



STATE FISCAL ACCOUNTABILITY AUTHORITY

INSURANCE RESERVE FUND
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BOILER AND MACHINERY COVERAGE FORM

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

Throughout this policy the word "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the **Insurance Reserve Fund**.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F. - DEFINITIONS.

A. COVERAGE

We will pay for direct damage to Covered Property caused by a Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this Coverage Part, means any property that:

- a. You own; or
- b. Is in your care, custody or control and for which you are legally liable.

2. Property Not Covered

Covered Property does not include any:

- a. Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells used in conjunction with an electronic computer or electronic data processing equipment.
- b. Data stored on this media; or
- c. Programming records used for electronic data processing or electronically controlled equipment;

whether or not the media or data is in actual use at the time of the "accident".

3. Covered Cause of Loss

A Covered Cause of Loss is an "accident" to an "object" shown in the Declarations. An "object" must be in use or connected ready for use at the location specified for it at the time of the "accident".

4. Defense

- a. If there is damage to property of another in your care, custody or control and for which you are legally liable, that was directly caused by an "accident" to an "object," we will have the right and duty to defend you against any "suit" alleging liability for damage to that property. However, we have no duty to defend you against any "suit" alleging liability for damage to property not covered by this Coverage Form.
- b. If a claim or "suit" is brought against you alleging that you are liable for damage to property of another that was caused by an "accident" to an "object", we will either:

- (1) Settle the claim or "suit"; or
- (2) Defend you against the "suit" but keep for ourselves the right to settle it at any point.

5. Coverage Extensions

a. Expediting Expenses

With respect to your damaged Covered Property, we will pay the reasonable extra cost to:

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

We restrict the amount payable for Expediting Expenses as explained in the Limits of Insurance section of this Coverage Form.

b. Automatic Coverage For A Newly Acquired Location

We will automatically cover an "accident" to an "object" at a newly acquired location. This automatic coverage begins at the time you acquire the property and continues for 90 days, under the following conditions:

- (1) You must inform us, in writing, of the newly acquired location within 90 days of the date you acquire it;
- (2) The "object" must be in use or connected ready for use at the time of acquisition and throughout the period of automatic coverage and be of a type that would be included in any "Object" Group Description shown in the Declarations;
- (3) The Limit of Insurance and Deductible amount will be the highest amounts shown in the Declarations for the same type of "object"
- (4) We will not be liable under this coverage for Consequential Damage, Business Interruption, or any other indirect loss resulting from an "accident" to an "object"; and
- (5) You agree to pay an additional premium as determined by us.

c. Supplementary Payments

We will pay, with respect to any claim or any "suit" we defend:

- (1) All expenses we incur;
- (2) The cost of bonds to release attachments, but only for bond amounts within in the Limit of Insurance. We do not have to furnish these bonds;

- (3) All reasonable expenses incurred by you at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to \$250 a day because of the time off from work;
- (4) All costs taxed against you in any "suit" we defend;
- (5) Pre-judgment interest awarded against you on that part of the judgment we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any pre-judgment interest based on that period of time after the offer; and
- (6) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the Limit of Insurance shown in the Declarations.

These payments will not reduce the Limit of Insurance.

B. EXCLUSIONS

We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

1. Ordinance or Law

Any increase in loss caused by or resulting from the enforcement of any ordinance, law, regulation, rule or ruling regulating or restricting repair, replacement, alteration use, operation, construction or installation. As used here, increase in loss also includes expenses incurred beyond those for which we would have paid if no "hazardous substance" had been involved in the "accident".

2. Earth Movement

Any earth movement, including but not limited to earthquake, landslide, mudslide, subsidence or volcanic eruption.

3. Nuclear Hazard

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

4. War and Military Action

- a. War, including undeclared or civil war;
 - b. 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
 - c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.
5. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not.
 6. Lack of power, light, heat, steam or refrigeration.
 7. An explosion. However, we will pay for direct loss or damage caused by an explosion of an "object" of a kind specified in a. through g. below, if covered

by this insurance and described on an Object Definitions endorsement that is a part of this policy, and is not otherwise excluded in this Section B.:

- a. Steam boiler;
 - b. Electric steam generator;
 - c. Steam piping;
 - d. Steam turbine;
 - e. Steam engine;
 - f. Gas turbine; or
 - g. Moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.
8. Fire or explosion that occurs at the same time as an "accident" or that ensues from an "accident". With respect to any electrical equipment forming a part of an "object", this exclusion is changed to read:

Fire or explosion outside the "object" that occurs at the same time as an "accident" or ensues from an "accident".
 9. The explosion of gas or unconsumed fuel within the furnace of any boiler or fired vessel or within the passages from that furnace to the atmosphere, whether or not the explosion is:
 - a. Contributed to or aggravated by an "accident" to any part of an "object" that contains steam or water; or
 - b. Caused in whole or in part by an "accident" to an "object" or part of an "object".
 10. An "accident" that is the result of an explosion or fire.
 11. An "accident" to any "object" while being tested.
 12. Water or other means used to extinguish a fire, even when the attempt is unsuccessful.
 13. An "accident" to:
 - a. Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells used in conjunction with an electronic computer or electronic data processing equipment.
 - b. Data stored on this media; or
 - c. Programming records used for electronic data processing or electronically controlled equipment;

whether or not the media or data is in actual use at the time of the "accident".

