



STATE FISCAL ACCOUNTABILITY AUTHORITY

INSURANCE RESERVE FUND
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ELECTRONIC DATA PROCESSING EQUIPMENT POLICY

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 words "you" and "your" refer to the Named Insured shown in the declarations. The words "we", "us", and "our" refer to the Insurance Reserve Fund.

What This Agreement Covers

We will protect covered property against risks of direct physical loss unless excluded in the Exclusions-Losses We Won't Cover section. We will also cover Extra Expense and Business Income when indicated in the Declarations Page.

When we use the word "loss" in this agreement we also mean damage.

Limits of Coverage

The limits that apply to computer equipment, data and media, extra expense coverage and business income coverages are shown in the Declarations Page. These limits are the most we will pay under these coverages no matter how many protected persons are involved or how many claims are made involving one event.

Where We Cover

We will cover losses that occur at the locations shown in the Declarations Page, or while in transit within the United States of America, Puerto Rico or Canada, or between any of these places.

Property Covered

The description of covered property and limit of coverage are shown in the Declarations Page. In this section we explain what is included under the listed coverages.

Computer equipment. We will cover computer equipment you own, rent or for which you are legally responsible.

Computer Equipment means a network of machine components capable of accepting information, processing it according to plan and producing the desired results. It includes air conditioning, fire protection equipment and electrical equipment used exclusively in your computer operations. However, it does not include data and media.

Data and Media. We will cover data and media you own or for which you are legally responsible.

Data means facts, concepts or instructions in a form usable for communications, interpretations or processing by automatic means. It includes computer programs.

Media means material on which data is recorded, such as magnetic tapes or disk packs.

Coverage for checks. If you are a financial institution we will cover the replacement of the following items as data when they are in the form indicated.

- o Checks that are cashed or deposited. Coverage begins when their face value has been encoded on them.
- o Other documents. Coverage begins when the code numbers that apply have been encoded on them.

However, we cover these only for their value as data, not their face value.

Property Not Covered

We will not cover the following property:

- o data or media which cannot be replaced with others of the same kind or quality, unless insured for a specific amount per article;
- o program supportive documentation such as flowcharts, record formats or narrative descriptions except as they are converted to data form and then only in that form;
- o accounts, bills, valuable papers;
- o records, abstracts, deeds, manuscripts; or
- o other documents except as they are converted to data form and then only in that form.

Extra Expense

We will cover extra expense necessary to continue your computer operations.

Extra Expense is any operating expense over and above what it would normally cost to conduct your computer operations.

We will pay for actual loss up to the limit of coverage when the following conditions are met:

1. The expense is necessary to continue your normal computer operations.
2. The expense results from direct damage to any of the following:
 - o your computer equipment, data and media; or
 - o the building housing your computer operations or other property in the building or within 1,000 feet of it, if the damage prevents you from using your computer facilities

Business Income

We will cover loss of business income resulting from the interruption of your computer operation caused by damage to or destruction of any of the following:

- o your computer equipment, data, media; or
- o the building housing your computer operations or other property in the building or within 1,000 feet of it, if the damage prevents you from using your computer facilities

Business Income means the net income, which is the net profit or loss before income taxes, that would have been earned or incurred and continuing normal operating expenses that are incurred. This includes payroll.

Business income includes the net income attributable to prototypes, project research and development documentation.

Prototype means the first or original model of a new type of design. Project research and development documentation means written, printed or otherwise inscribed documents, plans and records directly associated with your research and development operations.

Additional Benefits

All of the following benefits are in addition to the limits of coverage shown on the Declarations Page.

Newly Acquired Equipment

We will cover additional computer equipment you acquire while this agreement is in effect

We will increase your computer equipment coverage limit up to an additional \$500,000 to cover newly acquired equipment at any location shown on the Declarations Page. You must report the additional value of all newly acquired equipment to us within 60 days of acquiring it or the additional limit ends at that time. An additional premium will be due from the day the equipment was acquired.

Backup Location Coverage

We will cover your data and media up to \$50,000 at any one backup location. If you need a higher limit, it must be specifically shown on the Declarations Page.

