

PROPERTY COVERAGE AGREEMENT

PART A GENERAL

- 1. Recitals and Acknowledgments.** The TASB Risk Management Fund (the Fund) provides coverage for property risk to educational entities in Texas. This coverage relies on information provided by the Fund Member. It is contingent on the Fund Member's full compliance with the Agreements: collectively, this Property Coverage Agreement and its endorsements (Coverage Agreement), the Contribution and Coverage Summary (CCS), and all other agreements between the Fund and the Fund Member with provisions relating to coverage under this Coverage Agreement. This Coverage Agreement is a risk sharing and risk participation agreement and is not a contract of insurance. The Fund is not an insurance company nor is any member an insured. The Fund is a self-insured risk pool through which its members agree to share risk and actively participate in their contractual obligations to lessen risk and cost for all members. The Fund Member and the Fund agree that, as sophisticated entities, any interpretation of the Agreements' coverage provisions will reflect the risk sharing nature of the Fund's purpose and the Fund Member's risk participation obligations contained in the Agreements, and disputes will be decided in favor of the Fund Member sharing risk with the Fund rather than transferring risk to the Fund. As restated in § 13.1, **it is a condition precedent to coverage that the Fund Member gives the Fund notice of any Loss as soon as possible but in no event more than 365 days from the date of the Occurrence.** This § 1 is incorporated into the terms of this Coverage Agreement.
- 2. Grant of Coverage.** For an agreed contribution and subject to the limits of liability in the CCS and this coverage, the Fund agrees to pay the Fund Member over any deductible for **Direct Physical Loss (Loss)** to **Covered Property** resulting from an **Occurrence** during the **Participation Period**. All applicable deductibles apply separately. The provisions of the Agreements may further limit or exclude coverage for any **Loss**. The sublimits and supplemental coverages are within the overall limits stated in the CCS unless otherwise indicated. The Fund has sole authority in claim administration and subrogation, including the extent to which any coverage or limit applies. The Fund Member retains all rights afforded by law.
- 3. Defined Terms.** The following bolded and first-letter capitalized terms are defined in this § 3 and applicable throughout this Coverage Agreement unless otherwise limited or excluded:

 - 3.1 Direct Physical Loss (Loss)** means sudden, unanticipated, and unforeseen **Damage** or **Aesthetic Impairment** directly resulting from an **Occurrence**.
 - 3.2 Damage** means physical harm to **Covered Property** that has substantially reduced or eliminated the **Covered Property's** ability to function for its intended purpose. **Damage** is distinct from and is not considered **Aesthetic Impairment**. The final determination of whether the **Covered Property** has suffered **Damage** will be at the sole discretion of the Fund.
 - 3.3 Aesthetic Impairment** means physical harm that has conspicuously and substantially disfigured **Covered Property** within an easily observable public view, and this harm has not substantially reduced the **Covered Property's** ability to function for its intended purpose. **Aesthetic Impairment** is distinct from and is not considered **Damage**. Final determination of whether the **Covered Property** has suffered **Aesthetic Impairment** will be at the sole discretion of the Fund.
 - 3.4 Occurrence** means any single incident or event or a series of related incidents or events resulting from the original **Occurrence**. But an incident or event involving wind or hail that occurs during a continuous period of 72 hours will be deemed a single **Occurrence**.
 - 3.5 Participation Period** means the effective dates of coverage as stated in the CCS.



3.6 Covered Property means the Fund Member's legal interest in **Buildings, Personal Property, and Other Structures** as outlined below:

(A) **Building** means:

- (1) a permanent building structure;
- (2) additions and extensions attached to a building; or
- (3) any fixture, machinery, or equipment that constitutes a permanent part of and is related to the service of a building.

(B) **Personal Property** means items or property owned by the Fund Member at any location. **Personal Property** includes:

- (1) **Building** contents;
- (2) furniture;
- (3) books and educational materials or other supplies;
- (4) tools and sports equipment;
- (5) landscape and maintenance equipment;
- (6) electronic data processing equipment and media such as servers, computers, monitors, laptops, tablets, disc drives, discs, and other media on which data is stored;
- (7) self-propelled motor-driven equipment (such as lawnmowers, golf carts, all-terrain vehicles, forklifts, or tractors) that is not registered for use on public roads; or
- (8) personal property of others under the Fund Member's care, custody, and control through a written lease or rental agreement.

(C) **Other Structures** means a structure, other than a **Building**, that is located outdoors and used in connection with the operations of the Fund Member. **Other Structures** include:

- (1) portable buildings, sheds, walkway coverings, and awnings;
- (2) signs, whether or not attached to a **Building** or structure;
- (3) stadiums and athletic fields, including bleachers, grandstands, tracks, and natural or artificial grass surfaces that serve as playing fields for school events;
- (4) lights, lighting supports, and flagpoles;
- (5) radio and television towers and antennas;
- (6) playground equipment;
- (7) fences or retaining walls not constituting a part of a **Building**; or
- (8) swimming pools, including diving platforms and related equipment.

- 3.7 Pollutant** means any solid, liquid, gaseous, or thermal irritant or contaminant, including petroleum products, asbestos, smoke, vapor, lead, soot, fumes, acids, alkalis, electromagnetic radiation, **Mold**, chemicals, and waste. Waste includes materials to be recycled, reconditioned, or reclaimed.
- 3.8 Mold** means any type or form of fungus, including mold or mildew, or any mycotoxins, spores, scents, or by-products produced or released by fungi.
- 3.9 Named or Numbered Windstorm (NWS)** means all **Loss** directly caused by, resulting from, or arising out of any hurricane, typhoon, tropical cyclone, tropical storm, or tropical depression that is designated by name or number by the National Weather Bureau or National Hurricane Center, including **Loss** caused by flood, storm surge, wave wash, surface water, overflow of bodies of water, or spray from any of these.

PART B
PROPERTY COVERAGE PAYMENTS

- 4. Payment for Damage.** If the Fund determines that a **Loss to Covered Property** resulted from **Damage**, the Fund Member must notify the Fund in writing of their election to accept a settlement option offered in either § 4.1 or § 4.2 related to this **Damage** before being entitled to payment. This election by the Fund Member is mandatory and irrevocable and must occur as soon as practicable but in no event later than 180 days from the date of this **Loss**.
- 4.1 Repair or replacement payments.** If the Fund Member elects to repair or replace this **Covered Property**, the Fund will make contemporaneous payments, subject to the limitations in this Coverage Agreement, for this **Damage** on a schedule agreed on by the Fund and the Fund Member and related to the Fund Members' contractual obligations for the repair or replacement, and subject to the following:
- (A) **Completion within 365 days.** Repair or replacement must be completed within 365 days of the above election notice unless an extension is requested in writing by the Fund Member within this same period and granted in writing by the Fund. If the repair or replacement is not completed and an extension is not requested during this period or is not granted, payments made before the end of this period will be the full and final payment for this **Damage**;
 - (B) **Fund liability.** The Fund will pay for the actual and necessary cost (with material of like kind and quality and for the same use and occupancy of the premises) incurred by the Fund Member to repair or replace this **Covered Property**. Any excess payment made by the Fund is immediately due to the Fund. Additionally, the Fund will not pay more than the lowest amount of the following:
 - (1) the applicable limit or sublimit of liability;
 - (2) the actual and necessary costs described above; or
 - (3) the amount the Fund Member spent to repair or replace this **Covered Property**;
 - (C) **Salvage.** The Fund Member must transfer possession and ownership of all or any part of the **Covered Property** subjected to **Damage**, at the Fund's discretion, on payment of the cost to rebuild or replace the **Covered Property** with other material of like kind and quality; and
 - (D) **Abandoned property.** The Fund Member may not abandon **Covered Property** subjected to **Damage** to the Fund.
- 4.2 Actual cash value payments.** If the Fund Member elects to receive payment for the actual cash value (ACV)

of this **Covered Property**, the Fund will pay, subject to the limitations in this Coverage Agreement, based on the valuation of ACV. The Fund will compute this value by determining the actual and necessary replacement cost (with material of like kind and quality and for the same use and occupancy of the premises) at the time of and for this **Damage**, and then subtract the depreciation of this **Covered Property**.

5. **Payment for Aesthetic Impairment.** If the Fund determines that a **Loss to Covered Property** resulted from **Aesthetic Impairment**, then the Fund will pay, subject to the limitations in this Coverage Agreement, for this diminution in aesthetic value. Any payment for Aesthetic Impairment will be credited towards any future claim for **Loss** to the same portion of **Covered Property**.

PART C

LIMITED COVERAGE, SUPPLEMENTAL COVERAGE, EXCLUDED PROPERTY, AND EXCLUDED **LOSS**

6. **Limited Coverages.** Unless otherwise excluded or limited, the following coverages for **Loss** are limited as indicated:
 - 6.1 **New construction or renovation by employees.** The Fund will pay up to \$1,000,000 per **Occurrence** for **Damage** to **Buildings** and **Other Structures** that are under new construction or renovation by the Fund Member's employees. This sublimit applies to **Damage** arising from the work, materials, and activities related to this new construction or renovation, or any portion of it. Coverage under this § 6.1 does not extend to materials, supplies, tools, and equipment of others while located on the premises unless otherwise covered under § 3.6(B)(8).
 - 6.2 **Athletic field surfaces.** The Fund will pay for **Loss to Other Structures** that are athletic field surfaces (both natural and artificial) unless caused by disease, drought, heat, freezing, flood, improper maintenance, or lack of maintenance.
 - 6.3 **Art, statues, or antiques.** The Fund will pay up to \$100,000 per **Occurrence** for **Loss to Personal Property** that is art, statues, antiques, or other items of historical or sentimental value including paintings, etchings, photographs, pictures, tapestries, antique furniture, rare or out-of-print books, antique silver, rare glassware, awards, or other rare or hard to replace items.
 - 6.4 **Aesthetic Impairment.** The Fund will pay up to \$100,000 per **Occurrence** for physical harm resulting from a **Loss** due to **Aesthetic Impairment**. If the **Aesthetic Impairment** affects **Covered Property** that is a metal roof, the Fund Member may elect to waive its right to this payment and instead be paid for the **Aesthetic Impairment** at 50% of the final repair or replacement Fund Member incurred cost up to \$1,000,000 per **Occurrence**, with no ACV payment available.
 - 6.5 **Vital documents and records.** If appropriate secured and maintained, the Fund will pay up to \$50,000 per **Occurrence** for **Loss to Personal Property** that are vital records such as written, printed, or otherwise inscribed documents and records, including books, maps, films, drawings, abstracts, deeds, mortgages, and manuscripts.
7. **Supplemental Coverages.** Unless otherwise excluded or limited, this coverage extends to the property and costs described below. All of these costs and physical harms must arise from a **Loss**.
 - 7.1 **Debris removal.** The Fund will pay for debris removal at the actual cost up to 25 percent of the amount of the **Loss**.

