

# AFFORDABLE HOUSING RISK POOL

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THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

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## EQUIPMENT BREAKDOWN COVERAGE

This endorsement modifies insurance provided under the following:  
AFFORDABLE HOUSING RISK POOL COVERAGE AGREEMENT

The following is added to COVERAGES SECTION I – PROPERTY COVERAGES.

### **Equipment Breakdown**

The term Covered Cause of Loss includes the Property Coverage Equipment Breakdown as described and limited below.

1. We will pay for direct physical damage to *Covered Property* that is the direct result of an *equipment breakdown*. As used in this Property Coverage, *equipment breakdown* means a fortuitous event that causes direct physical damage to *covered equipment*. The event must be one of the following:
  - a. Mechanical breakdown, including rupture or bursting caused by centrifugal force;
  - b. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires;
  - c. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by *you*, or operated under *your* control;
  - d. Loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
  - e. Loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.
  
2. Unless otherwise shown in a *schedule*, the following coverages also apply to the direct result of an *equipment breakdown*. These coverages do not provide additional amounts of insurance.
  - a. **Property Damage**

We will pay for physical damage to *Covered Property* that is at a *covered location* indicated in the *Information Pages* at the time of the *equipment breakdown*.
  - b. **Expediting Expenses**

With respect to *your* damaged *Covered Property*, we will pay up to \$100,000 unless otherwise shown in a *schedule*, the reasonable extra cost to:
    - (1) Make temporary repairs; and
    - (2) Expedite permanent repairs or permanent replacement.

c. **Hazardous Substances**

We will pay for the additional cost to repair or replace *Covered Property* because of contamination by a *hazardous substance*. This includes the additional expenses 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 2.d.(1)(b) below. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no *hazardous substance* been involved.

The most we will pay for loss, damage or expense under this coverage, including actual loss of Rental Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$100,000 unless otherwise shown in a *schedule*.

d. **Consequential Loss**

(1) We will pay:

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

(2) If you are unable to replace the *perishable goods* before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the *perishable goods* at the time of the *equipment breakdown*, less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Valuation of Property Additional Condition Applicable to Property Coverages.

The most we will pay for loss, damage or expense under this coverage is \$25,000 unless otherwise shown in a *schedule*.

e. **Data Restoration**

We will pay for your reasonable and necessary cost to research, replace and restore lost *data*.

The most we will pay for loss or expense under this coverage, including actual loss of Rental Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$50,000 unless otherwise shown in a *schedule*.

f. **Rental Income**

Any insurance provided under this Coverage Agreement for Rental Income is extended to the coverage provided by this endorsement. Unless otherwise shown in a *schedule*, the most we will pay for loss of Rental Income you sustain is the limit shown in the Schedule/Rental Income form for that coverage.

g. **Extra Expense**

Any insurance provided under this Coverage Agreement for Extra Expense is extended to the coverage provided by this endorsement. The most *we* will pay for any Extra Expense *you* incur is \$1,000,000 unless otherwise shown in a *schedule*.

h. **Service Interruption**

- (1) Any insurance provided for Rental Income, Extra Expense or Consequential Loss is extended to apply to *your* loss, damage or expense caused by an interruption of utility services. The interruption must result from an *equipment breakdown* to equipment, including overhead transmission lines, that is owned by a utility, landlord, a landlord's utility or other supplier who provides you with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks or data transmission. The equipment must meet the definition of *covered equipment* except that it is not *Covered Property*.
- (2) Unless otherwise shown in a *schedule*, Service Interruption coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the *equipment breakdown*.
- (3) The most *we* will pay for loss, damage or expense under this coverage is the limit that applies to Rental Income, Extra Expense or Consequential Loss, or \$1,000,000, whichever is less, except that if a limit is shown in the *schedule* for Service Interruption, that limit will apply to Rental Income and Extra Expense loss under this coverage.

i. **Fungus, Wet Rot, Dry Rot and Bacteria**

- (1) We will pay your additional cost to repair or replace Covered Property because of contamination by *fungus*, wet rot, dry rot or bacteria resulting from an *equipment breakdown*. This includes the additional costs to clean up or dispose of such property. This does not include spoilage of personal property that is *perishable goods* to the extent that such spoilage is covered under Consequential Loss coverage.
- (2) As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no fungus, wet rot, dry rot or bacteria been involved.
- (3) We will also pay the cost of testing performed after repair or replacement of the damaged Covered Property is completed only to the extent that there is reason to believe there is the presence of *fungus*, wet rot, dry rot or bacteria.
- (4) The most *we* will pay in any *equipment breakdown* for loss, damage or expense under this coverage, including actual loss of Rental Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$25,000 unless otherwise shown in a

