

INDEMNITY AGREEMENT

In the event of an Accident occurring during the policy period to an insured Object, the insurer agrees to indemnify the Insured for loss to the property of the Insured and to the property of others in the care, custody or control of the Insured for which the Insured is legally liable, directly damaged by such Accident (or, if the Insurer so elects, to repair or replace such damaged property).

DEFINITIONS

1. Declarations Page means the Declarations Page (s) applicable to this form.
2. Standard Comprehensive Plus. When Standard Comprehensive Plus coverage is selected on the Declarations Page, Object means Any equipment or apparatus described below, subject to the exclusions specified herein, only while the Object is in use or connected ready for use, while located on the premises of the Insured specified on the Declarations Page.
 - A. Any boiler, condensate return tank, fired pressure vessel, metal unfired vessel or any A.S.M.E. approved fiber glass reinforced plastic vessel normally subject to vacuum or internal pressure other than static pressure of contents, refrigerating or air conditioning vessels and piping, or metal piping and its accessory equipment, but Object shall not include any:
 1. refractory or insulating material, non-metallic lining or covering, boiler setting, or any part of a boiler or fired pressure vessel which does not contain steam, water or other heat transfer medium;
 2. oven, stove, furnace, incinerator or kiln;
 3. sewer piping, buried piping which is not contained within a duct, tunnel or runway, piping forming a part of a sprinkler system or water piping other than;
 - (a) feed water piping between any boiler and its feed pumps or injectors;
 - (c) boiler condensate return piping;
 - (d) chilled water piping connected to and forming part of a refrigerating or air conditioning system;
 - (d) arrangement of piping used in conjunction with hot water heating system, together with valves, radiators and fittings connected to such system;

Any unfired vessel which is used for the storage of gas or liquid and which is periodically filled, moved, emptied and refilled in the course of its normal service, shall be considered as connected ready for use within the terms of the policy.

 - B. Any mechanical or electrical machine or apparatus, which generates, transmits or utilizes mechanical or electrical power, but Object shall not include any:
 1. oven, stove, furnace, incinerator or kiln;
 2. part of a vehicle, aircraft, structure or floating vessel;
 3. elevator, escalator, conveyor, crane, hoist, power shovel, dragline or excavator, but not excluding any electrical equipment mounted on or forming a part of any such machine or apparatus;
 4. refractory materials or non-metallic lining or covering;
 5. maintenance machine or apparatus;
 6. complete production machine or apparatus which processes, forms, cuts, shapes, grinds, or conveys raw material, material in process, waste material or finished product, and any equipment forming a part of the driving or controlling mechanism for such production machine or apparatus but not excluding any pump, compressor, fan, blower, engine, turbine, motor, generator, or separate enclosed gear set connected to such production machine or apparatus by a coupling, clutch or belt;
 7. electrical trailing cables, induction furnace coil or electrical equipment beyond the secondary bus of an arc furnace transformer.
3. Data means facts, information, knowledge or software in a machine-readable form capable of being processed by data processing or other computerized equipment.
4. Media means any material on which data is recorded, such as magnetic tapes, hard discs or floppy discs.

5. Accident means a sudden and accidental breakdown of the Object or a part thereof, which manifests itself at the time of its occurrence by physical damage to the Object that necessitates repair or replacement of the Object or part thereof, providing such Object has been completely installed, and contractually accepted by the Insured, but Accident shall not mean
- (a) depletion, deterioration, corrosion, or erosion of materials;
 - (b) wear and tear;
 - (c) the cracking of any part of any turbine exposed to hot gases or to the products of combustion;
 - (d) leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
 - (e) the functioning of any safety device or protective device;
 - (f) the breakdown of any structure or foundation supporting the Object or any part thereof;
 - (g) breakdown of an Object while undergoing an Electrical, Hydrostatic, Pneumatic, Gas Pressure, or Performance Test.
6. One Accident means all resultant or concomitant Accidents whether to one Object or more than one Object or part of an Object.