14. An "accident" that is caused by any of the following causes of loss if coverage for that cause of loss is provided by another policy of insurance you have:
 - a. Aircraft or Vehicles;
 - b. Lightning;
 - c. Sinkhole Collapse;
 - d. Smoke;
 - e. Sprinkler Leakage; or
 - f. Weight or Snow, Ice, or Sleet.
15. An "accident" that is caused by either of the following causes of loss:
 - a. Windstorm or Hail; or
 - b. Freezing, caused by cold weather.
16. A delay in, or an interruption of, any business, manufacturing or processing activity.
17. Any other indirect result of an "accident" to an "object".

C. LIMITS OF INSURANCE

1. We will not pay more than the applicable Limit of Insurance shown in the Declarations for all direct damage to Covered Property that results from any "one accident".
2. The following coverage limitations to our payment for direct damage to Covered Property are part of and not in addition to the Limit of Insurance for this Coverage Form.

a. Expediting Expenses

Our payment for Expediting Expenses will be limited to:

- (1) \$25,000; or
- (2) What is left of the Limit of Insurance after we pay your loss for Covered Property damaged by an "accident";

whichever is less.

b. Hazardous Substance Limitation

The following applies despite the operation of the Ordinance or Law Exclusion. This limitation does not apply to damage, contamination or pollution caused by ammonia.

If Covered Property is damaged, contaminated or polluted by a "hazardous substance" as a result of an "accident" to an "object", the most we will pay for any additional expenses incurred by you for **clean up, repair or replacement or disposal** of that property is \$25,000. As used here, additional expenses mean expenses incurred beyond those for which we would be liable if no "hazardous substance" had been involved.

c. Ammonia Contamination Limitation

If Covered Property is contaminated by ammonia as a result of an "accident" to an "object", the most we will pay for this kind of damage, including salvage expense, is \$25,000.

d. Water Damage Limitation

If Covered Property is damaged by water as a result of an "accident" to a covered refrigerating or air conditioning vessels and piping, the most we will pay for this kind of damage, including salvage expense, is \$25,000.

Any payment made under Section C will not increase if more than one insured is shown in the Declarations.

D. DEDUCTIBLE

We will not pay for loss or damage resulting from any "one accident" until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible, up to the applicable Limit of Insurance. If more than one "object" is involved in "one accident", only the highest Deductible will apply.

E. BOILER AND MACHINERY CONDITIONS

The following conditions apply in addition to the Common Policy Conditions:

1. Loss Conditions

a. Abandonment

There can be no abandonment of any property to us.

b. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- (1) Pay its chosen appraiser; and
- (2) Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal we will still retain our right to deny the claim.

c. Duties In the Event of Loss or Damage

- (1) 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. Include a description of the property involved.
 - (b) As soon as possible, give us a description of how, when and where the loss or damage occurred.
 - (c) Allow us a reasonable time and opportunity to examine the property and premises before repairs are undertaken or physical evidence of the "accident" is removed. But you must take whatever measures are necessary for protection from further damage.

- (d) Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.
 - (e) If requested, permit us to question you under oath, at such times as may be reasonably required about any matter relating to this insurance on your claim, including your books and records. In such event, your answers must be signed.
 - (f) Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request.
 - (g) Cooperate with us in the investigation or settlement of the claim.
- (2) We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

d. Insurance Under Two or More Coverages

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage subject to the Limit of Insurance.

e. Legal Action Against Us

No one may bring a legal action against us under this Coverage Part unless:

- (1) There has been full compliance with all the terms of this Coverage Part; and
- (2) The action is brought within 2 years after the date of the "accident"; or
- (3) We agree in writing you have an obligation to pay for damage to Covered Property of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring us into an action to determine your liability.

f. Loss Payable Clause

- (1) We will pay you and the loss payee shown in the Declarations for loss due to an "accident" to an "object", as interests may appear. The insurance covers the interests of the loss payee unless the results from conversion, secretion or embezzlement on your part.
- (2) We may cancel the policy as allowed by the Cancellation Condition. Cancellation ends this agreement as to the loss payee's interest.
- (3) If we make any payment to the loss payee, we will obtain their rights against any other property.

g. Other Insurance

- (1) You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
- (2) If there is other insurance covering the same loss or damage, other than that described in (1) above, we will pay only the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not.

