

SECTION 4

MACHINERY AND EQUIPMENT - ALL RISK

(Words and phrases that appear in quotation marks have special meaning. Refer to Special Definitions of this form and General Definitions of this policy. This coverage must be shown on the "Declaration Page" of "your" policy for it to apply.)

Indemnity Agreement

"We" will indemnify "you" against any direct loss or damage of "your" "machinery and equipment", caused by the Insured Perils as described and limited.

Machinery and Equipment Insured

"We" insure "your" farm "machinery and equipment" but only those items for which an amount of insurance is specified, on the "Declaration Page".

The "machinery and equipment" is covered anywhere within the territorial limits of Canada and the Continental United States of America and inland and coastal waterways.

Deductible

In any one occurrence, "we" are responsible only for the amount by which the insured loss or damage exceeds the amount of the deductible shown on the "Declaration Page". If one occurrence could lead to the application of more than one deductible, only the largest deductible will apply.

Co-Insurance

"You" are required to maintain a limit of insurance on "machinery and equipment" equal to at least the amount that is calculated when the Coinsurance percentage designated on the "Declaration Page" (or 80%, if not shown) is multiplied against the actual cash value of the insured "machinery and equipment" at the time of the loss. Failure to do so will result in "you" only being entitled to recover that portion of any loss that the amount of insurance in force at the time of loss bears to the amount of insurance required to be maintained by this clause.

This clause will apply only where the total loss exceeds the lesser of 2% of the applicable amount of insurance or \$5,000.

Insured Perils

"You" are insured against all risks of direct physical loss or damage to insured "Machinery and Equipment", subject to the exclusions, terms and conditions below.

Exclusions

PROPERTY EXCLUDED

"We" do not insure against loss or damage:

1. to any property illegally acquired or kept;
2. to any property lawfully seized or confiscated unless such property is destroyed to prevent the spread of fire;
3. to electrical devices or appliances caused by electrical current unless specific coverage is included in "your" policy;
4. to property undergoing any process or while being worked on, where the damage results from such process or work, but resulting damage to other property is insured;
5. to automobiles, trucks, motorcycles or similar equipment designed or licensed for highway use or any other vehicle subject to motor vehicle registration, aircraft, portable saw mills, or "machinery and equipment" used in logging and forestry operations or the equipment and attachments of all of them, unless specifically listed;

6. any pressure vessel having normal internal working pressure greater than 103 kilopascals (15 pounds per square inch) above atmospheric pressure any, boiler, including the piping and equipment connected thereto, which contains steam or water under steam pressure (except tanks having an internal diameter of 610 millimetres (24 inches) or less used for storage of hot water)
 - a. manually portable gas cylinders;
 - b. explosion of natural, coal or manufactured gas;
 - c. explosion of gas or unconsumed fuel with a furnace or within the gas passages therefrom to the atmosphere.

PERILS EXCLUDED

"We" do not insure against loss or damage resulting from, contributed to, directly or indirectly:

1. caused by or resulting from contamination or pollution, or the release, discharge or dispersal of contaminants or pollutants;
2. caused by wear, tear, scratching, marring, gradual deterioration, birds, moths, vermin (such as skunks and racoons), rodents (such as squirrels or rats) or insects, latent defect, rust, corrosion, extremes of temperature, wet or dry rot, fungi or spore(s), or contamination;
3. caused by or resulting from breaking or falling through ice;
4. resulting from intentional or criminal acts or failure to act by "you", "your" employees or anyone to whom the damaged or lost property is entrusted;
5. because of the voluntary parting with title or ownership, whether or not induced to do so by any fraudulent scheme, trick, device or false pretences;
6. caused by mysterious disappearance.

Extensions of Coverage

1. Loss of Use

"We" will pay for the necessary extra expenses which "you" incur for the rental of substitute "machinery and equipment" to continue normal farming operations which are interrupted because of loss or damage to "machinery and equipment" owned by "you" and specifically listed caused by perils insured by the attached policy. "We" will allow up to \$5,000 in all for the following:

Payment is limited to:

- (a) \$500 per day, unless otherwise stated on the "Declaration Page";
- (b) only, the reasonable time required to repair or replace the damaged or destroyed "machinery and equipment".

"We" will not pay for:

- (a) costs of transporting the substitute "machinery or equipment", or;
- (b) any rental costs, unless loss or damage to "your" own "machinery and equipment" is insured under the attached policy.

