

POLICY NUMBER:

**BUSINESSOWNERS**  
**BP 05 94 01 06**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ELECTRONIC COMMERCE (E-COMMERCE)**

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

### **SCHEDULE**

**A. Description Of Business:**

**B. Location Of Business:**

**C. Annual Aggregate Limit Of Insurance:**

**D. Anti-Virus Waiver:**

**E. Section I Deductible:    \$**

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

**Section I – Property** is amended as follows:

**A. Introduction**

1. Under this endorsement, the business of e-commerce and e-commerce activity mean commerce conducted via the Internet or other computer-based interactive communications network. This includes business-to-business commerce conducted in that manner.
2. As used in this endorsement, loss or damage to "electronic data" means destruction or corruption of "electronic data".
3. As used in this endorsement:
  - a. The term employee includes a leased or temporary employee; and
  - b. The term contractor, which includes an employee or any agent of the contractor, means an entity that has a written agreement with you to inspect, design, install, test, maintain, repair or replace any part of your computer system including "electronic data".
4. In this endorsement, reference to your computers or your computer system means those which are owned by you or licensed or leased to you.

**B. Section I – Electronic Data Coverage**

1. The coverage provided under Section I of this endorsement is limited to "electronic data" which is owned by you or licensed or leased to you, originates and resides in computers located in the Coverage Territory, and is used in the e-commerce activity of your business described in the Schedule.

Under Section I of this endorsement, "electronic data" does not include your "electronic data" that is licensed, leased or rented to others.
2. We will pay for the cost to replace or restore "electronic data" which has suffered loss or damage by a Covered Cause of Loss as described in Section III of this endorsement, subject to the valuation provisions in **B.3.** below.

3. With respect to the property coverage provided in this endorsement the following loss payment provisions apply:

- a. Loss or damage to "electronic data" will be valued at the cost of restoration or replacement, including the cost of data entry, re-programming and computer consultation services. But we will not pay the cost to duplicate research that led to the development of your "electronic data" or any proprietary or confidential information or intellectual property in any form. To the extent that "electronic data" is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the "electronic data" was stored, with blank media of substantially identical type.
- b. If you recover, from a licensor or lessor, for loss or damage to "electronic data", our loss payment to you will be reduced to the extent of such recovery.

**C. Section II – Time Element Coverage**

**1. Coverage**

We will pay for the actual loss of Business Income you sustain and/or Extra Expense you incur due to the necessary suspension (slow-down or cessation) of the e-commerce activity of your business described in the Schedule, for the applicable period of time specified in **C.2.** The suspension must be caused by:

- a. A loss covered under Section I of this endorsement; or
- b. Interruption in normal computer network service or function caused by a Covered Cause of Loss as described in Section III of this endorsement.

Income or expense from outside the Coverage Territory, generated by or pertaining to the e-commerce activity of the business described in the Schedule, is not covered under this endorsement.

## 2. Period Of Coverage

- a. If the suspension of e-commerce activity is caused by a loss covered under Section I of this endorsement, then the period of coverage begins 8 hours or one business day (which ever elapses first) after the time of such loss and ends on the earliest of:
  - (1) The time when e-commerce activity is resumed;
  - (2) The time when the "electronic data" is restored; or
  - (3) 90 days after the date of the loss covered under Section I of this endorsement.
- b. If the suspension of e-commerce activity is caused solely by an interruption described in C.1.b. above, then the period of coverage begins 8 hours or one business day (which ever elapses first) after the interruption begins. Under this endorsement, the interruption in service is deemed to begin when service to your website is interrupted. The period of coverage ends on the earliest of:
  - (1) The time when your e-commerce activity is resumed;
  - (2) The time when service is restored to you; or
  - (3) Two weeks after the interruption began.
- c. The time periods expressed in 2.a. and 2.b. above (including the 8 hour or one business day which ever elapses first) waiting period apply to the coverage under Section II of this endorsement and are not affected by any provision in any form or endorsement relating to or modifying business income coverage.

## 3. Business Income

- a. Business Income means the:
  - (1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses; and

- (2) Continuing normal operating expenses incurred, including payroll.

- b. The amount of Business Income loss will be determined based on consideration of the following, b.(1) through b.(4). However, the amount of loss will be reduced to the extent that the reduction in the volume of business from the affected e-commerce activity is offset by an increase in the volume of business from other channels of commerce.

- (1) The Net Income of the business of e-commerce before the loss or damage or interruption in service or function occurred;
- (2) The likely Net Income of the business of e-commerce if no loss or damage or interruption in service had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
- (3) The operating expenses, including payroll, necessary to resume e-commerce activity with the same quality of service that existed before the loss or damage or interruption in service or function; and
- (4) Other relevant sources of information, including your financial records and accounting procedures, bills, invoices and other vouchers, and deeds, liens and contracts.

## 4. Extra Expense

- a. Extra Expense means necessary expenses you incur:
  - (1) During the period of coverage set forth in C.2. of this endorsement, that you would not have incurred if there had been no loss or damage or interruption in service or function, subject to (2) below; or
  - (2) To avoid or minimize the suspension of e-commerce activity.

- b. The amount of Extra Expense will be determined based on:

- (1) Necessary expenses that exceed the normal operating expenses that would have been incurred in the course of e-commerce activity during the period of coverage if no loss or damage or interruption in service or function had occurred. We will deduct from the total of such expenses the salvage value that remains of any property bought for temporary use during the period of coverage, once e-commerce activity is resumed; and
- (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred during the period of coverage.