- 7.2 Code compliance.** The Fund will pay for cost increases due to compliance with any building or construction code, ordinance, or law regulating repair, reconstruction, or demolition. The limit of coverage is the reimbursement of the actual cost of compliance up to 10 percent of the **Loss** amount per structure and will not exceed \$1,000,000 per **Occurrence**.
- 7.3 Pollutant clean-up.** The Fund will pay up to \$100,000 per **Occurrence** to extract **Pollutants** from land or water located on Fund Member's premises.
- 7.4 Electronic data replacement.** The Fund will pay up to \$50,000 per **Occurrence** for the cost of replacement or recovery of information stored on electronic data processing equipment and media, such as records, data, or software.
- 7.5 Extra expense and loss in revenue.** The Fund will pay up to \$500,000 per **Occurrence** for the actual cost incurred by the Fund Member for "extra expense" or "loss in revenue" directly resulting from the interruption of their operations. "Extra expense" means the additional cost that the Fund Member incurs to continue operations while its **Covered Property** is being repaired or replaced after a **Loss**. "Loss in revenue" means a reduction in revenue to the Fund Member from any source excluding state or federal funding, taxes, or public or private grants.
- 7.6 Food spoilage.** The Fund will pay up to \$100,000 per **Occurrence** for the actual cost of replacing food or beverage that has been spoiled.
- 7.7 Landscaping and grass surfaces.** The Fund will pay for landscaping and grass surfaces as follows:
- (A) **Landscaping.** The Fund will pay up to \$1,000 for the removal and replacement cost for the destruction of any single tree, shrub, or landscaping plant caused by vandalism, theft, fire, wind, hail, or other covered weather-related **Occurrence**. The Fund will pay no more than \$25,000 per **Occurrence** under this § 7.7(A), and this coverage does not apply to **Loss** resulting from disease, drought, heat, freezing, flood, improper maintenance, or lack of maintenance; or
 - (B) **Grass surfaces.** The Fund will pay for Loss to grass surfaces unless caused by disease, drought, heat, freezing, flood, improper maintenance, or lack of maintenance.
- 7.8 Animals.** The Fund will pay up to \$25,000 per **Occurrence** for death to livestock owned by the Fund Member. The Fund will not pay for the harm caused by illness or disease, neglectful care, or mysterious disappearance. The amount paid will be based on the fair market value of comparable livestock at the time of **Loss** and not their competitive livestock show value.
- 8. Excluded Property.** The following indicates property for which this coverage is excluded unless an exception is indicated:
- 8.1 Vacant Buildings or Other Structures.** Coverage is excluded from vacant **Buildings** or vacant **Other Structures** if the **Loss** is caused by arson, vandalism, sprinkler leakage, glass breakage, water, theft, or attempted theft unless the Fund has specifically extended coverage in writing for the vacant **Building** or **Other Structure**. "Vacant" means a **Building** or **Other Structure** that is abandoned, is no longer capable of intended Fund Member operations, or is set for demolition. **Personal Property** within a vacant **Building** or vacant **Other Structure** is also excluded if a **Loss** is otherwise subject to this § 8.1.
 - 8.2 Property under conditional sale.** Coverage is excluded from any property sold by the Fund Member under a conditional sale, trust agreement, installment plan, or other deferred payment plans after its transfer of care, custody, and control to buyers.

- 8.3 Accounts and other valuables.** Coverage is excluded from accounts, bills, currency, evidence of debt, money or securities, furs, jewelry, precious metal, or precious stones, except as otherwise covered under Crime and Employee Dishonesty Endorsement.
- 8.4 Property of others.** Coverage is excluded from the property of others, except personal property under the care, custody, and control of the Fund Member through a written lease or rental agreement.
- 8.5 Vehicles or motorized equipment.** Coverage is excluded from self-propelled motor-driven equipment registered for use on public roads, or any automobiles, motor vehicles, trailers, or semi-trailers, whether registered or not.
- 8.6 Real estate.** Coverage is excluded from land.
- 8.7 Aircraft and watercraft.** Coverage is excluded from aircraft or motorized watercraft, including their motors, equipment, or accessories. Coverage will extend to drones or unmanned aerial vehicles.
- 8.8 Transmission lines.** Coverage is excluded from transmission or distribution lines of every type except for those lines located on the Fund Member's premises.
- 8.9 Oil rigs.** Coverage is excluded from offshore oil rigs, platforms, or any property contained on them.
- 8.10 Dams.** Coverage is excluded from dams or dikes.
- 8.11 Crops.** Coverage is excluded from any crops.
- 9. Excluded Loss.** The following indicates **Loss**, caused directly or indirectly by the described **Occurrence**, from which this coverage is excluded unless an exception is indicated:
- 9.1 Precipitation or particulates.** Coverage is excluded from **Loss** caused by rain, snow, sand, or dust (whether driven by wind or not) unless the **Building** sustains **Damage** to the roof or walls. Coverage will extend to any ensuing **Loss** only.
- 9.2 Animals or insects.** Coverage is excluded from **Loss** caused by animals, birds, vermin, or termites or other insects.
- 9.3 Named or Numbered Windstorm.** Coverage is excluded from **Loss** arising from a **Named or Numbered Windstorm** in counties located in Tier 1, Tier 2, or Harris County.
- 9.4 Flood.** Coverage is excluded from **Loss** caused by flood, surface water, waves, tidal water or tidal wave, storm surge, overflow of streams or other bodies of water, or spray from any of the foregoing, all whether driven by wind or not.
- 9.5 Subsurface water.** Coverage is excluded from **Loss** caused by water below the surface of the ground, including water that exerts pressure on, or flows, seeps, or leaks through, any sidewalks, driveways, foundations, walls, basements, pavement, or windows, doors or any other openings, in or on **Covered Property**. Coverage will extend to any ensuing **Loss** to the interior of a **Building** or any **Personal Property** within that **Building**.
- 9.6 Water or steam leakage.** Coverage is excluded from **Loss** caused by continuous or repeated seepage, leakage, penetration, transpiration, or intrusion of water or steam from any system of heating, air conditioning, automatic fire protective sprinkler, or plumbing, or any appliance or equipment.

- 9.7 Earth movement.** Coverage is excluded from **Loss** caused by earth movement, including earthquake, landslide, or mudflow, or earth sinking, rising, or shifting.
- 9.8 Expansion or contraction.** Coverage is excluded from **Loss** caused by settling, swelling, cracking, contraction, bulging, or expansion of any pavements, foundations, walls, floors, roofs, or ceilings.
- 9.9 Faulty workmanship.** Coverage is excluded from **Loss** caused by faulty workmanship to, the use of faulty or defective materials with, or inadequate maintenance to any property on or off the Fund Member's premises.
- 9.10 Faulty planning or construction.** Coverage is excluded from **Loss** caused by faulty or inadequate planning, adherence to zoning requirements, site preparation, development, design, remodeling, or construction.
- 9.11 New construction.** Coverage is excluded from **Loss** if it arose from new construction of or renovation to **Buildings** and **Other Structures** under written contract with and performed by third parties or is covered under any other coverage or insurance.
- 9.12 Deterioration or defect.** Coverage is excluded from **Loss** caused by wear and tear, deterioration, rust, corrosion, erosion, wet or dry rot, or inherent or latent defect.
- 9.13 Delay or consequential loss.** Coverage is excluded from **Loss** caused by delay, interruption of operations, or consequential loss of any nature, except as otherwise allowed by this Coverage Agreement.
- 9.14 Mechanical breakdown.** Coverage is excluded from **Loss** caused by mechanical breakdown, including rupture or bursting caused by centrifugal force.
- 9.15 Failure of equipment in general.** Coverage is excluded from **Loss** caused by the inherent defect, failure, or breakdown of machinery or equipment. Coverage will extend to any ensuing **Loss** only.
- 9.16 Failure of steam equipment in particular.** Coverage is excluded from **Loss** caused by events inside steam boilers, steam pipes, steam turbines, or steam engines unless the **Loss** is caused by a combustion explosion inside the equipment and the equipment is owned, leased, or operated by the Fund Member.
- 9.17 System failures.** Coverage is excluded from **Loss** caused by power, heating, or cooling system failure due to the disruption of power or other utility service supplied to the Fund Member unless the failure of service is a direct result of a **Loss**. Coverage will extend to any ensuing **Loss** only.
- 9.18 Generated electrical currents.** Coverage is excluded from **Loss** caused by artificially generated electrical currents unless a **Loss** by fire or explosion results. Coverage will extend to any ensuing **Loss** only.
- 9.19 Agricultural or industrial operations.** Coverage is excluded from **Loss** caused by smog, smoke, vapor, or gas from third-party agricultural or industrial operations.
- 9.20 Substances harmful to humans.** Coverage is excluded from **Loss** caused by, and expense from, the removal or other treatment of substances that are considered physically harmful to humans. This exclusion includes the removal of asbestos, **Mold**, chemicals, metals, or other sources of contamination, and whether such activities are voluntary, imposed by law, or required by administrative rulings of a governmental agency.
- 9.21 Fungi.** Coverage is excluded from **Loss** caused by, and expense from, **Mold** or other fungi. This includes any cost for testing, monitoring, repair, remediation, rebuilding, restoration, or replacement due to **Mold** or other fungi.
- 9.22 Pollutants.** Coverage is excluded from **Loss** caused by, and expense from, the actual, alleged, or threatened

discharge, dispersal, seepage, migration, release, or escape of **Pollutants**, except as provided elsewhere in this Coverage Agreement.

- 9.23 Nuclear.** Coverage is excluded from **Loss** caused by a nuclear reaction, nuclear radiation, or radioactive contamination, regardless of cause.
- 9.24 Governmental seizure.** Coverage is excluded from **Loss** caused by seizure or destruction of **Covered Property** by order of any governmental authority.
- 9.25 War.** Coverage is excluded from **Loss** caused by war, including undeclared war, civil war, warlike action by a military force, or action in hindering or defending against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents.
- 9.26 Insurrection.** Coverage is excluded from **Loss** caused by insurrection, rebellion, revolution, usurped power, or action taken by any governmental authority in hindering or defending against any of these.
- 9.27 Terrorism.** Coverage is excluded from **Loss** caused by any acts of terrorism or actions taken by any government branch or agency in response. This exclusion applies whether any acts of terrorism are committed in concert with or on behalf of any organization or government.
- 9.28 Legal proceedings.** Coverage is excluded from **Loss** caused by or as a result of any legal proceeding.
- 9.29 Moral hazard.** Coverage is excluded from ensuing **Loss** caused by the Fund Member's neglect, intentional act, or omission, to use all reasonable means to save and preserve the **Covered Property** after a **Loss**.
- 9.30 Cyber-related Loss.** Coverage is excluded from any **Loss** directly or indirectly caused by, arising from, or resulting from a cyber-based **Occurrence** to or from any computer system, regardless of its ownership, operation, or location, including **Loss** to or from any computer system's software, associated devices, equipment, or electronic data. This exclusion applies regardless of any other cause contributing concurrently or in any sequence. Coverage will extend to any ensuing **Loss**, including coverage under § 7.4, caused by fire or explosion unless the **Loss** arises from an unauthorized, malicious or criminal act or a series of related unauthorized, malicious or criminal acts, regardless of time and place, or the threat or hoax of them, involving access to, processing of, use of or operation of any computer system.

