

Filing at a Glance

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SERFF Status: Closed

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Reviewer(s): Becky Harrington,
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Author: SPI AAIS

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General Information

Project Name: CW FO Equipment Breakdown Endt's & Suppl AAIS-2007-54

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Filing Description:

SENT VIA SERFF

Re: AAIS-2007-54F

Farmowners Program - Equipment Breakdown Coverage

New Optional Endorsements

Dear Sir or Madam:

On behalf of our affiliated companies, the American Association of Insurance Services (AAIS) is filing a new option for covering dwelling-related equipment breakdown exposures is being submitted on a first-time basis under the AAIS Farmowners Program. Our filing consists of new optional endorsements.

The Filing Memorandum provides a detailed description of the changes and additions being proposed at this time. Copies of the endorsements are enclosed.

We propose that the endorsements described in this filing become effective October 1, 2007 and only companies that choose not to adopt these materials on that date will be required to notify the Insurance Department. Once approved, we also ask that companies that choose to adopt these materials on an earlier date may do so by notifying the Insurance Department.

Under separate cover, in a filing identified as "AAIS-2007-54R", we have submitted a new optional rule supplement to be used with these endorsements.

Please be advised that, upon approval, the materials that are the subject of this filing may also be provided to affiliated companies in an electronic format. We will be happy to furnish you the same materials electronically, upon request. Due to differences in printer configurations or other hardware or software differences, the appearance of the materials that are the subject of this filing may be altered slightly when produced by another system. Such alterations will be cosmetic only and will not affect the content of the filed materials.

The required filing fee has been submitted via regular mail.

Company and Contact

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Filing Company Information

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CoCode: 31400
Group Code:
Group Name:
FEIN Number: 36-2021360

State of Domicile: Delaware
Company Type:
State ID Number:

Filing Fees

Fee Required?	Yes
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Retaliatory?	No
Fee Explanation:	
Per Company:	No

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Becky Harrington	07-11-2007	07-11-2007

Disposition

Disposition Date: 07-11-2007

Effective Date (New): 10-01-2007

Effective Date (Renewal):

Status: Approved

Comment:

Rate data does NOT apply to filing.

Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty		No
Supporting Document	FO Equipment Breakdown Forms Filing Memo	Approved	Yes
Form	Equipment Breakdown Dwelling Coverage	Approved	Yes
Form	Equipment Breakdown Dwelling Coverage -- Includes Permanently Installed Appliances	Approved	Yes

Form Schedule

Review Status	Form Name	Form #	Edition Date	Form Type Action	Action Specific Data	Readability	Attachment
Approved	Equipment Breakdown Dwelling Coverge	FO 0430	06 07	Endorseme New nt/Amendm ent/Condi ons		44.05	FO 0430.PDF
Approved	Equipment Breadown Dwelling Coverage -- Includes Permanently Installed Appliances	FO 0435	06 07	Endorseme New nt/Amendm ent/Condi ons		44.98	FO 0435.PDF

EQUIPMENT BREAKDOWN DWELLING COVERAGE

(Entries required to complete the Schedule will
be shown below or on the "declarations".)

SCHEDULE

Limits
Any One Accident

Equipment Breakdown Coverage	\$
Additional Living Costs And Loss Of Rent	\$
Refrigerated Farm Personal Property Coverage	\$

Deductible: \$

This policy is amended to include the following
"terms". All other "terms" of the policy apply,
except as amended by this endorsement.

DEFINITIONS

The following definitions are added with respect
to the coverage provided by this endorsement.

1. "Accident" means sudden and accidental:

- a. mechanical or electrical breakdown; or
- b. tearing apart, cracking, burning, or bulging of a steam or hot water heating system or an air conditioning system;

that results in direct physical damage to
"covered equipment".

