

# COMPONENT COVERAGE TERMS AND CONDITIONS



## COMPONENT COVERAGE:

### TERMS AND CONDITIONS

This CONTRACT is subject to the following terms, conditions, and limitations. No person has the authority to change or to waive any of its provisions. This CONTRACT is for the sole benefit of the CONTRACT HOLDER and applies only to the COMPONENT described in the ADI Agency (ADI) certificate.

#### A. KEY TERMS AND DEFINITIONS

- **CONTRACT:** means this COMPONENT SERVICE CONTRACT. It is a CONTRACT between YOU and US.
- **WE, US, OUR, DEALER, MANUFACTURER:** means the Provider issuing this CONTRACT
- **YOU, YOUR, CONTRACT HOLDER:** means the owner of the COMPONENT listed in the ADI certificate.
- **COMPONENT:** means the COMPONENT which is described in the ADI certificate.
- **ADMINISTRATOR:** means the company appointed by US to administer this CONTRACT. The ADMINISTRATOR has no liability to YOU. The ADMINISTRATOR of this contract is ADI Agency.
- **MECHANICAL BREAKDOWN or FAILURE:** means the actual breaking or electronic failure of any covered part of the covered COMPONENT while in ordinary use arising from faults attributable to manufacturing defects in workmanship or materials in such COMPONENT causing sudden stoppage of the functions thereof and necessitating repair before it can resume work.

#### B. COMPONENTS COVERED

1. The Specific Component(s) Listed on Attachment A:

#### C. WHAT IS NOT COVERED

**1. IF A COMPONENT IS NOT** specifically denoted as being covered under the section within this service contract titled “Components Covered” it is not considered a covered component under this service contract. Normal maintenance items: filters, belts, oil and coolants. The radiator and charge air cooling system.

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**2. LOSS OF TIME**, inconvenience, bodily injury and property damage, or other incidental or consequential damage that results from MECHANICAL BREAKDOWN or FAILURE, including: loss of use of any equipment or consequential loss of any nature whatsoever, penalties for delay or detention, or in connection with guarantees of performance or efficiency. Storage, freight charges, shop supplies, EPA charges, waste disposal charges and taxes. Repairs to any non-covered parts. The cost of establishing preventative procedures or the cost of recall by the Manufacturer of the covered COMPONENT or any part thereof nor the cost of alterations, additions, improvements or overhauls. Additional loss or damage which is occasioned by the CONTRACT HOLDER or operator's failure to use all reasonable precautions to protect the COMPONENT from any further loss or damage after a MECHANICAL BREAKDOWN or FAILURE has occurred. Minor adjustments. This contract does not consider a machine's downtime with relation to parts availability or job completion deadlines.

**3. MECHANICAL BREAKDOWN OR FAILURE** - Caused by negligence, misuse, abuse, lack of maintenance. Caused by any external cause, including but not limited to fire, lightning, attempt of theft, and natural disaster. Arising out of the FAILURE of an otherwise covered part that does not meet manufacturer's specifications, including modification and/or alterations to the COMPONENT or equipment not approved by the manufacturers authorized representative or the ADMINISTRATOR. Covered by OEM warranty, repairer's guarantee, other service contract, or insurance policy. Caused by the imposition of abnormal conditions, directly or indirectly resulting from testing, intentional overloading or experiments. Where it is determined that for more than one (1) month or two hundred (200) hours that the service meter has been inaccurate, inoperative, or altered so that the COMPONENT'S true usage cannot be verified. That is a direct result of a mechanical or structural defect when the manufacturer has announced a public recall or a product support program for the purpose of correcting such defect. That occurs prior to this CONTRACT's ISSUE DATE/EFFECTIVE DATE, whichever is earlier, or after this CONTRACT's expiration.