PART D
OTHER INSURANCE OR COVERAGE

- 10. Other Coverage or Insurance.** If the Fund Member has other available coverage for the **Loss**, the following conditions and limitations apply:
- 10.1 Other Fund coverage available.** If there is other Fund coverage available to the Fund Member under separate Fund coverage agreements that cover the same **Loss**, the Fund will determine which coverage agreement, limits, or deductibles that will apply. This provision intends that there be no accumulation or stacking of Fund coverage.
- 10.2 Non-Fund coverage available.** If there is non-Fund coverage or insurance available to the Fund Member that covers the same **Loss**, the Fund will pay for the amount of the **Loss** in excess of the other coverage or insurance whether the Fund Member can collect it or not. In no event will the Fund pay more than the applicable limit of coverage in this Coverage Agreement or CCS. Non-Fund coverage or insurance cannot be used to satisfy a Fund deductible unless otherwise indicated by this Coverage Agreement.

PART E
FUND MEMBER WARRANTIES, REPRESENTATIONS, AND DUTIES

- 11. Representations and Warranties.** The Fund Member represents and warrants that all roofs for **Covered Property** are regularly inspected and well maintained, and that an accurate record of **Buildings** and **Other Structures** has been maintained and is available on request from the Fund.
- 12. Loss Duties.** In case of a **Loss**, the Fund Member must perform the following, and any other duties in this Coverage Agreement:
- 12.1 Law enforcement notification.** The Fund Member must notify the proper law enforcement agency when a **Loss** is caused by employee dishonesty, crime, theft, vandalism, or other violation of the law.
- 12.2 Cooperation.** The Fund Member must fully cooperate with and assist the Fund in its investigation and adjudication of claims including reasonable and timely access to Fund Member property, personnel, records, contracts, or any other element of the claim as often as the Fund reasonably requires, and communicate directly with the Fund and not through third parties unless agreed to by the Fund.
- 12.3 Repair quotes.** The Fund Member must solicit multiple quotes for the repair or replacement of **Covered Property** when requested by the Fund.
- 12.4 Vendor panel.** The Fund Member must agree to the use of any Fund preferred vendor panel when requested by the Fund.
- 12.5 Harm mitigation.** The Fund Member must protect the **Covered Property** by making temporary repairs, providing security, or taking other actions as reasonably necessary to mitigate further harm.
- 12.6 Recordkeeping.** The Fund Member must keep an accurate record of repair expenses that support claims, including original receipts, photographs, and other related documents, and provide these records to the Fund when requested.
- 12.7 Loss description.** The Fund Member must furnish a complete description of the **Loss**, including an inventory of the **Personal Property** subject to the **Loss**.
- 12.8 Legal compliance.** The Fund Member must comply with all legal requirements for securing contractors, professionals, and other service and labor providers that perform the necessary work and compensate them at the prevailing competitive rates in the area.
- 12.9 Warranty claims.** The Fund Member must pursue all potential warranty claims for **Covered Property** subjected to **Loss** as soon as practicable and independently from any claim with the Fund. In the event of any possible warranty recovery, the Fund Member must notify the Fund immediately. If the Fund Member elects to repair or replace the **Covered Property** under § 4.1, any warranty recovery, whether monetary or otherwise, must be the primary recovery for the Fund Member. If the Fund determines that the Fund Member has reasonably exhausted any warranty claim, then the Fund will only be liable for repair or replacement of the portion of the **Covered Property** subjected to **Loss** that is not covered under warranty. If a Fund Member elects to receive an ACV payment under § 4.2 and subsequently recovers under any warranty, an immediate reimbursement to the Fund of the full ACV payment is required. Because the payment election type under § 4 is irrevocable, the Fund is not obligated for a further payment on this **Loss**.

PART F
CONDITIONS OF COVERAGE

13. Conditions. The Fund Member must comply with the provisions of the Agreements, including the following general conditions of coverage and any other conditions of coverage in this Coverage Agreement. If not, a delay or denial of a claim or a loss of coverage may result:

13.1 Notice. Because time is of the essence for claim administration, and because these notice provisions are a material part of the bargained-for exchange between the Fund and the Fund Member for the issuance of this Coverage Agreement, the Fund Member agrees to abide by all of the following conditions for this notice:

- (A) **365-day requirement.** The Fund Member must give notice to the Fund of any **Loss** as soon as possible but in no event more than 365 days from the **Occurrence**;
- (B) **Condition precedent.** This notice requirement is a condition precedent for coverage; and
- (C) **Material breach.** Reporting any **Loss** more than 365 days after the date of the **Occurrence** is a substantial and material breach by the Fund Member of this Coverage Agreement. No coverage will be available to the Fund Member if notice is late.

13.2 Property inspection and repair. The Fund Member must regularly inspect and maintain in good repair all **Covered Property**. Any failure to do so that results in a greater **Loss** may result in a denial of coverage. The Fund may request a copy of the Fund Member's maintenance and inspection logs or similar records to verify compliance.

13.3 Accuracy of information. The Fund Member must provide complete and accurate statements of material facts in any documentation required by the Fund, including applications, worksheets, audit sheets, disclosure statements, loss forms, exhibits, renewal information forms, claim history (including pending or potential claims), and requests for proposals. The Fund Member may not intentionally conceal or misrepresent any material fact or circumstance, engage in fraudulent conduct, or make false statements.

PART G
MISCELLANEOUS TERMS

14. No Assignments. The Fund Member may not assign their interest under this Coverage Agreement, and any attempted assignment will not bind the Fund. The Fund Member is prohibited from entering into any assignment or agreement that inhibits direct communications between the Fund and the Fund Member, as determined by the Fund.

15. Insolvency. In the event of the Fund Member's insolvency, the Fund will not be relieved of the payment for any **Loss**.

16. Actions Against the Fund. Fund Member may not act against the Fund unless, as a condition precedent, the Fund Member has fully complied with all provisions of the Agreements. No person has a right under this Coverage Agreement to join the Fund as a party or otherwise bring it into a suit filed against the Fund Member.

17. New Construction. The Fund's coverage will not commence until any new construction or renovation is completed by the contractor, accepted by the Fund Member, and reported in writing to the Fund.



18. **“Including.”** Unless the context requires otherwise, the term “including,” and its variants, mean “including but not limited to.”
19. **Singular Usage.** Unless the context requires otherwise, any use of the singular form of a word will include its plural.
20. **“Coverage Agreement.”** Unless the context requires otherwise, any use of the term “Coverage Agreement” will include its endorsements and the Fund Member’s CCS.
21. **Fund Designee.** Unless the context requires otherwise, any use of the term “Fund” includes its designees.
22. **Severability.** If a court for any reason holds a provision of this Coverage Agreement unenforceable, the rest remains fully enforceable.
23. **Headings.** Unless the context requires otherwise, such as with the defined terms, headings are only for convenience and do not affect the interpretation of this Coverage Agreement.

NAMED/NUMBERED WINDSTORM ENDORSEMENT

- 1. Endorsement Intent.** If 'Named/Numbered Windstorm' (NWS) is listed as a coverage on the Contribution and Coverage Summary (CCS), this NWS Endorsement modifies coverage under the Property Coverage Agreement. Coverage is amended, as set forth in this endorsement, and deletes the language related only to NWS as included in § 9.3 "Named or Numbered Windstorm" of Part C "Limited Coverage, Supplemental Coverage, Excluded Property, and Excluded **Loss**" of the Property Coverage Agreement.
- 2. Payments.** The Fund will pay for the amount of an NWS Loss to **Covered Property** resulting from a NWS that is in excess of the deductible amount and within the limits of coverage specified in the CCS. NWS Loss is defined as all **Loss** directly caused by, directly resulting from, or directly arising out of any named or numbered windstorm as designated by the National Weather Bureau, National Hurricane Center, or any recognized meteorological authority, including but not limited to **Loss** caused by wind driven rain, flood, storm surge, wave wash, surface water, overflow of bodies of water, or spray from any of these conditions.
- 3. Other Applicability.** All other provisions of the Property Coverage Agreement and CCS remain applicable.

TERRORISM ENDORSEMENT

- 1. Endorsement Intent.** This Terrorism Endorsement modifies coverage under the Property Coverage Agreement. Coverage is amended, as set forth in this endorsement, to amend the language related only to terrorism as included in § 9.27 “terrorism” of Part C “Limited Coverage, Supplemental Coverage, Excluded Property, and Excluded **Loss**” of the Property Coverage Agreement.
- 2. Payments.** The Fund will pay for the **Loss to Covered Property** resulting from an Official Act of Terrorism that is in excess of the deductible amount and within the limits of coverage specified in the Contribution and Coverage Summary (CCS). An Official Act of Terrorism means any incident determined to be such by an official, department, or agency that is specifically authorized by federal statute to make such a determination.
- 3. Other Applicability.** All other provisions of the Property Coverage Agreement and CCS remain applicable.



CRIME AND EMPLOYEE DISHONESTY ENDORSEMENT

1. **Endorsement Intent.** This endorsement modifies the Fund's Property Coverage Agreement related to limitations for money and securities included in § 8.3 "Accounts and other valuable" of Part C "Limited Coverage, Supplemental Coverage, Excluded Property, and Excluded Loss."
2. **Payments.** The Fund will pay up to \$100,000 or the limit specified in the Contribution and Coverage Summary (CCS), with the CCS amount controlling, and only for an **Occurrence** involving:
 - (A) a loss of money or securities in excess of the deductible that the Fund Member sustains as a result of an employee's fraudulent or dishonest act (including embezzlement or forgery) or omission in the performance of the employee's duty. Coverage applies whether an employee acted alone or in collusion with others; or,
 - (B) a loss of money or securities by their actual destruction, disappearance, burglary, or robbery.
3. **Discovery and Single Occurrence.** This endorsement applies to any past such **Occurrence** discovered by the Fund Member during the **Participation Period** and reported to the Fund during the **Participation Period** or within 30 days after the expiration of the **Participation Period**. Fraudulent or dishonest acts by an employee, whether an individual act, the combined total of all separate acts whether or not related, a series of acts whether or not related, or collusion between employees regarding the any of these, will be treated as one fraudulent or dishonest act and considered a single **Occurrence**.
4. **Applicability.** This endorsement applies only to money and securities owned by the Fund Member, or only to money in the possession of the Fund Member but owned by a Fund Member-affiliated entity at the time of loss. Coverage under this endorsement cancels immediately with respect to an employee upon discovery by the Fund Member of any dishonest act by that employee covered under this endorsement. This endorsement is not applicable for loss caused by any employee required by law to be individually bonded.