2. "Covered equipment" --

a. "Covered equipment" means:

- 1) property covered under Coverage A
-- Residence or Coverage B --
Related Private Structures that:

a) generates, transmits, or utilizes
energy; or

b) during normal usage, operates
under vacuum or pressure, other
than the weight of its contents;

- 2) well pumps; or
- 3) outdoor electrical wiring, switch boxes, fuse boxes, and any other outdoor electrical equipment mounted on panels or poles.

b. However, "covered equipment" does not
include:

- 1) supporting structures, cabinets, or compartments;
- 2) insulating material associated with "covered equipment";
- 3) sewer piping, buried vessels or piping, or piping forming a part of a fire protective sprinkler system;
- 4) water piping other than boiler feedwater piping, boiler condensate return piping, or water piping forming a part of a refrigerating or air conditioning system;
- 5) kitchen or laundry appliances including, but not limited to, refrigerators, dishwashers, ovens, stoves, clothes washers, and clothes dryers; or

- 6) electronic entertainment or computer equipment including, but not limited to, television and stereo equipment or any electronic component used with such electronic entertainment or computer equipment.

3. "One accident" means:

If an initial "accident" causes other "accidents", all will be considered "one accident". All "accidents" that are the result of the same event will be considered "one accident".

PROPERTY COVERAGES

The following coverages are added:

1. **Equipment Breakdown Coverage**

- a. Subject to all the "terms" of this endorsement, "we" pay for direct physical damage to "covered equipment" that is the result of an "accident".
- b. When an Equipment Breakdown "limit" is shown in the Schedule above, that "limit" is the most "we" pay for any "one accident".
- c. When an Equipment Breakdown "limit" is not shown in the Schedule above, the most "we" pay for any "one accident" is the "limit" that applies to the damaged property.
- d. However, item c. above does not apply to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment".

When an Equipment Breakdown "limit" is not shown in the Schedule above, the Coverage A "limit" is the most "we" pay for any "one accident" for damage to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment". This does not increase the Coverage A "limit".

- e. The coverage provided by this endorsement does not apply to any property that is not "covered equipment", except as provided under the Refrigerated Farm Personal Property Coverage "terms" of this endorsement.
- f. Except with respect to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment", the coverage provided by this endorsement does not increase the "limits" that apply to the property covered.

2. **Additional Living Costs And Loss Of Rent** -- Coverage for Additional Living Costs And Loss Of Rent, as described under Coverage D, is extended to the coverage provided by this endorsement.

With respect to the coverage provided by this endorsement, the most "we" pay under Coverage D is \$200 per day for no more than five consecutive days, subject to a maximum "limit" of \$1,000 for any "one accident", unless a higher "limit" for Additional Living Costs And Loss Of Rent is shown in the Schedule above.

However, this coverage does not increase the Equipment Breakdown "limit" for any "one accident" when an Equipment Breakdown "limit" is shown in the Schedule above.

The "limit" shown on the "declarations" for Coverage D does not apply to the coverage provided by this endorsement.

3. **Refrigerated Farm Personal Property Coverage** -- "We" pay for direct physical loss to Farm Personal Property covered under Coverages F or G and stored in a freezer or refrigerated unit in the "residence" covered under Coverage A caused by mechanical or electrical breakdown unless otherwise excluded by this endorsement. This coverage does not apply to property intended for the personal use of an "insured".

With respect to the coverage provided by this endorsement, the most "we" pay under Refrigerated Farm Personal Property Coverage is \$500 for any "one accident" unless a higher "limit" for Refrigerated Farm Personal Property Coverage is shown in the Schedule above.

However, this coverage does not increase the Equipment Breakdown "limit" for any "one accident" when an Equipment Breakdown "limit" is shown in the Schedule above.

EXCLUSIONS

1. With respect to policies that include forms FO-1 or FO 0001, FO-2 or FO 0002, or FO-3 or FO 0003, the coverage provided by this endorsement is subject to the General Exclusions under Additional Policy Terms Applicable To All Property Coverages.

With respect to policies that include form FO-3 or FO 0003, the coverage provided by this endorsement is also subject to Exclusions Applying to Coverages A and B.

With respect to policies that include form FO 0005, the coverage provided by this endorsement is subject to the Exclusions That Apply To Property Coverages.