#### **5. Resumption Of E-Commerce Activity**

- a. We will reduce the amount of your Business Income loss to the extent that you can resume e-commerce activity, in whole or in part, by using damaged or undamaged equipment or "electronic data" at the described premises or elsewhere.
- b. We will reduce the amount of your Extra Expense loss to the extent that you can return e-commerce activity to normal and discontinue Extra Expense.
- c. If you do not resume e-commerce activity, or do not do so as quickly as possible, we will pay based on the length of time it would have taken to resume such activity as quickly as possible.

#### **D. Section III – Causes Of Loss**

- 1. The provisions of this endorsement do not supersede or in any way affect the application of the Exclusion Of Certain Computer-Related Losses contained in the Businessowners Coverage Form. The exclusion addresses the inability of a computer system to correctly recognize, process, distinguish, interpret or accept one or more dates or times.
- 2. The Businessowners Coverage Form, by means of exclusions and limitations stated therein and all modifications stated in **D.2.** through **D.4.** of this endorsement, provides the Covered Causes of Loss applicable to Section I and Section II of this endorsement.
  - a. The Power Failure Exclusion does not apply with respect to power or communications supply services, provided that there is an interruption in utility service which is caused by a "specified cause of loss" as defined in the Businessowners Coverage Form.

- b. The exclusion of artificially generated electrical current, including electrical arcing, does not apply.

- c. The exclusion of mechanical breakdown does not apply with respect to the breakdown of your computers and their related equipment, but this exception is limited to the effect of such mechanical breakdown on "electronic data".

- d. The following exclusions are added. We will not pay for loss or damage caused by or resulting from:

- (1) A virus, malicious code or similar instruction introduced into or enacted on a computer system (including "electronic data") or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But this exclusion does not apply if your e-commerce activity is conducted via a computer system that is equipped with virus-scanning or anti-virus software, or if the Anti-Virus Waiver is indicated as applicable in the Schedule. When this exclusion does not apply, then coverage also extends to shut-down of the computer system if the shut-down is undertaken in response to the detection of a virus or other incident by virus-scanning software, to mitigate or avoid attack, infiltration or infection of the system;
- (2) Unauthorized viewing, copying or use of "electronic data" (or any proprietary or confidential information or intellectual property in any form) by any person, even if such activity is characterized as theft;
- (3) Errors or omissions in programming or processing "electronic data";
- (4) Errors or deficiency in design, installation, maintenance, repair or modification of your computer system or any computer system or network to which your system is connected or on which your system depends (including "electronic data");
- (5) Manipulation of your computer system, including "electronic data", by an employee, volunteer worker or contractor, for the purpose of diverting "electronic data" or causing fraudulent or illegal transfer of any property;

- (6) Interruption in normal computer function or network service or function due to insufficient capacity to process transactions or to an overload of activity on the system or network. But this exclusion does not apply if such incident is caused by a virus, malicious code or similar instruction introduced into or enacted on a computer system or network;
- (7) Unexplained or indeterminable failure, malfunction or slowdown of a computer system, including "electronic data" and the inability to access or properly manipulate the "electronic data"; or
- (8) Complete or substantial failure, disablement or shut-down of the entire Internet, regardless of the cause.

- 3. The Covered Causes of Loss include removal of "electronic data" from your system in an act of thievery by someone other than an employee, volunteer worker or contractor. Removal means that the "electronic data" is no longer in your computer system. Removal does not mean viewing, copying or use of "electronic data" (or any proprietary or confidential information or intellectual property in any form). Coverage for removal does not include transfer of funds, securities or similar property which is designated in the Coverage Form as Property Not Covered, even if eliminated from Property Not Covered by endorsement.
- 4. An endorsement(s) which adds or eliminates a Covered Cause of Loss from Businessowners Coverage Form also applies to coverage under this endorsement, unless such other endorsement contains a specific provision to the contrary or is made inapplicable to this endorsement via its Schedule or the Declarations.

## **E. Section IV – Other Provisions**

### **1. General**

The coverage under this endorsement is limited as described, and does not extend to or modify any coverage provided under any other form or endorsement in this policy.

### **2. Claim-Related Fees**

We will not pay for costs, fees or other expenses you incur in establishing the amount of your claim.

### **3. Insurance-To-Value**

The Insurance-To-Value requirements do not apply to the coverage provided under this endorsement.

### **4. Limit Of Insurance – Annual Aggregate**

The applicable Limit of Insurance shown in the Schedule is the most we will pay under this endorsement, for the total of all losses covered under Sections I and II of this endorsement and sustained in any one policy year, regardless of the number of occurrences of loss or damage or the number of premises, locations or computer systems involved. If loss payment on the first occurrence does not exhaust the applicable Limit of Insurance, then the balance of that Limit is available for subsequent loss sustained in but not after that policy year. With respect to an occurrence which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the occurrence began.

### **5. Deductible**

The Deductible shown in the Schedule applies to loss covered under Section I of this endorsement. We will not pay for loss in any one occurrence until the amount of loss exceeds the Deductible. We will then pay the amount of loss in excess of the Deductible, subject to the available limit of the Limit of Insurance.

### **6. Coverage Territory**

With respect to the coverage provided under this endorsement, the following is added to **F. Property General Conditions 4. Policy Period, Coverage Territory**:

A computer virus or other incident that occurs on the Internet or other computer-based interactive communications network may originate anywhere in the world. However, even if an incident that originates outside the Coverage Territory results in coverage under this endorsement, the coverage is limited to the Coverage Territory (United States of America, its territories and possessions, and Puerto Rico and Canada) in accordance with the provisions of Paragraphs **B.1.** and **C.1.** of this endorsement.