FLOOD ENDORSEMENT

- 1. Endorsement Intent.** This endorsement modifies coverage under the Property Coverage Agreement. Coverage is amended, as set forth in this endorsement, and deletes the language related only to **Flood** as included in § 9.4 “Flood” of Part C “Limited Coverage, Supplemental Coverage, Excluded Property, and Excluded Loss” of the Property Coverage Agreement. Coverage under this Flood Endorsement is excluded as an **Occurrence** if coverage is otherwise extended under the Named/Numbered Windstorm (NWS) Endorsement. For this Flood Endorsement, **Flood** means: a general and temporary condition of partial or complete inundation of normally dry land areas from the overflow of inland or tidal waters; the unusual and rapid accumulation or runoff of surface waters from any source; or a river or flow of liquid mud proximately caused by flooding. **Flood** does not include any of the following if wind-driven and resulting from a Named or Numbered Windstorm: tidal water, tidal wave, storm surge or spray.
- 2. Payments.** The Fund will pay for the amount of a **Loss to Covered Property** resulting from **Flood** that is in excess of the deductible amount up to \$2,000,000 per **Occurrence**/annual aggregate or the limit of coverage specified in the Contribution and Coverage Summary (CCS), with the CCS amount controlling. For this endorsement coverage to apply, the **Covered Property** must be located in either Low-risk flood zones (Zone C or X-unshaded) or Moderate-risk flood zones (Zones B or X-shaded) as designated by the National Flood Insurance Program (NFIP) Flood Insurance Rate Map (FIRM). Under this Flood Endorsement, the Low-risk zones and Moderate-risk zones are handled individually as follows:

 - (A) For **Loss** in Low-risk flood zones (Zones C and X-unshaded), the Fund will pay in excess of NFIP or any other flood coverage acquired by the Fund Member for these zones; and
 - (B) For **Loss** in Moderate-risk flood zones (Zones B and X-shaded), the Fund will pay in excess of the maximum policy limits available for buildings or contents from NFIP or any other flood coverage applicable to these zones whether the Fund Member acquires such coverage or not.
- 3. Deductible.** The deductible shown on the CCS applies as follows: for **Loss** in Low-risk flood zones (Zones C or X-unshaded), the deductible only applies if other flood coverage has not been acquired; for **Loss** in Moderate-risk flood zones (Zones B or X-shaded), the deductible is waived, whether the member acquires such underlying flood coverage or not.
- 4. Excluded Covered Property.** Fund Member **Covered Property** is excluded from coverage under this endorsement if it is located in certain Special Flood Hazard Areas (SFHA) identified on the Flood Insurance Rate Map (FIRM): Zone A, Zone AO, Zone AH, Zones A1-A30, Zone AE, Zone A99, Zone AR, Zone AR/AE, Zone AR/AO, Zone AR/A1-30, Zone AR/A, Zone AR/AH, Zone V, Zone VE, Zone VO, and Zones V1-V30.
- 5. Other Applicability.** All other provisions of the Property Coverage Agreement and CCS remain applicable.



EARTHQUAKE ENDORSEMENT

- 1. Endorsement Intent.** This endorsement modifies coverage provided under the Property Coverage Agreement. Coverage is amended, as set forth in this endorsement, to modify the language related only to “earthquake” as included in § 9.7 “Earth Movement” of Part C “Limited Coverage, Supplemental Coverage, Excluded Property, and Excluded **Loss**” in the Property Coverage Agreement.
- 2. Payments.** The Fund will pay for the amount of a **Loss to Covered Property** resulting from earthquake that is in excess of the deductible amount up to \$2,000,000 per **Occurrence**/annual aggregate or the limit specified in the Contribution and Coverage Summary (CCS), with the CCS amount controlling.
- 3. Related Occurrences.** If more than one **Occurrence** involving an earthquake occurs within a period of 72 hours during the term of this coverage, such **Occurrence**, including aftershocks, will be considered a single **Occurrence**.



TASB RISK MANAGEMENT FUND

EQUIPMENT BREAKDOWN COVERAGE SUMMARY

These coverages apply to the Fund Member’s Covered Property under the TASB Management Fund’s Property Coverage Agreement.

Coverages	Limits
Equipment Breakdown Limit	As stated in the Contribution & Coverage Summary (CCS).
Property Damage.....	Included
Business Income	Included
Extra Expense	Included
Contingent Business Income	\$250,000
Data Restoration.....	\$250,000
Demolition	\$1,000,000
Excavation Costs.....	\$25,000
Expediting Expenses	\$250,000
Hazardous Substances.....	\$250,000
Newly Acquired Locations	Included
Off Premises Equipment Breakdown	\$500,000
Ordinance or Law	\$1,000,000
Perishable Goods.....	\$250,000
Public Relations	\$5,000
Service Interruption.....	Included

Deductibles

As stated in the Contribution & Coverage Summary (CCS).

Other Conditions

Newly Acquired Locations – 90 Days
 Extended Period of Restoration – 30 Days

[additional Other Conditions may be added to reflect individual referral account needs]



EQUIPMENT BREAKDOWN COVERAGE AGREEMENT

In consideration of the contribution charged, and in reliance upon the TASB Risk Management Fund Member's statements and representations, and subject to the Interlocal Participation Agreement, the Participation Period and coverage limits stated in the Contribution and Coverage Summary, the Equipment Breakdown Coverage Summary, and the terms, Exclusions, and Conditions of this Equipment Breakdown Coverage Agreement, the TASB Risk Management Fund will cover the **Fund Member** against all direct loss under the following Equipment Breakdown Coverage Agreement.

Various provisions in this Equipment Breakdown Coverage Agreement restrict coverage. Read the entire Coverage Agreement carefully to determine rights, duties, and what is and is not covered.

Throughout this Equipment Breakdown Coverage Agreement, the words "you" and "your" refer to the Fund Member shown in the Contribution and Coverage Summary. The words "we," "us" and "our" refer to the Fund providing this coverage. Words and phrases that appear in quotation marks and/or boldface have special meaning and are defined in Section G or in other parts of this Equipment Breakdown Coverage Agreement. These words and phrases and their meaning apply for Equipment Breakdown Coverage only and do not apply to any other of the Fund's Coverage Agreements. Examples are shown for illustrative purposes only and do not represent predicted or expected outcomes.

A. COVERAGE

This Equipment Breakdown Coverage provides coverage for a Covered Cause of Loss as defined in A.1. below. In the event of a Covered Cause of Loss, we will pay for loss as described in A.2. below.

1. Covered Cause of Loss

"Accident" and "Electronic Circuitry Impairment"

The Covered Cause of Loss for this Equipment Breakdown Coverage is an "accident" or "electronic circuitry impairment." Without an "accident" or "electronic circuitry impairment" there is no Equipment Breakdown Coverage.

2. Coverages Provided

This section lists the coverages that may apply in the event of a Covered Cause of Loss. Each coverage is subject to a specific limit as shown in the Equipment Breakdown Coverage Summary. See paragraph C.2. for details.

These coverages apply only to the direct result of a Covered Cause of Loss. For each coverage, we will pay only for that portion of the loss, damage or expense that is solely attributable to the Covered Cause of Loss.

a. Property Damage

We will pay for physical damage to "covered property" that is at a location indicated in the Equipment Breakdown Coverage Summary at the time of the Covered Cause of Loss. We will consider "electronic circuitry impairment" to be physical damage to "covered equipment."

b. Business Income

- (1) We will pay your actual loss of "business income" during the "period of restoration" that results directly from the necessary total or partial interruption of your business.
- (2) We will also pay any necessary expenses you incur during the "period of restoration" 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.
- (3) We will consider the actual experience of your business before the Covered Cause of Loss and the probable experience you would have had without the Covered Cause of Loss in determining the amount of our payment.

c. Extra Expense

We will pay the reasonable and necessary "extra expense" to operate your business during the "period of restoration."

d. Contingent Business Income

We will pay for your loss and expense as defined under Business Income and Extra Expense coverages that



results from an “interruption of supply.”

e. Course of Construction

This coverage is automatically included and does not need to be indicated in the Equipment Breakdown Coverage Summary.

- (1) You will notify us promptly of any expansion or rehabilitation of any location described in the Equipment Breakdown Coverage Summary.
- (2) All coverages applicable to any location described in the Equipment Breakdown Coverage Summary are extended to an expansion or rehabilitation of that location.
- (3) This coverage begins at the time you begin the expansion or rehabilitation project.

f. Data Restoration

- (1) We will pay for your reasonable and necessary cost to research, replace or restore lost “data.”
- (2) We will pay for your reasonable and necessary cost to research, replace or restore “data” that is lost as the result of an “interruption of service.”
- (3) Coverage under f. (2) above applies to “data” stored in “covered equipment.”
- (4) Coverage under f.(2) above also applies to “data” stored in the equipment of a “cloud computing services” provider with whom you have a contract.
- (5) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage as described in this Equipment Breakdown Coverage Agreement that is the result of f. (1) and f.(2) above, if such coverage is otherwise applicable under this Equipment Breakdown Coverage. This coverage is included within and subject to your Data Restoration limit.

g. Demolition

- (1) This coverage applies if a Covered Cause of Loss damages a building that is “covered property” and the loss is increased by an ordinance or law that:
 - (a) Requires the demolition of a building that is otherwise reparable;
 - (b) Is in force at the time of the Covered Cause of Loss; and
 - (c) Is not addressed under Hazardous Substances coverage.
- (2) We will pay for the following additional costs to comply with such ordinance or law:
 - (a) Your actual and necessary cost to demolish and clear the site of the undamaged parts of the building; and
 - (b) Your actual and necessary cost to reconstruct the undamaged parts of the building.
- (3) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no such ordinance or law been in force at the time of the Covered Cause of Loss.
- (4) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage as described in this Equipment Breakdown Coverage Agreement that is the result of g.(1) above, if such coverage is otherwise applicable under this Equipment Breakdown Coverage. This coverage is included within and subject to your Demolition limit.

h. Excavation Costs

We will pay to excavate “buried vessels or piping” that are a part of a Geothermal closed or open loop heating, ventilating and air conditioning system during the repair or replacement following a Covered Cause of Loss to such piping or vessels and to restore the excavated area to the same condition prior to the Covered Cause of Loss.