To qualify for this additional coverage each backup location must be in a separate building at least 100 feet away from your main computer operation.

Temporary Location

We will cover your computer equipment, data or media for up to \$500,000 for direct physical loss while temporarily within the premises of others for purpose other than storage.

This coverage extension is provided for a maximum of 60 days while at any temporary location.

Removal Coverage

We will cover your computer equipment, data, media and computer programs while they are away from a covered location at a safe place because of imminent danger or loss. And we will cover those items while they are being moved to and from that safe place. But you must tell us within 10 days after you move them for this coverage to apply.

Debris Removal

If your equipment, data or media is damaged or destroyed by a covered cause of loss, we will pay the cost of removing its debris.

Interruption By A Civil Authority

A civil authority like a fire department may delay access to your covered location because property adjacent to your location is damaged or destroyed. If the damage is caused by a covered cause of loss and we insure Extra Expense or Business Income, we will pay your necessary extra expense or business income for up to 2 consecutive weeks while access is denied.

Breakdown Coverage

We will cover insured property for loss caused by a mechanical or electrical breakdown. If you insure extra expense and business income we will also cover such losses when caused by a breakdown damage to computer equipment, data or media from these causes.

But we will not cover extra expense or business income that result from the breakdown of any other property such as a boiler.

A special breakdown deductible applies to mechanical and electrical breakdown as well as certain other causes of loss. This deductible is shown on the Declarations Page and is described in the Deductible section of this form.

1. Mechanical breakdown. We will cover loss or damage to your covered computer equipment, data and media inside your building or within 1,000 feet of it caused by mechanical breakdown or malfunction of your computer equipment.

An example of a covered mechanical breakdown would be a head crash.

2. Electrical breakdown. We will cover short-circuit, blow-out, electrical or magnetic injury or disturbance or other electrical damage to:

- o covered computer equipment, including wiring.
- o covered data and media.

This includes any accidental erasure of data caused by electrical or magnetic injury, or operator or programmer error.

But to be covered, the cause of the electrical damage must occur within your building or within 1,000 feet of it.

But to be covered, the cause of the electrical damage must occur within your building or within 1,000 feet of it.

However, we will not cover any breakdown or malfunction loss caused by any change in the electrical power supply, such as interruption, power surge or brown-out, if the change originates more than 1,000 feet from the building containing your computer equipment, unless this agreement is amended in writing by us.

Exclusions - Losses We Will Not Cover

Dishonesty. We will not cover any loss caused by any fraudulent, dishonest or criminal act committed by you or by a partner, director, officer, trustee, agent or employee of yours. Nor will we cover dishonest acts of anyone entrusted with the covered property. But this exclusion will not apply to acts of destruction by an employee of yours other than theft.

Wear-tear-deterioration. We will not cover loss caused or made worse by:

- o wear and tear; or
- o gradual deterioration.

War and government seizure. We will not cover loss caused directly or indirectly by any of the following. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

- o war (declared or undeclared);
- o warlike action by a military force, including anything done to hinder or defend against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents;

- o invasion or insurrection;
- o rebellion, revolution or civil war;
- o seizure of power; or
- o anything done to hinder or defend against these actions.

We will not cover seizure or destruction of your property under quarantine of customs regulations, or confiscation by any government or public authority. Nor will we cover illegal transportation or trade.

Nuclear activity. We will not cover loss caused directly or indirectly by nuclear reaction, nuclear radiation, or radioactive contamination. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. But if loss or damage by fire results, we will pay for that resulting loss or damage, if it would otherwise be covered under this agreement.

Design errors or faulty materials. We will not cover loss caused by errors in design or faulty materials. But we will cover loss to your insured equipment, data or media by a covered cause of loss, which results from errors in design, or use of faulty materials in the development, manufacture or installation of that equipment, data or media.

For example, we will not pay to replace a defective part supplied by the manufacturer. But we will pay for other damage that results from use of that defective part.

This special breakdown deductible applies to these covered losses.

Damage during service or repair. We will not cover loss to equipment, data or media which results while they are being worked on, repaired or serviced. But we will cover loss to these items caused by a covered cause of loss, which results from that work, repair or service.