*schedule* even if the *fungus*, wet rot, dry rot or bacteria continues to be present or active or recurs in a later policy period.

j. **Demolition and Increased Cost of Construction**

Any insurance provided under this Coverage Agreement for Demolition and Increased Cost of Construction is extended to the coverage provided by this endorsement. The most *we* will pay for the cost of Demolition and Increased Cost of Construction is \$1,000,000 unless otherwise shown in a *schedule*.

k. **Newly Acquired Property**

Any insurance provided under this Coverage Agreement for Newly Acquired Property is extended to the coverage provided by this endorsement. The most *we* will pay for loss or damage to Newly Acquired Property is \$2,000,000 unless otherwise shown in a *schedule*.

3. **EXCLUSIONS**

All exclusions in the Affordable Housing Risk Retention Pool Coverage Agreement apply except as modified below and to the extent that coverage is specifically provided by this Property Coverage – Equipment Breakdown.

- a. As respects this endorsement only, EXCLUSION C. under SECTION 1 – PROPERTY COVERAGE is deleted and replaced with the following:  
Loss or damage caused by or resulting from hidden defects, ordinary wear and tear, gradual deterioration, inherent defects or loss or damage caused by vermin or insects unless an *equipment breakdown* results; and then *we* will pay only for the resulting loss, damage or expense.
- b. *We* will not pay under this endorsement for loss, damage or expense caused by or resulting from:
  - (1) *Your* failure to use all reasonable means to protect *Covered Property* from damage following an *equipment breakdown*;
  - (2) 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. But if an *equipment breakdown* results, *we* will pay for the resulting loss, damage or expense;
  - (3) Any of the following tests:  
A hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any type of electrical equipment; or
  - (4) 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 2.c. and 2.j. (*Hazardous Substances* and Demolition and Increased Cost of Construction coverages).
- c. With respect to Service Interruption and *Fungus*, Wet Rot, Dry Rot And Bacteria coverages, *we* will also not pay for an *equipment breakdown* caused by or resulting from: fire; lightning; windstorm or hail; explosion

- (except as specifically provided in 1.c. above); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood or earth movement.
- d. With respect to Rental Income, Extra Expense and Service Interruption coverages, *we* will also not pay for:
- (1) Loss caused by *your* failure to use due diligence and dispatch and all reasonable means to resume business; or
  - (2) Any increase in loss resulting from an agreement between *you* and *your* customer or supplier.
- e. Except as specifically provided under 2.i. *Fungus, Wet Rot, Dry Rot And Bacteria* coverage, *we* will not pay for loss, damage or expense caused directly or indirectly by the following, whether or not caused by or resulting from an *equipment breakdown*. Any *fungus*, wet rot, dry rot or bacteria, including any presence, growth proliferation, spread or any activity of *fungus*, wet rot, dry rot or bacteria. This includes, but is not limited to, costs arising from clean up, removal, or abatement of such *fungus*, wet rot, dry rot or bacteria. However, this exclusion does not apply to spoilage of personal property that is *perishable goods*, to the extent that spoilage is covered under Consequential Loss coverage.
- f. *We* will not pay under this endorsement for any loss or damage to animals.

#### 4. DEDUCTIBLES and CONDITIONS

The Affordable Housing Risk Retention Pool Coverage Agreement is modified as follows.

a. DEDUCTIBLE

The deductible in the *Information Pages* applies unless a separate Equipment Breakdown deductible is shown in a *schedule*. If a separate Equipment Breakdown deductible is shown, the following applies. Only as regards Equipment Breakdown Coverage, of the Additional Condition Applicable to Property Coverages C. **Deductible** is deleted and replaced with the following:

- (1) Deductibles for Each Coverage
  - (a) Unless the *schedule* 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, damage or expense exceeds the deductible amount indicated for that coverage in the *schedule*. *We* will then pay the amount of loss, damage or expense in excess of the applicable deductible amount, subject to the applicable limit.
  - (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.
- (2) Direct and Indirect Coverages

- (a) Direct Coverages Deductibles and Indirect Coverages Deductibles may be indicated in the *schedule*.
  - (b) Unless more specifically indicated in the *schedule*:
    - (i) Indirect Coverages Deductibles apply to Rental Income and Extra Expense loss; and
    - (ii) Direct Coverages Deductibles apply to all remaining loss, damage or expense covered by this endorsement.
- (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 shown in the *schedule*. We will then pay the amount of loss, damage or expense in excess of the applicable Deductible or Deductibles, up to the applicable Limit of Insurance.
  - (b) Time Deductible
 

If a time deductible is shown in the *schedule*, we will not be liable for any loss occurring during the specified number of hours or days immediately following the *equipment breakdown*. If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.
  - (c) 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.

b. **CONDITIONS**

The following CONDITIONS are in addition to the Conditions Applicable to All Coverages and the Additional Conditions Applicable to Property Coverages in the Affordable Housing Risk Retention Pool Coverage Agreement.

