

Words and phrases in quotation marks have special meaning as defined in the Definitions Section of this Form.

Insuring Agreement

In consideration of the premium, if there is a "Breakdown" occurring during the Policy Period to the "Insured Equipment" while the "Insured Equipment" is at a location specified in the Declarations and subject to all the terms, provisions and conditions (including Statutory Conditions) of the policy, except as they may be varied herein, and to the Declarations, Exclusions and Conditions applicable to this Form, the Insurer will

- (a) pay for loss
 - (i) to the "Insured Equipment" and
 - (ii) to other "Insured Property" directly damaged by the "Breakdown";
- (b) pay for loss of perishable "Insured Property" that spoils solely as a result of the "Breakdown";
- (c) if Business Interruption / Extra Expense is covered by the policy to which this Form is attached, pay for the Business Interruption / Extra Expense which results solely from the "Breakdown".

Exclusions

This Form does not apply:

- (a) to loss caused by or resulting from nuclear reaction or radiation, or radioactive contamination, however caused;
- (b) to loss caused by or resulting from:
 - (i) war, including undeclared or civil war;
 - (ii) warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
 - (iii) insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these;
 - (iv) civil commotion or sabotage;but unless associated with the foregoing, loss from a "Breakdown" of "Insured Equipment" arising out of any strike, riot, civil commotion, acts of sabotage, vandalism or malicious acts by others is covered;
- (c) to loss caused by or resulting from pollution, contamination or damage by a "Hazardous Substance", however caused, except as provided in Condition 7;
- (d) to loss from a "Breakdown" caused by or resulting from:
 - (i) earth movement, including but not limited to earthquake, landslide, mud flow, subsidence, volcanic eruption, tidal wave or tsunami;
 - (ii) wind, including but not limited to cyclone, tornado or hurricane;

- (iii) fire, smoke or combustion explosion; or
 - (iv) water or other means used to extinguish a fire;
- (e) to loss caused by or resulting from:
- (i) fire, smoke or combustion explosion that occurs at the same time as a "Breakdown" or that ensues from a "Breakdown". However, with respect to any "Insured Equipment" which is an electrical or electronic machine or apparatus, fire damage within the said machine or apparatus which occurs at the same time as a "Breakdown" or that ensues from a "Breakdown" is covered;
 - (ii) flood, however, if a "Breakdown" of "Insured Equipment" results from a flood, damage or expense caused by the "Breakdown" is covered;
 - (iii) lightning, if coverage for that cause of loss is provided by any other insurance in effect at the time of the loss;
 - (iv) escape of water resulting from a "Breakdown" unless:
 - a. coverage is not provided by any other insurance in effect at the time of the loss, and
 - b. the water escapes from "Insured Equipment" that normally contains water or steam; or
 - (v) damage to "Data" used with any electronic computer or electronic data processing equipment except as provided in Condition 8;
- (f) to loss from:
- (i) delay or interruption of business except as may be provided in Insuring Agreement 1(c);
 - (ii) any other indirect result of a "Breakdown" except as may be provided in Insuring Agreement 1(b) and 1(c);
- (g) to loss caused by or resulting from:
- the partial or total failure, malfunction or loss of use of any electronic equipment, computer system, information repository, microchip, integrated circuit or other similar device due to:
- (i) the erasure, destruction, corruption, misappropriation or misinterpretation of "Data";
 - (ii) any error in creating, amending, entering, deleting or using "Data";
 - (iii) the inability to receive, transmit or use "Data"; or
 - (iv) the impact of any virus or the functioning or malfunctioning of the internet, intranet, local area networks, virtual private networks or similar facility, or of any internet address, website or similar facility;
- however the Insurer shall pay for loss that ensues solely from the "Breakdown" of any other "Insured Equipment";
- (h) to loss caused by or resulting from:
- "terrorism" or by any activity or decision of a government agency or other entity to prevent, respond to or terminate "terrorism".

Conditions

1. Limit of Insurance

The Insurer's total liability from any "One Breakdown" under Insuring Agreements 1(a) and 1(b) shall not exceed the Limit of Insurance as specified in the Declarations as applicable to this Form.

2. Business Interruption/Extra Expense

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

(i) Notice of "Breakdown" and Commencement of Liability

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

(ii) Limit of Insurance

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

3. Expediting Expenses

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

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

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

4. By- Laws

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

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

5. Professional Fees/Auditors Fees

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

6. Service Interruption

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

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

but only if the equipment is:

- (i) of a type described in the applicable definition of "Insured Equipment";
- (ii) located on or within one hundred (100) kilometers of the Insured's premises;
- (iii) owned by the building owner at the premises of the Insured or by a public utility company; and
- (iv) used to supply steam, gas, air, water, refrigeration, electricity, air conditioning, heating or communication services to the Insured's premises.