Any wastage of material, wearing away or wearing out of any part of the COMPONENT caused by or resulting from ordinary usage, rust, other deposits, erosion, corrosion, cavitation or deterioration due to chemical or atmospheric conditions, or other environmental conditions. Any legal liability of whatsoever nature. Damage to a covered component that is caused by the failure of a non-covered component. Failure of a covered component that is due to wear.

### D. CONTRACT RESPONSIBILITIES, LIMITATIONS AND EXTENSIONS

#### OUR RESPONSIBILITIES

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WE agree to repair or replace any of the parts covered, if required due to a MECHANICAL BREAKDOWN or FAILURE; when the MECHANICAL BREAKDOWN or FAILURE is deemed to be covered under this warranty.

### YOUR RESPONSIBILITIES

To keep this CONTRACT valid, YOU must have YOUR COMPONENT serviced as recommended by the COMPONENT manufacturer. If requested, proof of required service showing date and service meter hours of the COMPONENT at the time of service must be presented to the ADMINISTRATOR during the time period in which a claim is being considered for payment. Failure to provide proof of service may terminate the service contract and result in the denial of the claim. Upon customary and reasonable notice of the occurrence of a MECHANICAL BREAKDOWN or FAILURE, YOU shall protect the COMPONENT from further damage, whether or not such MECHANICAL BREAKDOWN or FAILURE is covered by this CONTRACT. Any operation of the COMPONENT that results in further damage, related to the original MECHANICAL BREAKDOWN or FAILURE, shall be considered YOUR failure to protect the COMPONENT and shall not be covered under this CONTRACT. Upon submission of a claim the repairing DEALER or YOU must provide all of the required information requested by ADI Agency. In addition, the repairing DEALER or YOU must provide a detailed and valid failure analysis related to the failure of the covered component related to the claim. The ADMINISTRATOR must be notified of any proposed alterations or additions to the COMPONENT and of any proposed departure from ordinary working conditions and if any such modifications be made/or the maximum current or pressure at which the COMPONENT is designed to operate, or any lower maximum stipulated by the ADMINISTRATOR in writing be exceeded without the written consent of the ADMINISTRATOR, then in the event of BREAKDOWN, no coverage shall exist. If the ADMINISTRATOR cannot approve the proposed modification, the coverage may be terminated.

### E. CONTRACT PERIOD/TERRITORY

If this is a new COMPONENT CONTRACT the time and hour limits of the term selected start the day the COMPONENT Manufacturer's Warranty starts and at zero (0) hours. Coverage expires when the length of time or accumulated hours (whichever occurs first) of the term selected is reached.

If this is a used COMPONENT CONTRACT the time and hour limits of the term selected start on the DATE ISSUED/COMPONENT DELIVERY DATE and from the hours on the service meter on that date. Coverage expires when the length of time of the term selected shown in the ADI certificate is reached or total hours on the COMPONENT is equal to the sum of the selected term hours plus stated hours on the COMPONENT at delivery date, whichever comes first. This CONTRACT applies only to a MECHANICAL

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BREAKDOWN or FAILURE occurring within the United States, Canada, Mexico, South and Central America.

### F. LIMITS OF LIABILITY

Limit shall be limited to the reasonable price for repair or replacement of any covered part; not to exceed the COMPONENT manufacturer's suggested retail price. The "Reasonable Price" for repair or replacement is based upon nationally recognized flat rate and/or factory manuals. Labor reimbursement will be based on the dealer's suggested list price for shop labor. The contract will only allow for a \$3.00-dollar differentiation between different labor classifications as they are related to the dealer's suggested list price for shop and field labor. Replacement may be made with parts of like kind and quality, when available. If any parts are found to be unprocurable, OUR liability shall be limited to the COMPONENT manufacturer's suggested retail price thereon. In no event shall the limit of liability for each occurrence of MECHANICAL BREAKDOWN or FAILURE under this CONTRACT exceed the lesser of US \$75,000 or fifty percent (50%) of the purchase price of YOUR COMPONENT. The aggregate total of all benefits payable to YOU under this CONTRACT shall not exceed 50% of the purchase price of YOUR COMPONENT. The intent of this extended warranty is not to restore the product to a like-new condition, but rather to restore the product to its efficient operating condition just prior to the extended warranty covered failure. All repairs must be performed by a manufacturer authorized repair facility. The repair facility that performs the repairs must warrant its work for a period no less than 6 months or 1000 hours, starting from the date that the machine is put back into service, to be free of defects in material or poor workmanship.