2. The following exclusion is added with respect to the coverage provided by this endorsement:

"We" do not pay for loss, damage, or expense caused by or resulting from electrical power surge or brown out.

3. No reference to mechanical breakdown under exclusions in the policy to which this endorsement is attached applies to the coverage provided by this endorsement.
4. The following exclusion is added with respect to the coverage provided by this endorsement:
- "We" do not pay for loss, damage, or expense that is the result of an "accident" caused by or resulting from: fire; lightning; windstorm or hail; explosion; smoke; aircraft or vehicles; breakage of glass; molten material; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood; or earth movement.

HOW MUCH WE PAY FOR LOSS OR CLAIM

The Deductible provision is deleted and replaced by the following with respect to the coverage provided by this endorsement.

Deductible

- a. This applies to all coverages provided by this endorsement except Refrigerated Farm Personal Property Coverage.
- b. Subject to the "limits" that apply, "we" pay that part of the loss, damage, or expense over the deductible. The deductible applies per any "one accident". Only one deductible applies at each location.

- c. Unless a different deductible amount is shown in the Schedule above, the coverage provided by this endorsement is subject to the policy deductible amount that applies to property covered under Coverage A or Coverage B for loss caused by the peril of Fire.

- c. If "you" do not repair or replace the damaged property within 24 months after the date of the "accident", then "we" pay only the smaller of:

- 1) the cost to repair or replace the damage at the time of the "accident"; or
- 2) the "actual cash value" of the damaged property at the time of the "accident".

LOSS SETTLEMENT PROVISIONS

The Loss Settlement Provisions are deleted and replaced by the following with respect to the coverage provided by this endorsement.

Loss Settlement Provisions

- a. Subject to all the "terms" of How Much We Pay For Loss Or Claim, "our" payment for damaged covered property will be the smallest of:
- 1) the Equipment Breakdown "limit", if any, shown in the Schedule above;
 - 2) the cost to repair the damaged property;
 - 3) the cost to replace the damaged property on the same premises; or
 - 4) the necessary amount actually spent to repair or replace the damaged property.
- b. Except as described under the Environmental, Safety, And Efficiency Improvements condition set forth by this endorsement, "you" are responsible for the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.

OTHER CONDITIONS

The following condition is added with respect to the coverage provided by this endorsement.

Environmental, Safety, And Efficiency Improvements -- If "covered equipment" must be replaced due to an "accident", "we" pay the additional cost to replace such "covered equipment" with equipment that is better for the environment, safer, or more efficient than the equipment being replaced.

However, the amount "we" pay to replace "covered equipment" as described above is limited to 125% of the amount "we" would have paid to replace "covered equipment" with property that is equivalent to the equipment being replaced.

This condition does not increase the "limits" that apply to the property covered. This condition does not apply to any property that is covered on an "actual cash value" basis.

FO 0430 06 07

EQUIPMENT BREAKDOWN DWELLING COVERAGE INCLUDES PERMANENTLY INSTALLED APPLIANCES

(Entries required to complete the Schedule will
be shown below or on the "declarations".)

SCHEDULE

	Limits Any One Accident
Equipment Breakdown Coverage	\$
Additional Living Costs And Loss Of Rent	\$
Refrigerated Farm Personal Property Coverage	\$

Deductible: \$

This policy is amended to include the following
"terms". All other "terms" of the policy apply,
except as amended by this endorsement.

DEFINITIONS

The following definitions are added with respect
to the coverage provided by this endorsement.

1. "Accident" means sudden and accidental:

- a. mechanical or electrical breakdown; or
- b. tearing apart, cracking, burning, or
bulging of a steam or hot water heating
system or an air conditioning system;

that results in direct physical damage to
"covered equipment".