The most we will pay under this coverage is \$25,000. This limit is a part of, and not in addition to, the Equipment Breakdown Limit.

i. Expediting Expenses

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

- (1) Make temporary repairs; and
- (2) Expedite permanent repairs or permanent replacement.



j. Hazardous Substances

- (1) 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 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 Perishable Goods, A.2.n.(3).
- (2) 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.
- (3) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of j.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Hazardous Substances limit.

k. Newly Acquired Locations

- (1) You will notify us promptly of any newly acquired location that you have purchased or leased during the Participation Period.
- (2) All coverages applicable to any scheduled location under this Equipment Breakdown Coverage are extended to a newly acquired location that you have purchased or leased during the Participation Period.
- (3) This coverage begins at the time you acquire the property. As respects newly constructed properties, we will only consider them to be acquired by you when you have fully accepted the completed project.
- (4) This coverage ends when any of the following first occurs:
 - (a) This Equipment Breakdown Coverage expires;
 - (b) The number of days specified in the Equipment Breakdown Coverage Summary for this coverage expires after you acquire the location;
 - (c) The location is incorporated into regular coverage under the Fund’s Property Coverage Agreement; or
 - (d) The location is incorporated into the regular coverage of another Equipment Breakdown Coverage Document or policy you have.
- (5) If limits or deductibles vary by location, the highest limits and deductibles will apply to newly acquired locations. However, the most we will pay for loss, damage or expense arising from any “one equipment breakdown” is the amount shown as the Newly Acquired Locations limit in the Equipment Breakdown Coverage Summary.

l. Off Premises Equipment Breakdown

- (1) We will pay for physical damage to transportable “covered equipment” that, at the time of the Covered Cause of Loss, is not at a location indicated in the Equipment Breakdown Coverage Summary; or any other location owned or leased by you.
- (2) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of l.(1) above, if such coverage is otherwise applicable under this Equipment Breakdown Coverage Agreement. This coverage is included within and subject to your Off Premises Equipment Breakdown limit.
- (3) We will also pay for your loss and expense as defined under Data Restoration coverage that is the result of l.(1) above, if such coverage is otherwise applicable under this policy. This coverage is included within and subject to your Off Premise Equipment Breakdown limit.

m. Ordinance or Law

- (1) This coverage applies if a Covered Cause of Loss damages a building that is “covered property” and the loss is increased by an ordinance or law that:
 - (a) Regulates the construction or repair of buildings, including “building utilities”;
 - (b) Is in force at the time of the Covered Cause of Loss; and
 - (c) Is not addressed under Demolition coverage or Hazardous Substances coverage.
- (2) We will pay for the following additional costs to comply with such ordinance or law:
 - (a) Your actual and necessary cost to repair the damaged portions of the building;



- (b) Your actual and necessary cost to reconstruct the damaged portions of the building; and
 - (c) Your actual and necessary cost to bring undamaged portions of the building into compliance with the ordinance or law.
- (3) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no such ordinance or law been in force at the time of the Covered Cause of Loss.
 - (4) We will also pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of m.(1) above, if such coverage is otherwise applicable under this Equipment Breakdown Coverage. This coverage is included within and subject to your Ordinance or Law limit.

n. Perishable Goods

- (1) We will pay for physical damage to “perishable goods” due to “spoilage.”
- (2) We will also pay for physical damage to “perishable goods” due to “spoilage” that is the result of an “interruption of service.”
- (3) We will also pay for physical damage to “perishable goods” due to contamination from the release of refrigerant, including but not limited to ammonia.
- (4) We will also pay any necessary expenses you incur during the “period of restoration” 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.

o. Public Relations

- (1) This coverage only applies if you have sustained an actual loss of "business income" covered under this policy.
- (2) 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:
 - (a) The media;
 - (b) The public; or
 - (c) Your customers, clients or members.
- (3) Such costs must be incurred during the “period of restoration” or up to 30 days after the “period of restoration” has ended.

p. Service Interruption

We will pay for your loss and expense as defined under Business Income coverage and Extra Expense coverage that is the result of an “interruption of service.”

B. EXCLUSIONS

We will not pay for any excluded loss, damage or expense, even though any other cause or event contributes concurrently or in any sequence to the loss, damage or expense.

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 a Covered Cause of Loss.

a. Fire and Explosion

- (1) Fire, including smoke from a fire.
- (2) Combustion explosion. This includes, but is not limited to, a combustion explosion of any steam boiler or other fired vessel.
- (3) Any other explosion, except as specifically provided in the definition of “accident.”

b. Ordinance or Law

The enforcement of, or change in, any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration, use, operation, construction or installation, except as specifically provided in A.2.g., j. and m. (Demolition, Hazardous Substances and Ordinance or Law coverages).



c. Earth Movement

Earth movement, whether natural or human-made, including but not limited to earthquake, shock, tremor, subsidence, landslide, rock fall, earth sinking, sinkhole collapse or tsunami.

d. Nuclear Hazard

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

e. War and Military Action

- (1) War, including undeclared or civil war;
- (2) 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
- (3) Insurrection, rebellion, revolution, usurped power, political violence or action taken by governmental authority in hindering or defending against any of these.

f. Water

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow; or
- (3) Water that backs up or overflows from a sewer, drain or sump.

However, if electrical "covered equipment" requires drying out because of the above, we will pay for the amount you actually expend to dry out such equipment, subject to the applicable Property Damage limit and Direct Coverage deductible. We will not pay more than the Actual Cash Value of the affected electrical "covered equipment." We will not pay to replace such equipment or for any other loss, damage or expense.

g. Failure to Protect Property

Your failure to use all reasonable means to protect "covered property" from damage following a Covered Cause of Loss.

h. Fines

Fine, penalty or punitive damage.

i. Mold

Mold, fungus, mildew or yeast, including any spores or toxins created or produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean-up, remediation, containment, removal or abatement of such mold, fungus, mildew, yeast, spores or toxins. However, this exclusion does not apply to "spoilage" of personal property that is "perishable goods" to the extent that such "spoilage" is covered under Perishable Goods coverage.

j. Deliberate Acts

The deliberate act of any person to cause damage or harm, including but not limited to vandalism, malicious mischief or sabotage.

2. We will not pay for a Covered Cause of Loss caused by or resulting from any of the following causes of loss:

- a. Lightning.**
- b. Windstorm or Hail.** However, this exclusion does not apply when:
 - (1) "Covered equipment" located within a building or structure suffers a Covered Cause of Loss 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. Collision or any physical contact caused by a "vehicle."** This includes damage by objects falling from aircraft. However, this exclusion does not apply to any unlicensed "vehicles" which you own or which are operated in the course of your business.
- d. Riot or Civil Commotion.**
- e. Leakage or discharge of any substance from an automatic sprinkler system, including collapse of a tank that is part of the system.**

- f. Volcanic Action.
 - g. An electrical insulation breakdown test.
 - h. A hydrostatic, pneumatic or gas pressure test.
 - i. Water or other means intended to extinguish a fire, even when such an attempt is unsuccessful.
 - j. Elevator collision.
3. We will not pay for a Covered Cause of Loss caused by or resulting from any of the following perils, if such peril is a covered cause of loss under another coverage part or policy of insurance you have, whether collectible or not, and without regard to whether or not the other coverage part or policy of insurance provides the same coverage or scope of coverage as this policy.
- a. Falling Objects.
 - b. Weight of Snow, Ice or Sleet.
 - c. Water Damage, meaning discharge or leakage of water or steam as the direct result of the breaking apart or cracking of any part of a system or appliance containing water or steam.
 - d. Collapse.
 - e. Breakage of Glass.
 - f. Freezing caused by cold weather.
 - g. Discharge of molten material from equipment, including the heat from such discharged material.
4. Exclusions 2. and 3. do not apply if all of the following are true:
- a. The excluded peril occurs away from any location described in the Equipment Breakdown Coverage Summary and causes an electrical surge or other electrical disturbance;
 - b. Such surge or disturbance is transmitted through utility service transmission lines to a described location;
 - c. At the described location, the surge or disturbance results in a Covered Cause of Loss to “covered equipment” that is owned or operated under the control of you or your landlord; and
 - d. The loss, damage or expense caused by such surge or disturbance is not a covered cause of loss under another coverage or insurance policy you have, whether collectible or not, and without regard to whether or not the other coverage or insurance policy provides the same coverage or scope of coverage as this Equipment Breakdown Coverage.
5. With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for:
- a. Loss associated with business that would not or could not have been carried on if the Covered Cause of Loss had not occurred;
 - b. Loss caused by your failure to use due diligence and dispatch and all reasonable means to resume business;
 - c. That part of any loss that extends beyond or occurs after the “period of restoration.” This includes, but is not limited to:
 - (1) “Business income” that would have been earned after the “period of restoration,” even if such loss is the direct result of the suspension, lapse or cancellation of a contract during the “period of restoration”; and
 - (2) “Extra expense” to operate your business after the “period of restoration,” even if such loss is contracted for and paid during the “period of restoration.”
 - d. Any increase in loss resulting from an agreement between you and your customer or supplier. This includes, but is not limited to, contingent bonuses or penalties, late fees, demand charges, demurrage charges and liquidated damages.
6. With respect to Contingent Business Income, Off-Premises Equipment Breakdown, Service Interruption, paragraph (2) of Data Restoration and paragraph (2) of Perishable Goods, we will also not pay for a Covered Cause of Loss caused by or resulting from any of the perils listed in Exclusion 3. above, whether or not such peril is a covered cause of loss under another coverage part or policy of insurance you have.
7. With respect to Data Restoration coverage, we will also not pay to reproduce:
- a. Software programs or operating systems that are not commercially available; or
 - b. “Data” that is obsolete, unnecessary or useless to you.

8. With respect to Demolition and Ordinance or Law coverages, we will also not pay for:
 - a. Increased demolition or reconstruction costs until they are actually incurred; or
 - b. Loss due to any ordinance or law that:
 - (1) You were required to comply with before the loss, even if the building was undamaged; and
 - (2) You failed to comply with;
 whether or not you were aware of such non-compliance.

C. LIMITS OF INSURANCE

Any payment made under this Equipment Breakdown Coverage will not be increased if more than one Fund Member is shown in the Contribution and Coverage Summary or if you are comprised of more than one legal entity.

1. Equipment Breakdown Limit

The most we will pay for loss, damage or expense arising from any “one equipment breakdown” is the amount shown as the Equipment Breakdown Limit in the Equipment Breakdown Coverage Summary.

