

ELECTRONIC EQUIPMENT INSURANCE (EEI)

The term electronic equipment is used for all systems which generally require very low voltage and power. These equipments are generally quiet in their operation.

EEI Policy protects the Owner, Lessor or Hirer (where responsible either legally or through a leasing agreement) of electronic equipments.

EEI Policy is Suitable for all electronic equipments (some examples):

- Computer and allied peripherals
- Auxilliary equipments like UPS, Voltage Stabilizer etc.
- Medical, **Biomedical**, Equipments e.g. Cath Lab, X-ray Machine, Ultrasound machines, MRI, CAT scan Machines
- **Audio/Visual equipments**
- Electronic control panels
- Telecommunication and navigational equipments
- Electronic equipment for research and material testing

The term equipment shall include the entire computer system consisting of CPU, Keyboards, Monitors, Printers, Stabilizers, UPS etc.

- ❖ The value of Software can be covered under this policy.
- ❖ It can cover moveable and portable electronic equipments also.

Scope Of Cover

The Policy is divided into 3 sections as under:

Section I: This Section covers the accidental damage to the insured equipment against **“All Risks,”** namely:

Fire, Lightning, Explosion/Implosion, Aircraft Damage, Riot, Strike, Malicious and Terrorism Damage, Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood and Inundation, Impact Damage, Subsidence Land slide, Rock slide, Bursting and/or overflowing of Water Tanks, Apparatus and Pipes, Missile Testing operations, Leakage from Automatic Sprinkler Installations, Bush Fire (Fire & Allied Perils)

- Electrical & Mechanical Breakdowns
- Burglary & Theft
- Negligence, Lack of Skill, Carelessness

In short, the cover provided is for **damage caused by unforeseen and sudden physical loss or damage from any cause (other than those specifically excluded- explained in subsequent paragraphs)** in a manner necessitating repair or replacement.

Section-II: This Section covers Loss/Damage to **external Data Media** i.e. Tapes, Discs, magnetic drives etc caused by any peril as mentioned earlier in Section-I.

The cost of **restoration of the stored data** can also be covered (*provided backup system is available*)

Section-III: Increased cost of working (ICOW) for use of substituted electronic equipment for continued data processing following indemnifiable damage to insured electronic equipment can be covered under this Section.

Important

WARRANTY –

- ❖ It is imperative that a Preventive Maintenance Agreement be in force during the currency of the policy for all electronic equipment with a sum insured exceeding Rs.1.0 Lakh.
- ❖ No variation in the terms of the Preventive Maintenance Agreement shall be made, during the policy period, without the written consent of the Company.
- ❖ The word 'Maintenance' shall mean the following -
 - Safety checks,
 - Preventive maintenance
 - Rectification of loss or damage or faults arising from normal operation as well as from ageing.
- ❖ The Warranty relating to 'Maintenance Agreement' under the policy can be **waived by charging additional premium**
- ❖ Wherever, the **competent 'In-House' maintenance facility** is available, the warranty relating to 'Maintenance Agreement' with the manufacturers of the equipments' can be deleted for all electronic equipments **except 'Medical equipment'**.

Significant General Exclusions:

Some General Exclusions are loss/damage caused by:

1. Inherent Vice

2. Manufacturer's Responsibility
3. Willful Act
4. Cessation of work whether total or partial
5. War perils
6. Nuclear Perils
7. Derangement not accompanying a damage otherwise covered by this policy

Significant Exclusions to Section 1 (Equipments):

- ❖ Deductible stated in the Schedule
- ❖ Faults/defect existing at the commencement of the present insurance and within the knowledge of the Insured.
- ❖ Wear and tear losses
- ❖ Cost incurred in connection with the elimination of functional failure
- ❖ Maintenance Costs
- ❖ Aesthetic defects
- ❖ Consequential loss of any kind.
- ❖ Loss / damage falling under the terms of the Maintenance agreement
- ❖ Loss / damage where the manufacturer or supplier is responsible
- ❖ Loss / damage where the owner is responsible (rented equipment)

Significant Exclusions to Section 2 (External Data Media)

- Deductible stated in the Schedule
- any costs arising from false programming, punching, labeling or inserting, inadvertent canceling of information or discarding of data media, and from loss of information caused by magnetic fields
- consequential loss of any kind or description whatsoever.

Significant Exclusions to Section 3 (Increased Cost of Working- (ICOW)

- Costs incurred for use of substitute equipment during the Time Excess
- Costs for replacement of data media, data and regeneration of data (*can be covered under Section 2 –External Data Media*)
- Costs arising out of circumstances, which are not connected with the insured material damage. For example, additional costs arising out of -
 - a) bodily injuries,
 - b) orders or measures imposed by any public authority,
 - c) expansion and improvements of the equipments,
 - d) Lack of funds causing delay in repairs or replacement
- Any other consequential loss such as loss of market or interest.

Sum Insured:

A. Section-I : Equipments:

New Replacement Cost including Freight, Customs Duties & Erection Costs. The sum insured shall include the value of software (purchased along with the equipment or acquired subsequently).