2. "Covered equipment" --

a. "Covered equipment" means:

- 1) property covered under Coverage A
-- Residence or Coverage B --
Related Private Structures that:
 - a) generates, transmits, or utilizes
energy; or

b) during normal usage, operates
under vacuum or pressure, other
than the weight of its contents;

- 2) well pumps; or
- 3) outdoor electrical wiring, switch
boxes, fuse boxes, and any other
outdoor electrical equipment
mounted on panels or poles.

b. However, "covered equipment" does not
include:

- 1) supporting structures, cabinets, or
compartments;
- 2) insulating material associated with
"covered equipment";
- 3) sewer piping, buried vessels or
piping, or piping forming a part of a
fire protective sprinkler system;
- 4) water piping other than boiler
feedwater piping, boiler condensate
return piping, or water piping forming
a part of a refrigerating or air
conditioning system;
- 5) kitchen or laundry appliances, other
than those permanently installed,
including, but not limited to,
refrigerators, dishwashers, ovens,
stoves, clothes washers, and clothes
dryers; or

- 6) electronic entertainment or computer equipment including, but not limited to, television and stereo equipment or any electronic component used with such electronic entertainment or computer equipment.

3. "One accident" means:

If an initial "accident" causes other "accidents", all will be considered "one accident". All "accidents" that are the result of the same event will be considered "one accident".

PROPERTY COVERAGES

The following coverages are added:

1. **Equipment Breakdown Coverage**

- a. Subject to all the "terms" of this endorsement, "we" pay for direct physical damage to "covered equipment" that is the result of an "accident".
- b. When an Equipment Breakdown "limit" is shown in the Schedule above, that "limit" is the most "we" pay for any "one accident".
- c. When an Equipment Breakdown "limit" is not shown in the Schedule above, the most "we" pay for any "one accident" is the "limit" that applies to the damaged property.
- d. However, item c. above does not apply to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment".

When an Equipment Breakdown "limit" is not shown in the Schedule above, the Coverage A "limit" is the most "we" pay for any "one accident" for damage to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment". This does not increase the Coverage A "limit".

- e. The coverage provided by this endorsement does not apply to any property that is not "covered equipment", except as provided under the Refrigerated Farm Personal Property Coverage "terms" of this endorsement.

- f. Except with respect to property described under item 2.a.2) or item 2.a.3) of the definition of "covered equipment", the coverage provided by this endorsement does not increase the "limits" that apply to the property covered.

2. **Additional Living Costs And Loss Of Rent** -- Coverage for Additional Living Costs And Loss Of Rent, as described under Coverage D, is extended to the coverage provided by this endorsement.

With respect to the coverage provided by this endorsement, the most "we" pay under Coverage D is \$200 per day for no more than five consecutive days, subject to a maximum "limit" of \$1,000 for any "one accident", unless a higher "limit" for Additional Living Costs And Loss Of Rent is shown in the Schedule above.

However, this coverage does not increase the Equipment Breakdown "limit" for any "one accident" when an Equipment Breakdown "limit" is shown in the Schedule above.

The "limit" shown on the "declarations" for Coverage D does not apply to the coverage provided by this endorsement.

3. **Refrigerated Farm Personal Property Coverage** -- "We" pay for direct physical loss to Farm Personal Property covered under Coverages F or G and stored in a freezer or refrigerated unit in the "residence" covered under Coverage A caused by mechanical or electrical breakdown unless otherwise excluded by this endorsement. This coverage does not apply to property intended for the personal use of an "insured".

With respect to the coverage provided by this endorsement, the most "we" pay under Refrigerated Farm Personal Property Coverage is \$500 for any "one accident" unless a higher "limit" for Refrigerated Farm Personal Property Coverage is shown in the Schedule above.

However, this coverage does not increase the Equipment Breakdown "limit" for any "one accident" when an Equipment Breakdown "limit" is shown in the Schedule above.

EXCLUSIONS

1. With respect to policies that include forms FO-1 or FO 0001, FO-2 or FO 0002, or FO-3 or FO 0003, the coverage provided by this endorsement is subject to the General Exclusions under Additional Policy Terms Applicable To All Property Coverages.

With respect to policies that include form FO-3 or FO 0003, the coverage provided by this endorsement is also subject to Exclusions Applying to Coverages A and B.

With respect to policies that include form FO 0005, the coverage provided by this endorsement is subject to the Exclusions That Apply To Property Coverages.