Furthermore, this coverage does not cover loss, as insured by the Consequential Loss and/or Business Interruption coverage provided by this Form, during the first 24 consecutive hours of loss of services or directly or indirectly arising from:

- i) loss or damage to electrical transmission lines or distribution lines or their supporting structures;
- ii) loss or reduction of services due to lack of sufficient capacity; or
- iii) an intentional reduction in the supply of services.

7. Hazardous Substances

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

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

however, in no event shall the Insurer be liable for loss in excess of \$250,000. Such limit is part of and is not in addition to the Limit of Insurance for this Form.

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

8. Data Coverage

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

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

however, in no event shall the Insurer be liable for loss in excess of \$50,000. Such limit is part of and is not in addition to the Limit of Insurance for the Form.

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

9. Basis of Settlement

(a) Property Damage

Under Insuring Agreement 1(a), the Insurer will pay for "Insured Property" which is damaged, as follows:

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

- (iv) on any "Building" for which Guaranteed Replacement Cost is specified in the Declarations , the terms and conditions of Form E025, Guaranteed Replacement Cost Buildings will apply regardless of Condition 1, Limit of Insurance described in this Form.
- (v) on all other "Insured Property", the lesser of the cost at the time of the "Breakdown":
 - (a) to repair; or
 - (b) to replace with similar property of like kind, capacity, size, quality and function.

The Insurer shall not be liable:

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

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

(b) Spoilage

The Insurer shall pay under Insuring Agreement 1(b) the amount that is spent to replace perishable "Insured Property" which spoils solely as a result of the "Breakdown" of "Insured Equipment". If the "Insured Property" is not replaced, the Insurer shall only pay for the Actual Cash Value of the property. However, in no event, will the Insurer's liability exceed the Limit of Insurance stated in the Declarations.

10. Deductible

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

11. Inspection

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

12. Suspension

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

13. Errors and Omissions

Insurance under this Form is extended to include the actual amount of loss, up to a maximum of \$250,000. for loss not otherwise payable if such loss arises solely out of an error or unintentional omission by the "Named Insured" in the description of "Insured Property" or in a description of the "Insured Property's" location. Immediately upon the discovery of any such error or omission, the "Named Insured" must notify the Insurer of the corrections that are needed. Nothing contained in this Extension operates to increase the Insurer's Limit of Insurance. The Insurer reserves the right to charge an appropriate premium or to impose appropriate, additional conditions with respect to any such corrections that are made to this Form.

14. Brands and Labels

This Extension applies in the event of loss or damage (arising out of a "Breakdown") to "Insured Property" bearing a brand name or trademark. The salvage value of such damaged "Insured Property" is determined after removal (in the customary manner) of all such brands or trademarks or other identifying characteristics. Insurance under this Form is extended to insure, up to a maximum of \$100,000., the cost of removal of such brands, trademarks or other identifying characteristics (provided that such removal will not physically damage the "Insured Property") prior to the sale, as salvage, of such "Insured Property" damaged by a "Breakdown"; in accordance with value established by the Insurer during loss adjustment. Such limit is part of and is not in addition to the Limit of Insurance for this Form.

15. Liberalization Clause

For a period not exceeding twenty four months from this policy's first inception date, this Form is extended to include any extension of coverage afforded under the direct property damage section of the Equipment Breakdown/Boiler and Machinery policy immediately preceding this Form but not afforded by this Form or subject to a lesser limit under this Form, provided that:

- (a) such extension of coverage has not been declined by the present Insurer; and
- (b) such extension of coverage has not been refused by the Insured following conditions proposed by the present Insurer; and
- (c) the Insurer's liability does not exceed the amount of insurance specified for such extension of coverage in the prior policy; and
- (d) this Extension is limited to a maximum recovery of \$50,000 in any one Policy Period. Such limit is part of and is not in addition to the Limit of Insurance for this Form.

If during the Policy Period the Insurer introduces any broadening of this Form and for which no additional premium is charged, then such broadened insurance inures to the benefit of the Insured under this Form (effective from the date of formal introduction by the Insurer of such broadened insurance).

16. Interruption by Civil Authority

This Extension does not apply if coverage for loss arising out of interruption by civil authority is specifically insured under a separate form of commercial property or business interruption insurance, whether attached to this policy or not. Insurance under this Form is extended to include the contiguous period of time, not exceeding thirty (30) consecutive days that access to the insured premises is prohibited or denied by order of civil authority. Coverage under this extension applies only when such order or denial is given as a direct result of a "Breakdown" at premises adjacent to the insured premises and only when such order or denial of access arises out of a peril that would have been insured against under this Form had the loss or damage occurred on the "Named Insured's" premises.