For example, we will not pay to replace a disk drive, which is damaged while being serviced. We will pay for the other damage that results from use of that damaged part.

The special breakdown deductible applies to these covered losses.

Delay-loss of market. We will not cover any loss caused by delay or loss of market.

Programming error. We will not cover any extra expense or business income loss caused by programming errors or incorrectly instructing the machine. But this exclusion does not apply to loss caused by acts of computer hackers, computer viruses, Trojan horses, worms, logic bombs or other malicious software.

Ordinances, regulations or laws. We will not cover loss caused directly or indirectly by the enforcement of any ordinance, regulation or law governing:

- o the use, construction, repair or demolition of any property;
- o the prevention, control, clean up or restoration of pollution damage; or
- o the presence of hazardous substances.

This includes removal of debris. Such loss is excluded regardless of any other cause or event that contributes concurrently or in any sequence to that loss.

But this exclusion will not apply to property destroyed by civil authority in order to stop the actual spread of fire. For example, to establish a firebreak.

Strikes. We will not cover any increase in loss due to delay caused by strikers or anyone else at the site of your damaged business who interfere with your efforts to fix the damage or resume your normal operations.

However, we will cover an increase in business income loss when a strike on another person's premises prevents you from resuming business.

For example:

You have ordered material to repair your building after it has been damaged by a fire. But you cannot get the material because there is a strike at the manufacturer's plant. This prevents you from resuming business and increases your loss. We will cover this increase.

Cancellation of contracts. We will not cover any increase in loss that is caused by the suspension, lapse or cancellation of any lease, license, contract or order.

Loss of documents. We will not cover any extra expense loss or increase in business income loss caused when accounts, bills, valuable abstracts, deeds, manuscripts or documents are damaged or destroyed. However, if these items were converted to data form this exclusion will not apply.

Disappearance-inventory loss. We will not cover loss of property that just disappears or that you find missing when you take inventory.

Rules For Loss Adjustment

Computer, Data and Media

When a loss occurs, we will consider the following factors in determining what we will pay:

1. How your Computers, Data and Media are Valued
2. Deductible
3. Other Insurance

We may take over any of the damaged or destroyed property at its agreed or appraised value. Or we can choose to repair, rebuild or replace the property ourselves provided we give you notice within 30 days after we get your proof of loss. But you agree that you will not merely abandon this property to us.

How Your Property is Valued

Replacement Cost. We will pay the cost of repairing or replacing the damaged property without deduction for depreciation.

However, we will not pay more than the smallest of the following:

1. The limit of coverage that applies to the computer.
2. The amount you actually spend in repairing the damage, or the amount it would cost to replace the damaged property at the time of the loss with new property of equal performance, capacity or function.
3. If replacement with new property of equal performance, capacity or function is not possible, its replacement by property having the nearest higher performance, capacity or function to the property lost, destroyed or damaged.

What We Will Pay For Data Media Losses

Data. We will pay the actual cost of reproducing the data, up to the limit of coverage that applies, provided you actually replace or reproduce it. This includes the additional expense to reproduce data under adverse circumstances if it is necessary to continue your normal computer operations. But we will not cover data which cannot be replaced due to the lack of backup support documentation, source code or records. Data may be scheduled in the Declaration Page for a specific value per item. If so, we will pay up to that amount for each item.

Normal computer operations means the operations that would have existed if no damage had occurred.

Media. We will pay the actual cost of either repairing or replacing the media with material of similar kind and quality, up to the limit of coverage that applies.

What We Will Pay For Extra Expense Losses

We will pay your necessary extra expenses up to the limit of coverage that applies. However, we will not pay more than the actual extra expense you incur.

We will pay for these necessary extra expenses from the date of the damage for as long as it should reasonably take to repair or replace damaged computer equipment, data, media or the building housing your computer operations or other property in the building.

If you get property to use temporarily until you resume your normal operations, we will subtract its remaining value when we figure the total amount of your loss.

You agree to resume your normal operations as soon as possible.

What We Will Pay For Business Income Losses

What we will pay for a covered business income loss depends on the limit shown on the Declarations Page for Business Income loss and whether your computer operations are totally or partially suspended.