(1) **Suspension**

Whenever *covered equipment* is found to be in, or exposed to, a dangerous condition, any of *our* representatives may immediately suspend the insurance against loss from an *equipment breakdown* to that *covered equipment*. This can be done by mailing or delivering 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, *your* insurance can be reinstated only by an endorsement for that *covered equipment*. If we suspend

*your* insurance, *you* will get a pro rata refund of premium 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.

(2) Jurisdictional Inspections

If any property that is *covered equipment* under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, *we* agree to perform such inspection on *your* behalf. *we* do not warrant that conditions are safe or healthful.

(3) Environmental, Safety and Efficiency Improvements

If *covered equipment* requires replacement due to an *equipment breakdown*, *we* will pay *your* additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced.

However, *we* will not pay more than 150% of what the cost would have been to replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.

(4) Coinsurance

If a coinsurance percentage is shown in a *schedule* for specified coverages, the following condition applies.

*We* will not pay for the full amount of *your* loss if the applicable limit is less than the product of the specified coinsurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, *we* will determine what percentage this calculated product is compared to the applicable limit and apply that percentage to the gross amount of loss. *We* will then subtract the applicable deductible. The resulting amount, or the applicable limit, is the most *we* will pay. *We* will not pay for the remainder of the loss. Coinsurance applies separately to each insured location.

5. DEFINITIONS

The following are added to DEFINITIONS:

a. *Boilers and vessels* means:

- (1) Any boiler, including attached steam, condensate and feedwater piping; and
- (2) Any fired or unfired pressure vessel subject to vacuum or internal pressure other than the static pressure of its contents.

This term does not appear elsewhere in this endorsement, but may appear in a *schedule*.

b. *Covered Equipment*

- (1) *Covered equipment* means, unless otherwise specified in a *schedule*, *Covered Property*:

- (a) That generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
- (b) Which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

*Covered equipment* may utilize conventional design and technology or new or newly commercialized design and technology.

- (2) None of the following is *Covered Equipment*:
  - (a) Structure, foundation, cabinet or compartment;
  - (b) Insulating or refractory material;
  - (c) Sewer piping, underground vessels or piping, or piping forming a part of a sprinkler system;
  - (d) Water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
  - (e) *Vehicle* or any equipment mounted on a *vehicle*;
  - (f) Satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
  - (g) Dragline, excavation or construction equipment;
  - (h) Equipment manufactured by *you* for sale;
  - (i) *Electrical generating equipment*.

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

d. *Electrical generating equipment*

(1) *Electrical generating equipment* means equipment which converts any other form of energy into electricity. This includes, but is not limited to, the following:

- (a) Boilers used primarily to provide steam for one or more turbine-generator units;
- (b) Turbine-generators (including steam, gas, water or wind turbines);
- (c) Engine-generators;
- (d) Fuel cells or other alternative electrical generating equipment;
- (e) Electrical transformers, switchgear and power lines used to convey the generated electricity; and
- (f) Associated equipment necessary for the operation of any of the equipment listed in (a) through (e) above.

(2) *Electrical Generating Equipment* does not mean:

- (a) Elevator or hoist motors that generate electricity when releasing cable; or
- (b) Equipment intended to generate electricity solely based on emergency basis.

- e. *Fungus* means any type or form of *fungus*, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
- f. *Hazardous Substance* means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.
- g. *Media* means material on which *data* is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.
- h. *One Equipment Breakdown* means: If an initial *equipment breakdown* causes other *equipment breakdowns*, all will be considered *one equipment breakdown*. All *equipment breakdowns* that are the result of the same event will be considered *one equipment breakdown*.
- i. *Perishable Goods* means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.
- j. *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 and any other equipment used exclusively with such machine or apparatus. However, *production machinery* does not mean any fired or unfired pressure vessel. This term does not appear elsewhere in this endorsement, but may appear in a *schedule*.
- k. *Schedule* means the Equipment Breakdown Coverage Schedule.
- l. *Vehicle* means, as respects this endorsement only, any machine or apparatus that is used for transportation or moves under its own power. *vehicle* includes, but is not limited to: car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester. However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a *vehicle*.

The most we will pay for loss, damage or expense under this endorsement arising from any *one equipment breakdown* is the applicable loss limit in the *Information Pages*. Coverage provided under this endorsement does not provide an additional amount of insurance.