B. Section-II: External Data Media

- ❖ Replacement Cost of Empty Data Media (new)
+(plus)
- ❖ Cost of Reproducing the Lost Data

C. Section-III: Increase Cost Of Working

1. Rental Charge of substitute Electronic System

- Indemnity Limit per 'computer working hour'----(a)
- Indemnity Limit of 'hours per Occurrence'------(b)
- Aggregate Indemnity Limit per Occurrence------(a x b)

2. Personnel Expenses: Limits to be selected

3. Cost of Transportation: Limits to be selected

5. GUIDELINES FOR DETERMINING SUM INSURED:

The insured has the responsibility for declaring the Sum Insured (SI). The SI for each item covered must represent the New Replacement Cost. This can be determined in various ways depending on the information available. Some of the usual methods are suggested here under:

A. Computation Of Sum Insured For Material Damage (Section I)

Situation	Sum Insured
1. Currently available for sale:	<ul style="list-style-type: none"> ❖ Valid current list price for the item +(plus) ❖ Taxes & Duties, Delivery Costs to the site, Erection Cost +(plus) ❖ Suitable escalation for the policy period

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<p>2. Equipment no longer available for sale and only spare parts price is ascertainable</p>	<ul style="list-style-type: none"> ❖ List Price from last available Price List <p style="text-align: center;">+(plus)</p> ❖ Loading/Discounts for price variation (Where relevant) <p style="text-align: center;">+(plus)</p> ❖ Taxes & Duties, Delivery Costs to the site, Erection Cost <p style="text-align: center;">+(plus)</p> ❖ Suitable escalation for the policy period
<p>3. If no Price List is available:</p>	<ul style="list-style-type: none"> ❖ Purchase/Delivery Price <p style="text-align: center;">+(plus)</p> ❖ Loading/Discounts for price variation (Where relevant) <p style="text-align: center;">+(plus)</p> ❖ Taxes & Duties, Delivery Costs to the site, Erection Cost <p style="text-align: center;">+(plus)</p> ❖ Suitable escalation for the policy period

Note:

- Depending on the type of system and the individual circumstances involved, delivery cost could be quite substantial. Hence, it is advisable to realistically account for the same.
- Discounts and special price agreements upon purchase of the items to be insured ***should not be taken into consideration*** when determining SI because after loss usually Insured would not get these discounts.

CAUTION:

If the declared sum insured is found to be less than the amount required to be insured, then the claim amount will be proportionately reduced.

Example

Sum Insured Opted:	Rs.10, 00,000/-
Sum Insured <i>required to be opted</i> as per policy conditions:	Rs.14 ,00,000/-

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Loss:	Rs. 3,00,000/-
Loss payable will be proportionately reduced (10,00,000 / 14,00,000 x 3,00,000)	Rs. 2,14,286/-

GENERAL

- All equipments should have serial no. or any identification mark. The same is to be mentioned in the proposal.

BASIS OF CLAIM SETTLEMENT:

SECTION-I:

Partial Loss:

- The full cost of repair / replacement of parts damaged. No deduction shall be made for depreciation in respect of parts replaced, except those with limited life.
- Incidental expenses like cost of dismantling, re-erection, freight, taxes and duties etc. ***to the extent such expenses have been included in the Sum Insured.***
- Allowance for life consumed (of limited life parts), salvage, underinsurance and policy excess will be taken into account.

Total Loss:

- If electronic equipment unit is totally damaged to such an extent that the cost of repairs is more than the actual value of the machinery insured immediately before the accident, the claim is settled Total Loss Basis:-
- New replacement value less depreciation for the period the equipment was in use
- Incidental expenses like cost of dismantling, re-erection, freight, taxes and duties etc. ***to the extent such expenses have been included in the Sum Insured.***
- Any extra charges incurred for overtime, night-work, work on public holidays, express freight, are payable ***only if especially agreed to in writing.***
- Expenses for overhauling, or modification are **not** payable.
- In cases where the Insured item is subjected to total loss and meanwhile it becomes obsolete, all costs necessary to replace the lost or damaged insured item with a follow-up model (similar type) of similar structure/ configuration (of similar quality) will be reimbursed. Allowance will be made for the improved version / model.

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- Where the Insured is unable to replace the damaged equipment for reasons beyond their control, claims can be settled on 'Indemnity Basis'.
- **Important:** As from the date of indemnifiable occurrence, the **Sum Insured shall be reduced** for the remaining period of insurance by the amount of claim paid, **unless the same is re-instated by payment of pro-rata extra premium.**

SECTION-II-EXTERNAL DATA MEDIA:

- Expenses incurred for replacing the lost or damage data media by new one.
- The cost of **restoration of the stored data** from the backup system.
- As from the date of indemnifiable occurrence, the **Sum Insured shall be reduced** for the remaining period of insurance by the amount of claim paid, **unless the same is re-instated.**

SECTION-III- INCREASED COST OF WORKING

- In the event of failure of the electronic equipment of Insured, the Insurer shall be liable for the **additional** expenditure incurred to maintain data processing operations to their previous extent.
 - **For the indemnity period agreed.**
 - Such expenses to be **additional** to those which would have been incurred during the same period **if no insured event had occurred.**
 - The indemnity period shall commence as soon as the substitute equipment is put into use.
 - The insured shall bear that proportion of each claim which corresponds to the time excess agreed.
 - The total indemnity per event shall not exceed an amount:
 - equal to the agreed '**indemnity limit per hour**' or the '**actual hourly rate**' payable for the use of substitute equipments, **whichever is less**
- Multiplied by
- **the number of working hours** stated as 'Indemnity Period' in the schedule by the **actual number of working hours** for which the substitute equipment is put into use, **whichever shall be less.**
 - However, if it is found, following an interruption, that the **limit selected 'per hour'** is less than the amount **actually incurred per hour** for use of substitute equipment, the amount payable shall be reduced in the same proportion.