Total suspension. If the property damage causes a complete suspension of your computer operations, we will pay an amount for each 24-hour day when you would have normally conducted business. We will cover your loss for as long as it should reasonably take to repair or replace the damaged property, but we will not pay more than the total limit shown on the Declarations Page.

However, when it is possible for you to resume some operations and the suspension becomes only partial, we will pay the remaining interruption as explained in the next section.

Partial Suspension. If the property damage causes a partial suspension of your computer operation, we will pay up to a percentage of your limit for each working day at the covered location. This percentage will be equal to the value of your lost income divided by your normal income. By normal income we mean what your income would have been had no loss occurred.

We will cover your loss for as long as it should reasonably take to repair or replace the damaged property. However we will not pay more than the limit of coverage that applies.

Reducing your loss. If you can reduce your business income loss by resuming operations at the affected location or by making use of other property at other locations, you must do so.

We will pay any expenses you have that are necessary to reduce your loss (except expenses for putting out a fire). But we will not pay those expenses that exceed the amount by which they reduce the loss.

Deductibles

Your deductible is shown in the Declarations Page. You will first pay up to this amount for all losses caused by any one event covered under this agreement except for Breakdown Coverage. We will pay anything over this amount up to the applicable limits of your coverage.

Special breakdown deductible. A special deductible is shown for breakdown coverages. This deductible amount applies to losses, which result from mechanical or electrical breakdown as explained in the Breakdown Coverage section. It also applies to losses resulting from errors in design, use of faulty materials or coverages under the Damage during service or repair exclusion. This deductible does not apply to losses caused by fire, lightning or explosion.

Other Insurance

Other insurance may be available to cover your loss. If so, what we will pay depends on the type of other insurance and the property covered. In any case, we will subtract the amount of the deductible from our payment and we will not pay more than the limit of coverage that applies.

Other Computer Insurance

If other computer insurance covers a loss to equipment, data or media and the loss is also covered under this agreement, this agreement is excess insurance. This means we will pay only after the other data processing insurance is has paid up to its limits. But if the other insurance also pays only as excess, we'll share the loss with them.

Other Property Insurance

If insurance other than data processing insurance covers a loss to equipment, data or media and the loss is also covered under this agreement, this agreement is primary insurance. This means we will pay your covered loss up to the limit of coverage that applies. Any loss over that limit will be the responsibility of the other insurance.

Other Extra Expense or Business Income Insurance

If any other insurance covers an extra expense or business income loss that is covered under this agreement, this agreement is excess insurance. This means we will only pay after the other insurance has paid up to its limit. If the other insurance also pays only as excess, we will share the loss with the other company.

Other Rules For This Agreement

Insurance For Your Benefit

This insurance is for your benefit. No third party having temporary possession of your property, such as a transportation company, can benefit directly or indirectly from it.

Adjusting Losses

If there is a covered loss to your property, we will adjust the loss with you. If there is a covered loss to someone else's property, we may adjust the loss with you for the owner's account. Or we can choose to settle directly with the owner. If we do, the owner's release will satisfy any claim you make for the same loss. We will also defend, at our cost, any legal proceedings brought against you as a result.

Who We Will Pay For Loss To Equipment

If the Declarations Page identifies a person or organization to receive payment for loss to equipment, we will adjust the loss with you. However, payment will be made to you and the person or organization named, based on the financial interest each has in the covered property.

Preserving Your Rights

You must do all you can to preserve any rights you have to recover your loss from others. If you do anything to impair these rights, we will not pay for your loss. However, before a loss occurs, you can give others a written release from any responsibility for losses to property. You can also accept ordinary bills of lading from a shipper, even if they limit the carrier's liability for losses.

Expenses For Reducing Loss

When a covered loss occurs, you must do everything possible to protect the property from further damage. Keep a record of your expenses. We will pay our share of reasonable and necessary expenses incurred to reduce the loss or protect the covered property from further damage. We will figure our share and your share of these expenses in the same proportion as each of us will benefit from them.

INSURANCE RESERVE FUND

By



Director