

# HOUSING AUTHORITIES RISK RETENTION 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:

HOUSING AUTHORITIES RISK RETENTION 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 *equipment breakdown* to equipment that is owned by a utility, landlord or other supplier with whom *you* have a contract to supply *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 *Accident*.
- (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. Contingent Rental Income**

*We* will pay for *your* loss and expense as defined under Rental Income and Extra Expense coverages that results from an *interruption of supply*.

**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 Housing Authorities 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.i. (Hazardous Substances and Demolition and Increased Cost of Construction coverages).
- c. With respect to Service Interruption coverage, *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. 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 mold, fungus, mildew or yeast, including any spores or toxins produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean up, removal, or abatement of such mold, fungus, mildew or yeast, spores or toxins. 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 Housing Authorities 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. **Deductibles** 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 Housing Authorities 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 125% of what the cost would have been to repair or 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.

(2) None of the following is *covered equipment*:

- (a) structure, foundation, cabinet, compartment or air supported structure or building;
- (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; or
- (h) ~~\_\_\_\_\_ (h) \_\_\_\_\_~~ equipment manufactured by *you* for sale.

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

d. *Hazardous substance* means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.

e. *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 *equipment breakdown to covered equipment* that is located at a Contingent Rental Income supplier or receiver location indicated in the *Information Pages*. If no Contingent Rental Income supplier or receiver location is indicated in the *Information Pages*, 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 *equipment breakdown* or a receiver to whom you have supplied the Covered Contingency for at least six months prior to the *equipment breakdown*.

Covered Contingencies are raw materials, intermediate products, finished products, packaging materials and product processing services.

- f. *Media* means material on which *data* is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.
- g. *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*.
- h. *Perishable goods* means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.
- i. *Production machinery* means any machine or apparatus that processes or produces a product intended for eventual sale. However, *production machinery* does not mean any fired or unfired pressure vessel other than a cylinder containing a movable plunger or piston.  
This term does not appear elsewhere in this endorsement, but may appear in a Schedule.
- j. *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 \$2,000,000. Coverage provided under this endorsement does not provide an additional amount of insurance.