EXCLUSIONS

1. This policy does not insure loss or damage directly or indirectly caused by:
- (a) fire, smoke or the use of water or other means to extinguish fire, but not excluding loss or damage caused by fire inside and contained within any electrical machine or apparatus concomitant with or following an Accident;
 - (b) a combustion explosion outside the Object;
 - (c) an explosion of gas or unconsumed fuel within a furnace or within the passages from a furnace to the atmosphere;
 - (d) an explosion within the furnace of any boiler of the chemical recovery type or within the passages from the furnace to the atmosphere;
 - (e) earthquake, including snow slide, landslide or other earth movements occurring concurrently with and directly resulting from an earthquake shock;
 - (f) wind, including but not limited to cyclone, tornado or hurricane;
 - (g) lightning, if coverage for that cause of loss is provided by any other policy of insurance in effect at the time of loss;
 - (h) water escape, resulting from an Accident if coverage is provided by any other insurance in effect at the time of the loss;
 - (i) war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, Insurrection or military power;
2. This policy does not insure loss or damage from:
- (a) an Accident caused directly or indirectly by nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or
 - (b) nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, caused directly or indirectly by, contributed to or aggravated by an Accident;
- nor shall the insurer be liable for any loss covered in whole or in part by any contract of insurance, carried by the Insured, which also covers any hazard or peril of nuclear reaction or nuclear radiation.
3. This policy does not insure loss or damage caused by:
- (a) spoilage due to an Accident unless coverage for Consequential Damage is specified on the Declarations Page.
 - (b) flood unless an Accident ensues and the Insurer shall then be liable only for loss from such ensuing Accident.
 - (c) delay or interruption of business, manufacturing or process, or any other indirect result of an Accident.
4. This policy does not insure any increase in loss:
- (a) necessitated by any ordinance, law, regulation, rule or ruling regulating or restricting repair, alteration, use, operation, construction or installation, except as provided in Extensions of Coverage;
 - (b) as a result of damage, contamination or pollution by a substance declared to be a contaminant, pollutant or hazardous substance by any governmental agency, except as provided in Extensions of Coverage
 - (c) or additional expenses incurred for cleanup, storage, repair, replacement or disposal of damaged, contaminated or polluted property except as provided in Extensions of Coverage.

DEDUCTIBLE CLAUSE

Each claim for loss or damage resulting from an Accident shall be adjusted separately and from the amount of each such adjusted claim shall be deducted the amount shown on the Declarations Page.

If two or more Objects are involved in One Accident, the total amount to be deducted shall be the largest Deductible Amount specified for any said Objects.

EXTENSIONS OF COVERAGE

The following extensions of Coverage are subject to the conditions of this policy. The liability of the Insurer under this policy including all Extensions of Coverage shall in no event exceed the Limit Per Accident specified on the Declarations Page.

1. **Expediting Expenses.** The Insurer agreed to pay to the extent of any indemnity remaining after payment of all losses as may be required under this Section, for the reasonable extra cost of temporary repair and of expediting the repair of such damaged property of the Insured, including overtime and the extra cost of express or other rapid means of transportation, but not including any costs related to equipment installed on a temporary basis, provided the Insurers liability shall not exceed \$50,000 or the amount specified on the Declaration Page, whichever is greater.
2. **Newly Acquired Location.** With respect to any property hereafter acquired by the Insured, any Object in use or connected ready for use at the time the property is acquired shall be considered as added to the policy as of the time said property is acquired by the Insured, all subject to the following conditions:
 - (a) The Insured shall notify the Insurer in writing within 90 days after the date said property is acquired.
 - (b) The Insured agrees to pay an additional premium for insurance in accordance with the Insurer's Manual of Rules and Rates, applicable to such change.
 - (c) The Insurer shall be liable under this coverage for Consequential Damage and Business Interruption loss resulting from an Accident to any Object if such coverages are provided in the policy.
 - (d) This coverage shall apply only to any Object within Canada.
 - (e) The Insurer's liability under this coverage shall be subject to the Limit per Accident specified on the Declarations Page for Physical Damage, Consequential Damage and Business Interruption.
3. **Hazardous Substances.** If a Hazardous Substance is involved in or released by an Accident to any Object, the Insurer shall be liable for the increase in cost to repair, replace, clean up or dispose of affected insured property. The Insurer shall also be liable for any increase in loss if Business Interruption coverage is provided in the policy.