Conditions:

It is a condition of this coverage that "you" agree:

- (a) to notify "us" of rental of substitute "machinery and equipment" within 24 physical day hours of the loss or damage being formally reported to "us";
- (b) that "we" will not pay for more than the cost to rent "machinery and equipment" which is comparable to the damaged "machinery and equipment" in; size, power, usefulness and purpose, whether or not such "machinery and equipment" is available.

2. Limited Waiver of Depreciation

This extension is only applicable to “machinery and equipment” scheduled on the “Declaration Page”. In the event of loss or damage to such “machinery and equipment”, “we” agree to waive our right under Basis of Claim Payment section to settle on an “Actual Cash Value” basis subject to the terms and conditions below:

- (a) The limit on the damaged item of farm “machinery and equipment” must be maintained at 100% of its Replacement Cost Value. Failing to do so, “you” will only be entitled to recover that portion of any loss that the amount of insurance in force at the time of loss bears to the amount of insurance required to be maintained by this clause.
- (b) The owner/lessee must be the first owner/lessee of the farm “machinery and equipment” and the farm “machinery and equipment” was of the current model year at the time of delivery to the owner/lessee.
- (c) The damage must occur within 60 months of the date on which the farm “machinery and equipment” was first delivered to the owner/lessee.
- (d) This coverage will not apply with respect to
 - i. tires and batteries, or
 - ii. betterment resulting from the necessary repair or replacement of parts having prior unrepaired damage.
- (e) Settlement will be made on this basis only when replacement has been made by “you”. In no event will “we” pay more than the actual purchase price of the farm “machinery and equipment” to the owner/lessee or the manufacturer's suggested list price at the original date of purchase (or list price since then), or the actual replacement cost of the farm “machinery and equipment”, whichever is the lesser amount.

Extension of Waiver of Depreciation

For clause (e) shown above, “we” will consider the impact on values due to the difference in the foreign exchange rate from the time of purchase to the date of loss. This extension does not increase the limit of insurance shown on the “Declaration Page”.

Special Limits of this Coverage

The following special limits apply:

- (a) Unless specifically scheduled, coverage will be limited to not more than \$2,000 on any individual item or building materials.
- (b) Coverage for loss or damage to tires and tubes will be limited to not more than \$2,000 on any individual item of machinery or equipment. This limit shall not apply to loss or damage caused by fire, windstorm, theft, or vandalism and malicious acts or when the loss happens at the same time as other loss or damage insured by this coverage.
- (c) Coverage for loss or damage to fuel used to operate insured “machinery and equipment” will be limited to not more than \$1,000 in any one storage unit. Theft of fuel applies only if the fuel tank(s) is locked and there must be visible signs of forced entry to the fuel tank(s) for this extension to apply.

Basis of Claim Payment

Unless stated otherwise, “we” will pay the “Actual Cash Value” of the insured loss or damage up to “your” financial interest in the “machinery and equipment” but not exceeding the applicable amount(s) of insurance for any loss or damage arising out of one occurrence. Where the insurance applies to more than one person or interest, “our” total liability for loss sustained by all such persons and interests shall be limited, in the aggregate, to the amount or amounts of insurance specified on the “Declaration Page”.

If “you” qualify for a tax credit, the loss payment will be reduced by that amount.

Any loss or damage will not reduce the amounts of insurance provided by this Form.

Special Definitions

“Actual Cash Value” will consider the cost to repair or replace the lost or damaged property, whichever is less, with new materials of similar kind, quality, and usefulness, but with proper deduction for depreciation.

In determining the proper deduction for depreciation, “we” will consider:

1. the condition of the property immediately before the loss or damage;
2. the use of the property and its obsolescence;
3. its resale value; and
4. its normal life expectancy.

“Machinery and Equipment” includes farm tools, implements, machinery and fuel usual to the operation of a farm, only while in use for agricultural purposes, and materials and supplies on “premises” insured under this policy intended for use in construction, alteration or repair of a building insured under this policy. Vehicles subject to registration under any government authority are not included.

ALL THE STATUTORY AND ADDITIONAL CONDITIONS, GENERAL DEFINITIONS AND GENERAL LOSS OR DAMAGE NOT INSURED ALSO APPLY TO THIS COVERAGE