### G. SUBROGATION

YOU agree that the ADMINISTRATOR, after honoring a claim on YOUR CONTRACT, has all rights of subrogation against those who may be responsible for YOUR MECHANICAL BREAKDOWN. YOU shall do whatever is necessary to secure such rights. YOU shall do nothing to prejudice such rights and YOU shall execute and deliver to the ADMINISTRATOR instruments and papers required either securing or maintaining such rights. All amounts recovered by YOU for which, YOU were previously reimbursed under this CONTRACT shall become the ADMINISTRATOR'S property and shall be forwarded to same by YOU, up to the total amount paid by the ADMINISTRATOR under this CONTRACT.

### H. ARBITRATION

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In the event of any dispute concerning the interpretation of the CONTRACT by US and/or the ADMINISTRATOR, it shall be resolved by arbitration in accordance with the rules of the American Arbitration Association. YOU must first request arbitration from US or the ADMINISTRATOR in writing within sixty (60) days after YOU receive written notice that the dispute cannot be resolved. For claims arbitration, written demand must be made to either the ADMINISTRATOR or US within sixty (60) days of the claim denial. All arbitration proceedings must be held in Onondaga County in the State of New York.

### I. TRANSFER OF THIS CONTRACT

Contact US and submit the following:

- This CONTRACT - Written evidence verifying all maintenance requirements have been met.
- A copy of documentation evidencing change of ownership and service hours at date of sale.
- Photocopies of documents sent to the manufacturer verifying transference of factory warranty, if applicable.

Conditions:

- This CONTRACT cannot be transferred to another COMPONENT. It can only be transferred to a different owner.
- The COMPONENT is subject to inspection.
- Transfer must take place within fifteen (15) days of change of ownership.
- All remaining underlying warranties must be transferred to the new owner.
- Failure to notify the ADMINISTRATOR of the transfer will void the remaining contract period.

### J. CANCELLATION

This CONTRACT is non-cancelable, except by the ADMINISTRATOR in the first sixty (60) days, should the COMPONENT not meet underwriting guidelines. In such a case, YOU will receive a full refund of the CONTRACT charge from US.

### K. IN CASE OF MECHANICAL BREAKDOWN OR FAILURE

Within thirty (30) days of the date of REPAIR, the repairing DEALER must provide the ADMINISTRATOR with a Repair Order detailing the FAILURE and the repairs, along with such other explanations or evidence as may be reasonably required by the ADMINISTRATOR, including a statutory declaration verifying the contents of the Repair Order, other explanations or evidence. If WE ask YOU, YOU must allow the ADMINISTRATOR to inspect YOUR COMPONENT to gather necessary information regarding any claim. YOU may be required to supply the ADMINISTRATOR with all maintenance records for service performed on the COMPONENT.

If the cost of repair is greater than one thousand (\$1000.00) dollars, the repairing DEALER and or YOU must, if requested, provide the ADMINISTRATOR with adequate photographic evidence of the affected

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parts, or preserve the parts affected, and make them available for inspection by the ADMINISTRATOR, or its representative.

**IF YOU HAVE A MECHANICAL BREAKDOWN OR FAILURE IT IS YOUR RESPONSIBILITY TO NOTIFY YOUR REPAIRING DEALER/MANUFACTURER, IT IS THEN THE RESPONSIBILITY OF THE DEALER/MANUFACTURER TO FILE THE CLAIM WITH THE ADMINISTRATOR:**

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