2. Coverage Limits

- a. The limit of your coverage under each of the coverages listed in A.2. from loss, damage or expense arising from any “one equipment breakdown” is the amount indicated for that coverage in the Equipment Breakdown Coverage Summary. These limits are a part of, and not in addition to, the Equipment Breakdown Limit. If an amount of time is shown, coverage will continue for no more than that amount of time immediately following the “accident.” If a coverage is shown as “Included,” that coverage is provided up to the remaining amount of the Equipment Breakdown Limit. If no limit is shown in the Equipment Breakdown Coverage Summary for a coverage, or if a coverage is shown as Excluded in the Equipment Breakdown Coverage Summary, that coverage will be considered to have a limit of \$0.
- b. Loss arising from any “one equipment breakdown” may continue to be present or recur in a later policy period. In such a case, the most we will pay for all loss, damage or expense arising out of any “one equipment breakdown” is the coverage limit applicable at the time of the Covered Cause of Loss.
- c. If two or more coverage limits apply to the same loss or portion of a loss, we will pay only the smallest of the applicable limits for that loss or portion of the loss. This means that if:
 - (1) You have a loss under one of the coverages listed in A.2.; and
 - (2) All or part of the loss is not covered because the applicable coverage is excluded or has a limit that is less than the amount of your loss,

we will not pay the remaining amount of such loss under any other coverage.

EXAMPLE 1

Property Damage Limit: \$7,000,000

Business Income Limit: \$1,000,000

Newly Acquired Locations Limit: \$500,000

There is a Covered Cause of Loss at a newly acquired location that results in a Property Damage loss of \$200,000 and a Business Income loss of \$800,000.

We will pay \$500,000, because the entire loss is subject to the Newly Acquired Locations Limit of \$500,000.

EXAMPLE 2

Property Damage Limit: \$7,000,000

Business Income Limit: \$500,000

Hazardous Substances Limit: \$25,000

There is a Covered Cause of Loss that results in a loss of \$100,000. If no “hazardous substance” had been involved, the property damage loss would have been \$10,000 and the business income loss would have been \$20,000. The presence of the “hazardous substance” increased the loss by \$70,000 (increasing the clean up and repair costs by \$30,000 and increasing the business income loss by \$40,000).

We will pay \$55,000 (\$10,000 property damage plus \$20,000 business income plus \$25,000 hazardous substances).



D. DEDUCTIBLES

1. Deductibles for Each Coverage

- a. Unless the Equipment Breakdown Coverage Summary indicates that your deductible is combined for all coverages, multiple deductibles may apply to any “one equipment breakdown.”
- b. We will not pay for loss, damage or expense under any coverage until the amount of the covered loss or damage exceeds the deductible amount indicated in the Equipment Breakdown Coverage Summary. We will then pay the amount of loss, damage or expense in excess of the applicable deductible amount, subject to the applicable limit indicated in the Equipment Breakdown Coverage Summary.
- c. If deductibles vary by type of “covered equipment” and more than one type of “covered equipment” is involved in any “one equipment breakdown,” only the highest deductible for each coverage will apply.
- d. The following applies when a deductible is expressed as a function of the horsepower rating of a refrigerating or air conditioning system. If more than one compressor is used with a single system, the horsepower rating of the largest motor or compressor will determine the horsepower rating of the system.

2. Direct and Indirect Coverages

- a. Direct Coverages Deductibles and Indirect Coverages Deductibles, if applicable, may be indicated in the Equipment Breakdown Coverage Summary.
- b. Unless more specifically indicated in the Equipment Breakdown Coverage Summary:
 - (1) Indirect Coverages Deductibles apply to Business Income and Extra Expense loss, regardless of where such coverage is provided in this Equipment Breakdown Coverage; and
 - (2) Direct Coverages Deductibles apply to all remaining loss, damage or expense covered by this Equipment Breakdown Coverage.

EXAMPLE

A Covered Cause of Loss results in covered losses as follows:

\$100,000 Total Loss (all applicable coverages)

\$35,000 Business Income Loss (including \$2,000 of business income loss payable under Data Restoration coverage)

\$5,000 Extra Expense Loss

In this case, the Indirect coverages loss totals \$40,000 before application of the Indirect Coverage Deductible. The Direct coverages loss totals the remaining \$60,000 before application of the Direct Coverage Deductible.

3. Application of Deductibles

a. Dollar Deductibles

We will not pay for loss, damage or expense resulting from any “one equipment breakdown” until the amount of loss, damage or expense exceeds the applicable deductible or deductibles shown in the Equipment Breakdown Coverage Summary. We will then pay the amount of loss, damage or expense in excess of the applicable deductible or deductibles, subject to the applicable limits shown in the Equipment Breakdown Coverage Summary.

b. Time Deductibles

If a time deductible is shown in the Equipment Breakdown Coverage Summary, we will not be liable for any loss occurring during the specified number of hours or days immediately following the Covered Cause of Loss. If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.

c. Multiple of Average Daily Value (ADV) Deductibles

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” that would have been earned during the period of interruption had no Covered Cause of Loss occurred, divided by the number of working days in that period. The ADV applies to the “business income” value of the entire location, whether or not the loss affects the entire location. If more than one location is included in the valuation of the loss, the ADV will be the combined value of all affected locations. For purposes of this calculation, the period of interruption may not extend beyond the “period of restoration.”

The number indicated in the Equipment Breakdown Coverage Summary will be multiplied by the ADV as



determined above. The result will be used as the applicable deductible.

EXAMPLE

Business is interrupted, partially or completely, for 10 working days. If there had been no Covered Cause of Loss, the total “business income” at the affected location for those 10 working days would have been \$5,000. The Indirect Coverages Deductible is 3 Times ADV.

$\$5,000 / 10 = \500 ADV

$3 \times \$500 = \$1,500 \text{ Indirect Coverages Deductible}$

d. 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, damage or expense (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.

E. LOSS CONDITIONS

The following conditions apply in addition to the Additional Conditions:

1. Abandonment

There can be no abandonment of any property to us.

2. Brands and Labels

If branded or labeled merchandise that is “covered property” is damaged by a Covered Cause of Loss, but retains a salvage value, you may, at your expense:

- 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 the law.

We will pay for any reduction in value of the salvage merchandise resulting from either of these two actions, subject to all applicable limits.

If a Brands and Labels Limit is shown on the Equipment Breakdown Coverage Summary, we will not pay more than the indicated amount for coverage under this Condition.

3. Coinsurance - Business Income Coverage

- a. Unless otherwise shown in the Equipment Breakdown Coverage Summary, Business Income coverage is subject to coinsurance. This means that we will not pay the full amount of any “business income” loss if the “business income actual annual value” is greater than the “business income estimated annual value” at the affected location at the time of the Covered Cause of Loss. Instead, we will determine the most we will pay using the following steps:
 - (1) Divide the “business income estimated annual value” by the “business income actual annual value” at the time of the Covered Cause of Loss;
 - (2) Multiply the total amount of the covered loss of “business income” by the amount determined in paragraph (1) above;
 - (3) Subtract the applicable deductible from the amount determined in paragraph (2) above;The resulting amount, or the Business Income Limit, whichever is less, is the most we will pay. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.
- b. Coinsurance applies separately to each location owned by the Fund Member.
- c. If you report a single “business income estimated annual value” for more than one location, without providing information on how that amount should be distributed among the locations, we will distribute the amount evenly among all applicable locations.

EXAMPLE 1 (Underinsurance)

When:

The “business income actual annual value” at the location of loss at the time of the Covered Cause of Loss is \$200,000.



The “business income estimated annual value” shown in the Equipment Breakdown Coverage Summary for the location of loss is \$100,000.

The actual loss of “business income” resulting from the Covered Cause of Loss is \$40,000.

The Business Income limit is \$100,000.

The Business Income deductible is \$5,000.

Step 1: $\$100,000 / \$200,000 = .5$

Step 2: $\$40,000 \times .5 = \$20,000$

Step 3: $\$20,000 - \$5,000 = \$15,000$

The total “business income” loss recovery, after deductible, would be \$15,000. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

We will also charge you an additional contribution in recognition of the “business income actual annual value.”

EXAMPLE 2 (Adequate insurance)

When:

The “business income actual annual value” at the location of loss at the time of the Covered Cause of Loss is \$200,000.

The “business income estimated annual value” shown in the Equipment Breakdown Coverage Summary for the location of loss is \$200,000.

The actual loss of “business income” resulting from the Covered Cause of Loss is \$40,000.

The Business Income limit is \$100,000.

The Business Income deductible is \$5,000.

Step 1: $\$200,000 / \$200,000 = 1$

Step 2: $\$40,000 \times 1 = \$40,000$

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

The total “business income” loss recovery, after deductible, would be \$35,000.

4. Coinsurance – Coverages other than Business Income

Coverages other than Business Income may be subject to coinsurance if so indicated in the Equipment Breakdown Coverage Summary. If a Coinsurance percentage is shown in the Equipment Breakdown Coverage Summary, the following condition applies.

- a. We will not pay the full amount of any loss if the value of the property subject to the coverage at the time of the Covered Cause of Loss times the Coinsurance percentage shown for it in the Equipment Breakdown Coverage Summary is greater than the applicable limit.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of the property subject to the coverage at the time of the Covered Cause of Loss by the Coinsurance percentage;
- (2) Divide the applicable limit by the amount determined in step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the amount determined in step (2); and
- (4) Subtract the deductible from the amount determined in step (3).

We will pay the amount determined in step (4) or the applicable limit, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

- b. Coinsurance applies separately to each member location.

EXAMPLE 1 (Underinsurance)

When:

The actual value of “perishable goods” at the location of loss at the time of the Covered Cause of Loss is \$200,000.

The Perishable Goods limit is \$100,000 @ 80% coinsurance.

The loss under Perishable Goods coverage resulting from the Covered Cause of Loss is \$60,000.

The Perishable Goods deductible is \$5,000.



Step 1: $\$200,000 \times 80\% = \$160,000$

Step 2: $\$100,000/\$160,000 = .625$

Step 3: $\$60,000 \times .625 = \$37,500$

Step 4: $\$37,500 - \$5,000 = \$32,500$

The total Perishable Goods loss recovery, after deductible, would be \$32,500. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

EXAMPLE 2 (Adequate insurance)

When:

The actual value of "perishable goods" at the location of loss at the time of the Covered Cause of Loss is \$100,000.

The Perishable Goods limit is \$100,000 @ 80% coinsurance.

The loss under Perishable Goods coverage resulting from the Covered Cause of Loss is \$60,000.

The Perishable Goods 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: $\$60,000 - \$5,000 = \$55,000$

The total Perishable Goods loss recovery, after deductible, would be \$55,000.

5. Defense

We have the right, but are not obligated, to defend you against suits arising from claims of owners of property in your care, custody or control. When we do this, it will be at our expense.