17. Environmental "Green" Improvements

As respects Direct Physical Loss, if the "Insured Equipment" requires replacement due to a "Breakdown" the Insurer will pay the "Named Insured" additional costs to replace with "Insured Equipment" that is better for the environment, and more efficient than the "Insured Equipment" being replaced. The Insurer will not pay more than 125% to a maximum amount of \$250,000 of what the cost would have been to replace with like kind, capacity, size, quality and function. Such limit is part of and is not in addition to the Limit of Insurance for this Form.

This Extension does not apply to any "Insured Equipment" valued at "Actual Cash Value", obsolete equipment and/or Uninsured Equipment.

Furthermore, the Insurer will pay to a maximum of \$25,000 such amount being a part of the above stated limit and not in addition to:

- i) the additional reasonable and necessary fees incurred by the "Named Insured" for an accredited professional certified by a "green authority" to participate in the repair or replacement of physical damaged "Insured Equipment as "green";

- ii) the additional reasonable and necessary cost incurred by the “Named Insured” for certification or recertification of the replaced or repaired “Insured Equipment” as “green”;
- iii) the additional reasonable and necessary cost incurred by the “Named Insured” for “green” in removal, disposal or recycling of damage “Insured Equipment”.

This coverage is a part of and not in addition to this Form’s Limit of Insurance.

This coverage does not apply to any;

- i) stock, raw material, finished goods, production equipment, merchandise, electronic data processing equipment not used in the functional support of the “Insured Equipment” , process water, molds and dies, property in the open, property of others for which the “Named Insured” is legally liable;
- ii) loss covered under any other section of the Form; or
- iii) cost incurred due to any law, ordinance with which the “Named Insured” was legally obligated to comply prior to the time of the “Insured Equipment” “Breakdown”.

18. Automatic Coverage

Newly acquired locations are considered as added to this Form, subject to the Limit of Insurance per “Breakdown” for coverage provided:

The “Named Insured” must notify the Insurer in writing within 90 (ninety) days following the date of any newly acquired location. The “Named Insured” agrees to pay the required additional premium for insurance on any newly acquired location.

Definitions

1. Insured Equipment

“Insured Equipment” means any equipment owned, leased, operated or controlled by the Insured as described below:

- (a) any boiler, fired or unfired pressure vessel normally subject to vacuum or internal pressure other than static pressure of contents, any refrigerating or air conditioning vessels and piping and its accessory equipment, any heat exchanger that forms part of forced air heating equipment, but not including:
 - (i) any boiler setting, any refractory or insulating material;
 - (ii) any part of a boiler or fired pressure vessel that does not contain steam or water; or
 - (iii) any buried piping, any drainage piping, any sprinkler piping and its accessory equipment;
- (b) any mechanical or electrical equipment used for the generation, transmission or utilization of mechanical or electrical power, but not including:
 - (i) any vehicle or mobile equipment; or
 - (ii) any lifting or safety cables, anchorages, car buffers or counterweight buffers forming part of an elevator system;
- (c) any electronic machine, device or instrument or fibre optic cable used for research, diagnosis, treatment, communication, word processing, data processing, duplicating, monitoring or scanning.

2. Insured Property

“Insured Property” means:

- (a) property of the Insured; or
- (b) property of others in the Insured’s care, custody or control and for which the Insured is legally liable.

3. Breakdown

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

“Breakdown” does not mean:

- (i) depletion, deterioration, corrosion or erosion of material;
- (ii) wear and tear;
- (iii) the functioning of any safety device or protective device; or
- (iv) the failure of a structure or foundation supporting the equipment or a part of the equipment.

4. One Breakdown

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

5. Hazardous Substance

“Hazardous Substance” means:

- (i) any pollutant, contaminant or other substance declared by a government authority to be hazardous to health or the environment; or
- (ii) any Fungi, Spores or toxins created or produced by or emanating from such fungi or spores whether or not allergenic, pathogenic or toxigenic.

As used herein Fungi includes, but is not limited to, any form or type of mould, yeast, mushroom, mildew, bacteria or wet or dry rot, whether or not allergenic, pathogenic or toxigenic, and any substance, vapour or gas produced by, emitted from or arising out of any Fungi or Spores or resultant mycotoxins, allergens, or pathogens.

As used herein Spores includes, but is not limited to, one or more reproductive particles or microscopic fragments produced by, emitted from or arising out of any Fungi.

6. Data

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

7. Media

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

8. Terrorism

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

9. Green

“Green” means products, materials, methods and processes certified by a “Green Authority” that conserve natural resources, reduce energy or water consumption, avoid toxic or other polluting emissions or otherwise minimize environmental impact.

10. Green Authority

“Green Authority” means an authority on “green” building products, materials, methods or processes certified and accepted by Leadership in Energy and Environmental Design, Green Building Initiative Green Globes, Energy Star Rating System, CSA Standards or any other recognized “green” rating system.