2. The following exclusion is added with respect to the coverage provided by this endorsement:

"We" do not pay for loss, damage, or expense caused by or resulting from electrical power surge or brown out.

3. No reference to mechanical breakdown under exclusions in the policy to which this endorsement is attached applies to the coverage provided by this endorsement.

4. The following exclusion is added with respect to the coverage provided by this endorsement:

"We" do not pay for loss, damage, or expense that is the result of an "accident" caused by or resulting from: fire; lightning; windstorm or hail; explosion; smoke; aircraft or vehicles; breakage of glass; molten material; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood; or earth movement.

HOW MUCH WE PAY FOR LOSS OR CLAIM

The Deductible provision is deleted and replaced by the following with respect to the coverage provided by this endorsement.

Deductible

- a. This applies to all coverages provided by this endorsement except Refrigerated Farm Personal Property Coverage.
- b. Subject to the "limits" that apply, "we" pay that part of the loss, damage, or expense over the deductible. The deductible applies per any "one accident". Only one deductible applies at each location.

- c. Unless a different deductible amount is shown in the Schedule above, the coverage provided by this endorsement is subject to the policy deductible amount that applies to property covered under Coverage A or Coverage B for loss caused by the peril of Fire.

- c. If "you" do not repair or replace the damaged property within 24 months after the date of the "accident", then "we" pay only the smaller of:

- 1) the cost to repair or replace the damage at the time of the "accident"; or
- 2) the "actual cash value" of the damaged property at the time of the "accident".

LOSS SETTLEMENT PROVISIONS

The Loss Settlement Provisions are deleted and replaced by the following with respect to the coverage provided by this endorsement.

Loss Settlement Provisions

- a. Subject to all the "terms" of How Much We Pay For Loss Or Claim, "our" payment for damaged covered property will be the smallest of:
- 1) the Equipment Breakdown "limit", if any, shown in the Schedule above;
 - 2) the cost to repair the damaged property;
 - 3) the cost to replace the damaged property on the same premises; or
 - 4) the necessary amount actually spent to repair or replace the damaged property.
- b. Except as described under the Environmental, Safety, And Efficiency Improvements condition set forth by this endorsement, "you" are responsible for the extra cost of replacing damaged property with property of a better kind or quality or of a different size or capacity.

OTHER CONDITIONS

The following condition is added with respect to the coverage provided by this endorsement.

Environmental, Safety, And Efficiency Improvements -- If "covered equipment" must be replaced due to an "accident", "we" pay the additional cost to replace such "covered equipment" with equipment that is better for the environment, safer, or more efficient than the equipment being replaced.

However, the amount "we" pay to replace "covered equipment" as described above is limited to 125% of the amount "we" would have paid to replace "covered equipment" with property that is equivalent to the equipment being replaced.

This condition does not increase the "limits" that apply to the property covered. This condition does not apply to any property that is covered on an "actual cash value" basis.

FO 0435 06 07

Supporting Document Schedules

Satisfied -Name:	FO Equipment Breakdown Forms Filing Memo	Review Status: Approved	07-11-2007
Comments:			
Attachment:	FO Equipment Breakdown Forms Filing Memo.PDF		

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
FORMS FILING MEMORANDUM
FARMOWNERS PROGRAM**

A new option for covering dwelling-related equipment breakdown exposures is being submitted on a first-time basis under the AAIS Farmowners Program. This filing memo describes the two endorsements being submitted to provide that coverage. A manual rule that addresses the use of the endorsements is being submitted in a separate companion filing.

The endorsements described in this memorandum will apply in addition to the current Farmowners equipment breakdown coverage option. The equipment breakdown coverage option currently filed under the Farmowners Program applies primarily to farm property covered under Coverages E, F, or G. The new option described in this memorandum applies primarily to property covered under Coverages A or B.