6. Duties in the Event of Loss or Damage

You must see that the following are done in the event of loss or damage:

- a. Give us a prompt notice of the loss or damage, including a description of the property involved.
- b. You must reduce your loss, damage or expense, if possible, by:
 - (1) Protecting property from further damage. We will not pay for your failure to protect property, as stated in Exclusion B.1.g.;
 - (2) Resuming business, partially or completely at the location of loss or at another location;
 - (3) Making up lost business within a reasonable amount of time. This includes working extra time or overtime at the location of loss or at another location. The reasonable amount of time does not necessarily end when the operations are resumed;
 - (4) Using merchandise or other property available to you;
 - (5) Using the property or services of others; and
 - (6) Salvaging the damaged property.
- c. Allow us a reasonable time and opportunity to examine the property and premises before repair or replacement is undertaken or physical evidence of the Covered Cause of Loss is removed. But you must take whatever measures are necessary for protection from further damage.
- d. Make no statement that will assume any obligation or admit any liability, for any loss, damage or expense for which we may be liable, without our consent.
- e. Promptly send us any legal papers or notices received concerning the loss, damage or expense.
- f. As often as may be reasonably required, permit us to inspect your property, premises 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.
- g. If requested, permit us to examine you and any of your agents, employees and representatives under oath. We may examine any agent, employee or representative under oath while not in the presence of any other agent, employee or representative. Such examination:
 - (1) May be at any time reasonably required;
 - (2) May be about any matter relating to this insurance, your loss, damage or expense, or your claim,

- including, but not limited to, your books and records; and
- (3) May be recorded by us by any methods we choose.
- h. Send us a signed, sworn proof of loss containing the information we request. You must do this within 60 days after our request.
 - i. Cooperate with us in the investigation and settlement of the claim.

7. Errors and Omissions

- a. We will pay your loss covered by this Equipment Breakdown Coverage if such loss is otherwise not payable solely because of any of the following:
 - (1) Any error or unintentional omission in the description or location of property as covered under the Fund's Property Coverage Agreement;
 - (2) Any failure through error to include any premises owned or occupied by you at the inception of the Fund's Property Coverage Agreement; or
 - (3) Any error or unintentional omission by you that results in cancellation of any premises covered under the Fund's Property Coverage Agreement.
- b. 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.
- c. It is a condition of this Equipment Breakdown Coverage that such errors or unintentional omissions shall be reported and corrected when discovered. The contribution may be adjusted accordingly to reflect the date the premises should have been added had no error or omission occurred.
- d. If an Errors and Omissions Limit is shown on the Equipment Breakdown Coverage Summary, we will not pay more than the indicated amount for coverage under this Condition.

8. Proving Your Loss

It is your responsibility, at your own expense, to provide documentation to us:

- a. Demonstrating that the loss, damage or expense is the result of a Covered Cause of Loss covered under this Equipment Breakdown Coverage; and
- b. Calculating the dollar amount of the loss, damage and expense that you claim is covered.

Your responsibility in 8.a. above is without regard to whether or not the possible Covered Cause of Loss occurred at your premises or involved your equipment.

9. Salvage and Recoveries

When, in connection with any loss under this Equipment Breakdown Coverage, any salvage or recovery is received after the payment for such loss, the amount of the loss shall be refigured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the loss was originally determined. Any amounts thus found to be due either party from the other shall be paid promptly.

10. Valuation

We will determine the value of "covered property" as follows:

- a. Except as specified otherwise, our payment for damaged "covered property" will be the smallest of:
 - (1) The cost to repair the damaged property;
 - (2) The cost to replace the damaged property on the same site; or
 - (3) The amount you actually spend that is necessary to repair or replace the damaged property.
- b. 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.
- c. Except as described in d. 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.
- d. Environmental, Safety and Efficiency Improvements
If "covered equipment" requires replacement due to a Covered Cause of Loss, we will pay your additional cost to replace with equipment that we agree is better for the environment, safer for people or more energy or water efficient than the equipment being replaced, subject to the following conditions:

- (1) We will not pay more than 150% of what the cost would have been to replace with like kind and quality;
 - (2) We will not pay to increase the size or capacity of the equipment;
 - (3) This provision only applies to Property Damage coverage;
 - (4) This provision does not increase any of the applicable limits;
 - (5) This provision does not apply to any property valued on an Actual Cash Value basis; and
 - (6) This provision does not apply to the replacement of component parts.
- e. The following property will be valued on an Actual Cash Value basis:
- (1) Any property that does not currently serve a useful or necessary function for you;
 - (2) Any “covered property” that you do not repair or replace within 24 months after the date of the Covered Cause of Loss; and
 - (3) Any “covered property” for which Actual Cash Value coverage is specified in the Equipment Breakdown Coverage Summary.
- Actual Cash Value includes deductions for depreciation.
- f. 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:
- (1) The property was manufactured by you;
 - (2) The sales price of the property is less than the replacement cost of the property; or
 - (3) You are unable to replace the property before its anticipated sale.
- g. Except as specifically provided for under Data Restoration coverage, “data” and “media” will be valued on the following basis:
- (1) For mass-produced and commercially available software, at the replacement cost.
 - (2) 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.
- h. Air conditioning or refrigeration equipment that utilizes a refrigerant containing CFC (chlorofluorocarbon) substances will be valued at the cost to do the least expensive of the following:
- (1) Repair or replace the damaged property and replace any lost CFC refrigerant;
 - (2) Repair the damaged property, retrofit the system to accept a non-CFC refrigerant and charge the system with a non-CFC refrigerant; or
 - (3) Replace the system with one using a non-CFC refrigerant.
- In determining the least expensive option, we will include any associated Business Income or Extra Expense loss. If option (2) or (3) is more expensive than (1), but you wish to retrofit or replace anyway, we will consider this better for the environment and therefore eligible for valuation under paragraph d., Environmental, Safety and Efficiency Improvements. In such case, E.10.d.(1) is amended to read: “We will not pay more than 150% of what the cost would have been to repair or replace with like kind and quality.”

F. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Loss Conditions:

1. Loss Payee

If a person or organization is designated in this Equipment Breakdown Coverage as a Loss Payee, we will consider them to be covered under this Equipment Breakdown Coverage only to the extent of their interest in the “covered property.”

2. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve you or us of any obligation under this Equipment Breakdown Coverage.

3. Concealment, Misrepresentation or Fraud

We will not pay for any loss and coverage will be void if you or any Loss Payee at any time:



- a. Intentionally cause or allow loss, damage or expense in order to collect on insurance; or
- b. Intentionally conceal or misrepresent a material fact concerning:
 - (1) This Equipment Breakdown Coverage;
 - (2) The “covered property”;
 - (3) Your interest in the “covered property”; or
 - (4) A claim under this Equipment Breakdown Coverage.

4. Jurisdictional Inspections

It is your responsibility to comply with any state or municipal boiler and pressure vessel regulations. If any “covered equipment” that is “covered property” requires inspection to comply with such regulations, at your option we agree to perform such inspection.

5. Liberalization

If we adopt any standard form revision for general use that would broaden the coverage under this Equipment Breakdown Coverage without additional contribution, the broadened coverage will apply to this Equipment Breakdown Coverage commencing on the date that such revision becomes effective in the jurisdiction where the Covered Cause of Loss occurs.

6. Loss Payable

- a. We will pay you and the loss payee shown in the Equipment Breakdown Coverage Summary for loss covered by this Equipment Breakdown Coverage, as interests may appear. This Equipment Breakdown Coverage protects the interest of the loss payee unless the loss results from conversion, secretion or embezzlement on your part or on the part of the loss payee.
- b. The Fund may cancel this Equipment Breakdown Coverage as allowed by Interlocal Participation Agreement.
- c. If we make any payment to the loss payee, we will obtain their rights against any other party as provided within the Interlocal Participation Agreement.

7. Maintaining Covered Property and Equipment

It is your responsibility to appropriately maintain your property and equipment. We will not pay your costs to maintain, operate, protect or enhance your property or equipment, even if such costs are to comply with our recommendations or prevent loss, damage or expense that would be covered under this Equipment Breakdown Coverage.

8. Mortgage Holders

- a. The term mortgage holder includes trustee.
- b. We will pay for direct damage to “covered property” due to a Covered Cause of Loss to “covered equipment” to you and each mortgage holder shown in the Equipment Breakdown Coverage Summary in their order of precedence, as interests in the “covered property” may appear.
- c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the “covered property.”
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Equipment Breakdown Coverage Agreement, the mortgage holder will still have the right to receive loss payment, provided the mortgage holder does all of the following:
 - (1) Pays any contribution due under this Equipment Breakdown Coverage at our request if you have failed to do so;
 - (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so;
 - (3) Has notified us of any change in ownership or material change in risk known to the mortgage holder; and
 - (4) Has complied with all other terms and conditions of this Equipment Breakdown Coverage Agreement and any Fund participation documents or agreements.

All of the terms of this Equipment Breakdown Coverage Agreement will then apply directly to the mortgage holder.

- e. If we pay the mortgage holder for any loss and deny payment to you because of your acts or because you



have failed to comply with the terms of this Equipment Breakdown Coverage Agreement:

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

At our option, we may pay to the mortgage holder 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.

9. Other Insurance

If there is other insurance that applies to the same loss, damage or expense, this Equipment Breakdown Coverage shall apply only as excess insurance after all other applicable insurance has been exhausted.

10. Participation Period, Coverage Territory

Under this Equipment Breakdown Coverage:

- a. The Covered Cause of Loss must occur during the Participation Period as stated on the Contribution and Coverage Summary, but expiration of the Participation Period does not limit our liability.
- b. The Covered Cause of Loss must occur within the following coverage territory:
 - (1) The United States of America (including its territories and possessions);
 - (2) Puerto Rico; and
 - (3) Canada.
- c. As respects Off Premises Equipment Breakdown coverage only, the Covered Cause of Loss may occur in any country except one in which the United States has imposed sanctions, embargoes or similar restrictions on the provision of insurance.

11. Privilege to Adjust with Owner

In the event of loss, damage or expense involving property of others in your care, custody or control, we have the right to settle the loss, damage or expense with respect to such property with the owner of the property. Settlement with owners of that property will satisfy any claim of yours.

12. Suspension

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

- a. Your last known address; or
- b. The address where the "covered equipment" is located.

Once suspended in this way, coverage can be reinstated only by an endorsement for that "covered equipment."

If we suspend your coverage, you may receive a pro rata refund of contribution for that "covered equipment" for the period of suspension. But the suspension will be effective even if we have not yet made or offered a refund.

13. Transfer of Rights of Recovery Against Others to the Fund

If any person or organization to or for whom we make payment under this Equipment Breakdown Coverage has rights to recover damages from another, those rights are transferred to us to the extent of our payment as provided within the Interlocal Participation Agreement. 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:

- a. Prior to a Covered Cause of Loss.
- b. After a Covered Cause of Loss only if, at time of the Covered Cause of Loss, that party is one of the following:
 - (1) Someone insured by this Equipment Breakdown Coverage; or
 - (2) A business firm:
 - (a) Owned or controlled by you; or
 - (b) That owns or controls you.