As respects this coverage, a Hazardous Substance means any pollutant contaminant or other substance declared by a Governmental Agency to be hazardous to health or the environment. Increase in cost or increase in loss means the cost or loss beyond that which would have been incurred had no Hazardous Substance been present.

The Insurer's liability under this coverage shall not exceed \$50,000, or amount specified on the Declarations Page, whichever is greater.

4. **By Laws.** This Extension provides coverage for any increase in the cost of repairing, replacing, constructing or reconstructing (including the necessary demolition and site clearance costs) with materials of like kind and quality, the Insured's buildings, structures and insured Objects where such cost arises out of destruction of or damage to the buildings, structures and insured Objects caused by an Insured loss and is occasioned by the enforcement of the minimum requirements of any by-law, regulation, ordinance or law which is in force at the time of the Insured loss and which regulates zoning, or the demolition, repair or construction of the damaged buildings, structures or insured Objects.

If coverage is provided under Section III - Business Interruption, the Insurer shall be liable for loss during the additional time required, with the exercise of due diligence and dispatch, to effect such repair, construction or reconstruction as a result of the enforcement of said by-law, regulation, ordinance or law.

The Insurer shall not be liable under this Extension for:

- (a) any increase in loss necessitated by any ordinance, law, regulation, rule or ruling regulating the use or operation of the premises of the Insured or any insured Objects;
 - (b) loss or expense excluded by Exclusion 3 (b) and / or 3 (c) of the Policy.
5. **Data and Media.** If, as a result of an Accident to insured equipment, data or media for electronic equipment is damaged, the Insurer shall be liable:
 - (a) on Data and Media, the cost of blank materials plus the cost of transcription from duplicates or from originals;
 - (b) on exposed film, records, manuscripts, drawings or other valuable papers and records, the cost of blank material plus the cost of transcription from duplicates or from originals;

but this Extension of Coverage does not apply to media or data, which is lost or damaged as a result of programming errors.

The Insurer's liability under this coverage shall not exceed \$10,000, or the amount specified on the Declarations Page, whichever is greater.

6. Professional Fees. This Extension provides coverage for reasonable and necessary fees payable to Accountants, Engineers or other Professionals for investigating the extent and cause of loss covered under Section I - Physical Damage and for producing and certifying particulars or details of the Insured's business by the Insurer in order to arrive at the loss payable under Sections I, II & III of the policy in the event of a claim, but the Insurer's liability shall not exceed \$50,000 or the amount specified on the Declarations Page, whichever is greater.

This coverage does not apply to either the Insured's own employees or to Public Adjusters.

CONDITIONS & LIMITATIONS:

1. Limit Per Accident. The liability of the Insurer for loss from any One Accident under this Section of the policy including all Extensions of Coverage shall in no event exceed the Limit Per Accident specified on the Declarations Page. If more than one

Limit Per Accident is specified and is applicable to any One Accident; the Insurer shall not be liable for an amount exceeding the highest Limit Per Accident. If more than one Insured is named in the policy, the Insurer shall not be liable for an amount in excess of that for which it would have been liable had only one Insured been named.