FO 0430 06 07 EQUIPMENT BREAKDOWN DWELLING COVERAGE

**FO 0435 06 07 EQUIPMENT BREAKDOWN DWELLING COVERAGE --
Includes Permanently Installed Appliances**

Both endorsements insure against direct physical damage to covered equipment that is the direct result of an accident. Both endorsements define the term 'accident' to mean sudden and accidental:

- mechanical or electrical breakdown; or
- tearing apart, cracking, burning, or bulging of a steam or hot water heating system or an air conditioning system;

that results in direct physical damage to covered equipment.

The only difference in the two endorsements is with respect to the definition of the term 'covered equipment'.

In both endorsements, covered equipment means property covered under Coverage A, Residence, or Coverage B, Related Private Structures, that generates, transmits, or utilizes energy or that, during normal usage, operates under vacuum or pressure. The term covered equipment also includes well pumps and outdoor electrical wiring, switch boxes, fuse boxes, and other outdoor electrical equipment mounted on panels or poles.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
FORMS FILING MEMORANDUM
FARMOWNERS PROGRAM**

However, covered equipment does not include:

- supporting structures, cabinets, or compartments;
- most types of piping; or
- electronic entertainment or computer equipment.

In addition, in endorsement FO 0430, covered equipment does not include kitchen or laundry appliances. In endorsement FO 0435, however, covered equipment does include permanently installed kitchen or laundry appliances.

Except with respect to well pumps and outdoor electrical wiring, switch boxes, fuse boxes, and other outdoor electrical equipment mounted on panels or poles, both endorsements specify that equipment breakdown coverage is subject to the policy limit that applies to the damaged property, unless a separate equipment breakdown limit is shown in the endorsement schedule.

The basic Farmowners forms set forth small limits of coverage for well pumps and outdoor electrical wiring, switch boxes, fuse boxes, and other outdoor electrical equipment mounted on panels or poles. Under the proposed endorsements, however, such property will be subject to the Coverage A limit or to the separate equipment breakdown limit, when a separate equipment breakdown limit is shown on the endorsement schedule.

The following additional coverages are automatically provided under either endorsement:

- up to \$500 in any one accident is provided for direct physical loss to farm personal property stored in a freezer or refrigerated unit in the residence that is caused by mechanical or electrical breakdown. The property must be covered under Coverage F, Scheduled Farm Personal Property, or Coverage G, Unscheduled Farm Personal Property. A higher limit for Refrigerated Farm Personal Property may be shown in the endorsement schedule.
- Coverage D, Additional Living Costs And Loss Of Rent, is extended to include coverage for additional living costs and loss of rent if covered property made unfit for use because of loss to covered equipment caused by an accident. Such coverage is limited to \$200 per day for no more than five consecutive days, subject to a maximum limit of \$1,000 for any one accident unless a higher limit is shown in the endorsement schedule.

**AMERICAN ASSOCIATION OF INSURANCE SERVICES
FORMS FILING MEMORANDUM
FARMOWNERS PROGRAM**

The equipment breakdown coverage provided under endorsements FO 0430 and FO 0435 does not apply to the various perils that are otherwise covered under the Farmowners policy, such as fire, lightning, wind, hail, etc. Furthermore, equipment breakdown coverage is subject to the general policy exclusions, other than mechanical breakdown, and to an exclusion that applies to electrical power surge and brown out.

Except with respect to the coverage provided for refrigerated farm personal property, equipment breakdown coverage will be subject to the policy deductible that applies to fire loss under Coverages A and B, unless a different deductible amount is shown in the endorsement schedule.

Equipment breakdown coverage applies on a replacement cost basis when damaged property is repaired or replaced within 24 months of the accident. Coverage applies on an actual cash value basis if the damaged property is not repaired or replaced within 24 months of the accident.

The coverage provided under the equipment breakdown endorsements is subject to a condition that applies to environmental, safety, and efficiency requirements. That condition stipulates that when covered property must be replaced due to an accident, the company will pay the additional cost to replace the property with equipment that is better for the environment, safer, or more efficient than the property being replaced. Coverage under these terms is capped at 125% of the amount that would have been paid to replace the property with equivalent property. Coverage under these terms does not increase the limits that apply to the covered property, nor does it apply to property covered on an actual cash value basis.