G. DEFINITIONS



1. “Accident”

- a. **“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) Artificially generated electrical current, including electrical arcing, that damages electrical devices, appliances or wires;
 - (3) Explosion, other than combustion explosion, of steam boilers, steam piping, steam engines or steam turbines;
 - (4) An event inside steam boilers, steam pipes, steam engines or steam turbines that damages such equipment;
 - (5) An event inside hot water boilers or other water heating equipment that damages such equipment; or
 - (6) Bursting, cracking or splitting.
- b. None of the following is an “accident,” however caused and without regard to whether such condition or event is normal and expected or unusual and unexpected:
- (1) Depletion, deterioration, rust, corrosion, erosion, settling or wear and tear;
 - (2) Any gradually developing condition;
 - (3) Any 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;
 - (4) Contamination by a “hazardous substance”; or
 - (5) Misalignment, miscalibration, tripping off-line, or any condition which can be corrected by resetting, tightening, adjusting or cleaning, or by the performance of maintenance.

2. “Boilers and Vessels” means:

- a. Boilers;
- b. Steam piping;
- c. Piping that is part of a closed loop used to conduct heat from a boiler;
- d. Condensate tanks; and
- e. Unfired vessels which, during normal usage, operate under vacuum or pressure, other than the weight of contents.

This term does not appear elsewhere in this coverage form, but may appear in the Equipment Breakdown Coverage Summary.

- 3. “Building Utilities”** means “covered equipment” permanently mounted on or in a building and used to provide any of the following services within the building: heating, ventilating, air conditioning, electrical power, hot water, elevator or escalator services, central vacuum, natural gas service or communications. “Building utilities” does not include personal property or equipment used in manufacturing or processing.
- 4. “Buried Vessels or Piping”**
- a. “Buried Vessels or Piping” means any piping or vessel buried or encased in the earth, concrete or other material, whether above or below grade, or in an enclosure which does not allow access for inspection and repair.
 - b. “Buried Vessels or Piping” does not mean piping or vessels buried or encased in the earth, concrete or other material that are a part of a Geothermal closed or open loop heating, ventilating and air conditioning system used for building heating or cooling.
- 5. “Business Income”** means the sum of:
- a. The Net Income (net profit or loss before income taxes) that would have been earned or incurred; and
 - b. Continuing normal and necessary operating expenses incurred, including employee payroll.
- 6. “Business Income Actual Annual Value”** means the “business income” for the current fiscal year that would have been earned had no Covered Cause of Loss occurred.

In calculating the “business income actual annual value,” we will take into account the actual experience of your

business before the Covered Cause of Loss and the probable experience you would have had without the Covered Cause of Loss.

7. **“Business Income Estimated Annual Value”** means the anticipated “business income” reported to us and shown in the Equipment Breakdown Coverage Summary. If no value is shown in the Equipment Breakdown Coverage Summary, the “business income estimated annual value” will be the most recent report of anticipated “business income” values on file with us.
8. **“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.
9. **“Covered Equipment”**
 - a. **“Covered Equipment”** means the following:
 - (1) Unless specified otherwise in the Equipment Breakdown Coverage Summary:
 - (a) Equipment that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
 - (b) Equipment which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

“Covered equipment” may utilize conventional design and technology or new or newly commercialized design and technology.
 - (2) Except as specifically provided for under Contingent Business Income, Off Premises Equipment Breakdown, Service Interruption, Contingent Business Income and paragraph (2) of Perishable Goods, such equipment must be at a location described in the Equipment Breakdown Coverage Summary and must be owned or leased by you or operated under your control.
 - b. None of the following is “covered equipment”:
 - (1) Structure, including but not limited to the structural portions of buildings and towers and scaffolding;
 - (2) Foundation;
 - (3) Cabinet, compartment, conduit or ductwork;
 - (4) Insulating or refractory material;
 - (5) “Buried vessels or piping”;
 - (6) Waste, drainage or sewer piping;
 - (7) Piping, valves or fittings forming a part of a sprinkler or fire suppression system;
 - (8) Water piping that is not part of a closed loop used to conduct heat or cooling from a boiler or a refrigeration or air conditioning system;
 - (9) “Vehicle” or any equipment mounted on a “vehicle”;
 - (10) Satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
 - (11) Dragline, excavation or construction equipment;
 - (12) Equipment manufactured by you for sale;
 - (13) “Data; or
 - (14) Well casings.
10. **“Covered Property”**
 - a. **“Covered Property”** means property that you own or property that is in your care, custody or control and for which you are legally liable. Such property must be at a location described in the Equipment Breakdown Coverage Summary except as provided under Off Premises Equipment Breakdown coverage.
 - b. None of the following is “covered property”:
 - (1) Accounts, bills, currency, deeds or other evidences of debt, money, notes or securities;
 - (2) Fine arts, jewelry, furs or precious stones;
 - (3) Precious metal, unless forming a part of “covered equipment”;

- (4) Animals;
- (5) Contraband, or property in the course of illegal transportation or trade;
- (6) Land (including land on which the property is located), water, trees, growing crops or lawns; or
- (7) Shrubs or plants, unless held indoors for retail sale.

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

12. **“Electrical Generating Equipment”**

- a. “Electrical Generating Equipment” means equipment which converts any other form of energy into electricity. This includes, but is not limited to, the following:
 - (1) Boilers used primarily to provide steam for one or more turbine-generator units;
 - (2) Turbine-generators (including steam, gas, water or wind turbines);
 - (3) Engine-generators;
 - (4) Fuel cells or other alternative electrical generating equipment;
 - (5) Electrical transformers, switchgear and power lines used to convey the generated electricity; and
 - (6) Associated equipment necessary for the operation of any of the equipment listed in (1) through (5) above.
- b. “Electrical Generating Equipment” does not mean:
 - (1) Elevator or hoist motors that generate electricity when releasing cable; or
 - (2) Equipment intended to generate electricity solely on an emergency, back-up basis.

This term does not appear elsewhere in this coverage form, but may appear in the Equipment Breakdown Coverage Summary.

13. **“Electronic Circuitry”** means microelectronic components, including but not limited to circuit boards, integrated circuits, computer chips and disk drives.

14. **“Electronic Circuitry Impairment”**

- a. “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 b., c., and d. below.
- b. 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.”
- c. The “covered equipment” must be owned or leased by you, or operated under your control.
- d. None of the following is an “electronic circuitry impairment”:
 - (1) Any condition that can be reasonably remedied by:
 - (a) Normal maintenance, including but not limited to replacing expendable parts, recharging batteries or cleaning;
 - (b) Rebooting, reloading or updating software or firmware; or
 - (c) Providing necessary power or supply.
 - (2) Any condition caused by or related to:
 - (a) Incompatibility of the “covered equipment” with any software or equipment installed, introduced or networked within the prior 30 days; or
 - (b) Insufficient size, capability or capacity of the “covered equipment.”
 - (3) 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.

15. **“Extra Expense”** means the additional cost you incur to operate your business over and above the cost that you normally would have incurred to operate your business during the same period had no Covered Cause of Loss occurred.

16. **“Hazardous Substance”** means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.
17. **“Interruption of Service”**
- a. “Interruption of Service” means a failure or disruption of the normal supply of any of the Covered Services listed in b. below, when such failure or disruption is caused by an “accident” to “covered equipment,” subject to the conditions listed in c. through f. below. The failure or disruption must arise from an “accident.”
 - b. Covered Services are electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, Internet access, telecommunications services, wide area networks, “cloud computing services” and data transmission.
 - c. The “covered equipment” must either be:
 - (1) Owned by a company with whom you have a contract to supply you with one of the Covered Services; or
 - (2) Used to supply you with one of the Covered Services and located within one mile of a location described in the Equipment Breakdown Coverage Summary.
 - d. If a Service Interruption Distance Limitation is indicated in the Equipment Breakdown Coverage Summary, the “covered equipment” suffering the “accident” must be located within the indicated distance of any location described in the Equipment Breakdown Coverage Summary.
 - e. Unless otherwise shown in the Equipment Breakdown Coverage Summary, no failure or disruption of service will be considered to qualify as an “interruption of service” until the failure or disruption exceeds 24 hours immediately following the “accident.”
 - f. “Interruption of service” does not include any failure or disruption, whether or not arising from or involving an “accident,” in which a supplier could have continued to provide service to the location but chose for any reason to reduce or discontinue service.
18. **“Interruption of Supply”**
- a. “Interruption of Supply” means a failure or disruption of the normal supply of any of the Covered Contingencies listed below, when such failure or disruption is caused by an “accident” to “covered equipment” that is located at a Contingent Business Income supplier or receiver location indicated in the Equipment Breakdown Coverage Summary. If no Contingent Business Income supplier or receiver location is indicated in the Equipment Breakdown Coverage Summary, the “covered equipment” must be owned by a supplier from whom you have received the Covered Contingency for at least six months prior to the “accident” or a receiver to whom you have supplied the Covered Contingency for at least six months prior to the “accident.”
 - b. Covered Contingencies are raw materials, intermediate products, finished products, packaging materials and product processing services.
19. **“Media”** means material on which “data” is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.
20. **“One Equipment Breakdown”** means all “accidents” or “electronic circuitry impairments” occurring at the same time from the same event. If an “accident” or “electronic circuitry impairment” causes other “accidents” or “electronic circuitry impairments,” all will be considered “one equipment breakdown.”
21. **“Ordinary Payroll”** means the Payroll Expenses associated with all employees other than executives, department managers and employees under contract.
- As used above, Payroll Expenses means all payroll, employee benefits directly related to payroll, FICA payments you pay, union dues you pay and workers compensation contributions.
- “Ordinary payroll” does not include pensions or directors fees.
- This term does not appear elsewhere in this coverage form, but may appear in the Equipment Breakdown Coverage Summary.
22. **“Period of Restoration”** means the period of time that begins at the time of the Covered Cause of Loss and continues until the earlier of:
- a. The date the physical damage to “covered equipment” is repaired or replaced; or
 - b. The date on which such damage could have been repaired or replaced with the exercise of due diligence and dispatch,

plus the number of days, if any, shown in the Equipment Breakdown Coverage Summary for Extended Period of Restoration.

23. **“Perishable Goods”** means any “covered property” subject to deterioration or impairment as a result of a change of conditions, including but not limited to temperature, humidity or pressure.
24. **“Production Machinery”** means any machine or apparatus that processes or produces a product intended for eventual sale. This includes all component parts of such machine or apparatus and any other equipment used exclusively with such machine or apparatus. However, “production machinery” does not mean any boiler, or fired or unfired pressure vessel.

This term does not appear elsewhere in this coverage form, but may appear in the Equipment Breakdown Coverage Summary.

25. **“Spoilage”** means any detrimental change in state. This includes but is not limited to thawing of frozen goods, warming of refrigerated goods, freezing of fresh goods, solidification of liquid or molten material and chemical reactions to material in process.
26. **“Vehicle”** means 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.”