In no case will we pay more than the applicable Limit of Insurance.

h. Privilege to Adjust With Owner

In the event of loss or damage involving property of others in your care, custody or control, we have the right to settle the loss or damage with the owner of the property. A receipt for payment from the owners of that property will satisfy any claim of yours.

i. Transfer of Rights of Recovery Against Others To Us

If any person or organization to of for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them.

j. Valuation

- (1) We will pay you the amount you spend to repair or replace your property directly damaged by an "accident". Our payment will be the smallest of:
 - (a) The Limit of Insurance;
 - (b) The cost at the time of the "accident" to repair the damaged property with property of like kind, capacity, size and quality;
 - (c) The cost at the time of the "accident" to replace the damaged property on the same site with other property:
 - (i) Of like kind, capacity, size and quality; and
 - (ii) Used for the same purpose;
 - (d) The amount you actually spend that is necessary to repair or replace the damaged property.
- (2) As respects any "object", if the cost of repairing or replacing only a part of the "object" is greater than:
 - (a) The cost of repairing the "object"; or

- (b) The cost of replacing the entire "object" on the same site;

we will pay only the smaller of (a) or (b).

The repair parts or replacement "object" must be

- (c) Of like kind, capacity, size and quality; and

- (d) Used for the same purpose.

The cost of repair or replacement in (1) and (2) above does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

- (3) We will not pay you:

- (a) If the loss or damage is to property that is obsolete or useless to you; or

- (b) For any extra cost if you decide to repair or replace the damaged property with property of a better kind or quality or of larger capacity.

- (4) If you do not repair or replace the damaged property within 18 months after the date of the "accident", then we will pay only the smaller of the:

- (a) Cost it would have taken to repair; or

- (b) Actual cash value;

at the time of the "accident".

Paragraph (4) does not apply to any time period beyond the 18 months that we agree to in writing.

2. General Conditions

a. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of an obligation under this Coverage Part.

b. Liberalization

If we adopt any standard form revision for general use that would broaden coverage under this Coverage Part without additional premium, the broadened coverage will immediately apply to this Coverage Part if the revision is effective within 45 days prior to or during the policy period.

c. No Benefit to Bailee

No person or organization, other than you, having custody of Covered Property, will benefit from this insurance.

d. Object Group

All "objects" in use or connected ready for use and included in an "Object" Group Definition will be considered as individually described in the Declarations. The premiums of "objects" included in an "Object" Group Description will be adjusted as follows:

- (1) We will base the initial premium for these "objects" on information we obtain. The rates charged will be those in effect on the first day of coverage.

- (2) We will charge an additional premium for "objects" that are added to the policy after the effective date of this policy. The additional premium for these "objects" will be computed pro rata.

- (3) We will allow a return premium for "objects" that are removed from the policy after the effective date of the policy. The return premium will be computed pro rata from the time the "objects" are disconnected.

e. Policy Period, Coverage Territory

Under this Coverage Part:

- (1) The "accident" must occur

- (a) During the Policy Period shown in the Declarations; and

- (b) Within the Coverage Territory.

- (2) The coverage territory is:

- (a) The United States of America; and

- (b) Puerto Rico

f. Concealment, Misrepresentation or Fraud

This Coverage Part is void in any case of fraud by you relating to it. It is also void if you intentionally conceal or misrepresent a material fact concerning:

- (1) This Coverage Part;

- (2) The Covered Property; or

- (3) Your interest in the Covered Property.

g. Suspension

Whenever an "object" is found to be in or exposed to a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "object". This can be done by delivering or mailing a written notice of suspension to:

- (1) Your last known address; or

- (2) The address where the object is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "object".

If we suspend your insurance, you will get a pro rata refund of premium for that "object". But the suspension will be effective even if we have not yet made or offered a refund.

F. DEFINITIONS

- 1. "Accident" means a sudden and accidental breakdown of the [object] or a part of the "object". At the time the breakdown occurs, it must manifest .

itself by physical damage to the "object" that necessitates repair or replacement.

None of the following is an "accident":

- a. Depletion, deterioration, corrosion or erosion;
- b. Wear and tear;
- c. Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- d. Breakdown of any vacuum tube, gas tube or brush;
- e. Breakdown of any electronic computer or electronic data processing equipment.
- f. Breakdown of any structure or foundation supporting the "object" or any of its parts; or
- g. The functioning of any safety or protective device.

Turbine Units may have a separate definition of "accident". If so, refer to the Declarations for the appropriate accident definition.

If a strike, riot, civil commotion, act of sabotage or vandalism results in an "accident", this insurance applies. However, the War and Military Action Exclusion and the conditions of this Coverage Part still apply.

2. **"Hazardous Substance"** means a substance declared to be hazardous to health by a governmental agency.

3. **"Object"** means the equipment shown in the Declarations. Full description of specific "object" categories are found in the Object Definitions endorsement attached to this Coverage Form.

4. **"One Accident" means:**

If an initial "accident" causes other "accidents" all will be considered [one accident]. All [accidents] at any one location that manifest themselves at the same time and are the result of the same cause will be considered [one accident].

5. **"Suit"** means a civil proceeding and includes:

- a. An arbitration proceeding in which damages are claimed and to which you must submit or do submit with our consent; or
- b. Any other alternative dispute resolution proceeding in which damages are claimed and to which you submit with our consent.

INSURANCE RESERVE FUND

By



Director