2. Notice of Accident and Adjustment. When an Accident occurs, written notice shall be given by or on behalf of the Insured to the Insurer or any of its authorized agents as soon as possible. Any delay in notifying the Insurer may affect the amount of loss payable under the policy. The Insured shall give like notice of any claim made on account of such Accident. The Insurer shall have reasonable time and opportunity to examine the property and the premises of the Insured before repairs are undertaken or physical evidence of the Accident is removed, except for protection or salvage. Proof of loss shall be made by the Insured in such form as the Insurer may require. The Insured upon request of the Insurer shall render every assistance in facilitating the investigation and adjustment of any claim, submitting to examination and interrogation by any representative of the Insurer. The Insured shall not voluntarily incur any expense, other than at the Insured's own cost, except as otherwise permitted in this policy.
3. Inspection. The Insurer shall be permitted but not obliged to inspect, at all reasonable times, any Object insured under this policy. Neither the Insurer's right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking, on behalf of or for the benefit of the named Insured or others, to determine or warrant that such Object is safe or healthful.
4. Suspension. Upon the discovery of an Object in or exposed to a dangerous condition, any representative of the Insurer may immediately suspend insurance with respect to an Accident to said Object by written notice mailed or delivered to the Insured at the Address of the Insured, or at the Location of the Object. Insurance so suspended may be reinstated by the Insurer, by written notice given to the Insured as indicated above. The Insured shall be allowed the unearned portion of the premium paid for such suspended insurance, pro rata for the period of suspension.
5. Ammonia Contamination. The Insurer's liability for loss, including salvage expense, with respect to damage by ammonia contacting or permeating property under refrigeration or in process requiring refrigeration, resulting from an Accident to any system or refrigerating or air conditioning vessels and piping, shall not exceed \$50,000, or the amount specified on the Declarations Page, whichever is the greater, such amounts being part of and not in addition to the Limit Per Accident.
6. Water Escape. Subject to Exclusion 1. (h), the Insurer's liability for loss, including salvage expense, on property damaged by water, resulting from an Accident to any insured piping described in the definition of Object set out in Definition 2 including valves, radiators and fittings, and to any system of refrigerating or air conditioning vessels and piping, including any vessel or piping connected to such system, shall not exceed \$50,000 or the amount specified on the Declarations Page, whichever is greater, such amount being part of and not in addition to the Limit Per Accident.
7. Property Valuation.
 - A. Actual Cash Value (applicable only if so indicated on the Declarations Page). The limit of the Insurer's liability for loss on the property of the Insured shall not exceed the actual cash value thereof at the time of the Accident. If, as respects the damaged property of the Insured, the repair or replacement of any part or parts of an Object is

involved, the Insurer shall not be liable for the cost of such repair or replacement in excess of the actual cash value of said part or parts or in excess of the actual cash value of the Object, whichever value is less. Actual Cash Value in all cases shall be ascertained with proper deductions for depreciation, however caused.

