";

however, in no event shall the company be liable for loss in excess of one hundred thousand dollars (\$100,000).

As used in this coverage, increase in cost or in loss is that cost or loss beyond that for which the Insurer would have been liable had no "hazardous substance" been present.

#### I. Basis of Valuation

##### (a) Property Damage

Under Insuring Agreement 1(a), the Insurer agrees 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.

The Insurer 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 twelve (12) months after the date of the "breakdown", the Insurer's 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

The Insurer 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, the Insurer shall only pay for the Actual Cash Value of the property.

#### J. Deductible

From the total amount of loss, damage and expense for which the Insurer is liable following any "one breakdown" of "insured equipment" shall be subtracted the Deductible specified on the Declarations Page(s).

**K. Inspection**

The Insurer or its Reinsurer 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.

**L. Suspension**

Upon the discovery of "insured equipment" in or exposed to a dangerous condition any representative of the Insurer or its Reinsurer 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 on the Declarations Page(s), or at the location of the equipment. The Insurer or its Reinsurer agrees 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.

**4 DEFINITIONS**

Whenever used in this Form:

- (a) **"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:

- (i) depletion, deterioration, corrosion or erosion of material;
  - (ii) wear and tear;
  - (iii) vibration or misalignment;
  - (iv) the functioning of any safety device or protective device; nor
  - (v) the failure of a structure or foundation supporting the equipment or a part of the equipment.
- (b) **"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.
- (c) **"Hazardous Substance"** means:
- (i) any pollutant, contaminant or other substance declared by a government authority to be hazardous to health or the environment; or
  - (ii) 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.
- (d) **"Insured Equipment"** shall mean any equipment owned, leased, operated or controlled by the Insured as described below:
- A. any boiler, fired or unfired 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 draining 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, anchorage, 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.
- (e) **“Insured Property”** means:
  - (i) property of the Insured; or
  - (ii) property of others in the Insured’s care, custody or control and for which the Insured is legally liable.
- (f) **“Media”** means material on which “data” is recorded, such as magnetic tapes, hard disks, optical or floppy disks.
- (g) **“One Breakdown”** means 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 “one breakdown”.