- B. Replacement cost (applicable only if so indicated on the Declarations Page). The Insurer agrees that loss to property of the Insured shall mean the amount actually expended by the Insurer to repair or replace such property, subject to the following provisions:
- (i) the damaged property shall be replaced within twelve months from the date of the Accident unless such period is extended with written consent of the Insurer;
 - (ii) the Insurer's liability for any repair or replacement shall be limited to (a) the cost at the time of the Accident to repair the said property, or (b) the cost at the time of the Accident to replace the said property on the same site with property of like kind, capacity, size, quality, and function whichever is the lesser;
 - (iii) in the event the replacement is by property of a better kind or quality or of larger capacity or size, the liability of the Insurer shall not exceed the amount that would be paid if the replacement had been made by property of like kind, capacity, size and quality;
 - (iv) the Insurer shall not be liable for:
 - (a) loss or damage to property useless to the Insured or obsolete;
 - (b) the cost of repairing or replacing any part or parts of an Object if such cost exceeds the cost of replacing the entire Object;
 - (v) if any damaged property is not repaired or replaced the Insurer's liability as respects such property shall be limited to the amount payable based on the Actual Cash Value property valuation.
8. Other Insurance. Any loss to which both this insurance and other insurance carried by the Insured apply shall be a joint loss and the Insurer shall be liable under this policy only for the proportion of the said joint loss that the amount which would have been payable under this policy on account of said joint loss, had no other insurance existed, bears to the combined total of the said amount and the amount which would have been payable under all other insurance on account of said joint loss, had there been no insurance under this policy.
9. Disputed Loss Agreement. In the event a recoverable loss exists, should a dispute arise between Property and Boiler & Machinery Insurers as to which Insurer is liable or as to the proportion of the loss to be paid by each Insurer, the IBC Agreement respecting disputed losses between Property Insurance and Boiler & Machinery Insurance Policies shall, at the Insured's option, apply, providing the Property Insurers are signatories to the IBC Agreement.
10. Cancellation.
- A. This contract may be terminated
 - (i) by the Insurer giving to the Insured fifteen days notice of termination by registered mail;
 - (ii) by the Insured at any time on request.
 - B. Where this contract is terminated by the Insurer,
 - (i) the Insurer shall refund the excess of premium actually paid by the Insured over the pro rata premium for the expired time, but, in no event, shall the pro rata premium for the expired time be deemed to be less than a minimum retained premium specified; and
 - (ii) the refund shall accompany the notice unless the premium is subject to adjustment or determination as to amount, in which case the refund shall be made as soon as practicable.
 - C. Where this contract is terminated by the Insured, the Insurer shall refund as soon as practicable the excess of the premium actually paid by the Insured over the short rate premium for the expired time, but in no event shall the short rate premium for the expired time be deemed to be less than any minimum retained premium specified.
 - D. The refund may be made by money, postal or express company money order or cheque payable at par.
 - E. The fifteen days mentioned in clause (I) of subcondition (A) of this condition commences to run on the day following the receipt of the registered letter at the post office to which it is addressed.
11. Subrogation. In the event of any payment under this policy, the Insurer shall be subrogated to the Insured's rights of recovery therefore against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after the Accident to prejudice such rights.
12. Action Against Insurer. No action shall lie against the Insurer unless, as a condition precedent thereto, the Insured shall have fully complied with all the terms of this policy, nor unless commenced within fourteen months from the date of the Accident.
13. Assignment. Assignment of interest under this policy shall not bind the Insurer until its consent is endorsed hereon; if, however, the Insured shall die or be adjudged bankrupt or insolvent during the policy period, this policy unless

cancelled shall, if written notice be given to the Insurer within sixty days after the date of such death or adjudication, cover the Insured's legal representative as the Insured.

14. Mortgage Interest. If any name is mentioned as mortgagee with respect to any location specified on the Declarations Page of the policy. It is agreed that loss, if any, under Section I of this policy to property of the Insured shall be adjusted with and payable to the Insured and the Mortgagee, as their interests may appear. The Insurer reserves the right to cancel the policy as provided in the Cancellation Condition of the policy and in such case the Insurer agrees to mail to the Mortgagee, at the address of the Mortgagee, specified on the Declarations Page, a copy of the written cancellation notice mailed or delivered to the Insured and as respects the interest of the Mortgagee, shall be effective at the time specified in notice to the Insured, but in no event earlier than fifteen days after the date of mailing of copy of notice to the Mortgagee. If the Insured cancels the policy as provided in the Cancellation Condition of the Policy the Insurer agrees to mail to the Mortgagee, details of such requests for cancellation, but in no event shall cancellation, as respects the interest of the Mortgagee, become effective before the date requested by the Insured or fifteen days after the mailing of such details, whichever is later.

The Insurer reserves the right to suspend insurance, which shall include any insurance applying to the interest of the Mortgagee, on any Object in accordance with the inspection and Suspension Conditions of the policy, and the Insurer agrees to furnish the Mortgagee, a copy of the suspension notice.

15. Premium. The premium payable for coverage is based on those Objects, which are in use or connected ready for use at each location included at the inception date of the policy. A pro rata additional premium to the end of the policy period will be charged for any additional Objects located in new structures or structural additions. A pro rata return of premium will be made for Objects in a structure, which is demolished.