

American Mercury Insurance Company agrees with the insured, named in Part A, in consideration of the payment of premium and subject to the limits of liability, conditions, exclusions, provisions, and all other terms of this Policy:

THIS IS A MECHANICAL BREAKDOWN INSURANCE POLICY BETWEEN YOU AND US. IT IS NOT AN AUTOMOBILE LIABILITY OR PHYSICAL DAMAGE INSURANCE POLICY, NOR A WARRANTY OR GUARANTY. IT DOES NOT COMPLY WITH ANY FINANCIAL RESPONSIBILITY LAW OR COVER CONSEQUENTIAL LOSS OF ANY KIND.

POLICY PROVISIONS - PART B

SECTION I. DEFINITIONS

In this Policy, certain words that appear in **bold** have the following special meanings:

“**We**”, “**Us**”, “**Our**”, and “**Administrator**” mean American Mercury Insurance Company.

“**You**”, “**Your(s)**”, and “**Policy Holder**” mean the person named as the registered owner of the covered **Vehicle** identified in the Declarations.

“**Vehicle**” means only the private passenger automobile or truck listed as the covered **Vehicle** in the Declarations, which is used solely for personal and private use. (Limited commercial usage is available at additional cost.)

“**Powertrain Warranty Component**” means any component originally covered by the **Vehicle** Manufacturer’s Powertrain Warranty issued to the first retail owner.

“**Mechanical Breakdown**” means the inability of a properly maintained component to function as intended by the manufacturer.

Note: Minor loss of fluid is considered normal and does not constitute a **Mechanical Breakdown**.

“**Repair Cost**” means the parts and labor expense necessary to repair or replace any **Covered Component** that is the result of a covered **Mechanical Breakdown**, subject to the exclusions set forth herein. **We may use or provide replacement components of a like kind and quality that may be OEM (Original Equipment Manufacturer), rebuilt, remanufactured, or used.** Parts pricing shall not exceed **Your Vehicle** manufacturer’s suggested retail price or the suggested retail price of a like kind and quality part, whichever is authorized by **Us**. Labor will be determined by a current nationally recognized flat rate labor guide. **Repair Cost includes the required taxes associated with the covered Mechanical Breakdown according to state specific laws.** Authorized replacement components must have a parts and labor warranty no less than 12 months or 12,000 miles.

- **Repair Cost does NOT include non-named or excluded items.**

“**Deductible**” is the amount shown on the Declarations that **You** are responsible to pay for each covered repair visit. If a previously **Covered Component** fails for a subsequent time during the term of this Policy, no **Deductible** shall apply to those subsequent repair visits, unless additional **Covered Components** not previously covered are also being repaired.

“**Maintenance Records**” means the original verifiable receipts or invoices which confirm that all **Vehicle** maintenance has been performed as required by this Policy. Refer to Conditions of Coverage and the Vehicle Maintenance sections of this Policy.

“**Prior Authorization**” means **You** must obtain authorization and ensure that an approval number is issued by **Us** prior to any repairs being performed on the **Vehicle**. However, also see Section IV, Conditions of Coverage, Subsection 3, related to Emergency Repairs.

“**Commercial Use**” means, but is not limited to, the use of **Your Vehicle** for activities such as farming, ranching, rodeo, route work, job-site activities, deliveries, service calls, construction, hauling, daily rental, or carrying passengers for hire, whether **Your Vehicle** is licensed, registered or titled for commercial purposes or not, or licensed, registered or titled to a corporation or not.

- **Certain types of Commercial Use are allowed only if You have paid the Commercial Use surcharge at the time of application for this Policy.**
- **Surcharged Commercial Use coverage absolutely excludes Vehicles that are being used for, or will be used for, the following types of Commercial Use: taxi, rental, mail carrier, snow plow, oil field, police or security, ambulance, shuttle service, tow truck, auto transport, road construction, fire or rescue, waste removal, dump truck, winch truck, hazardous material transportation, racing or competitive driving or any military/federal/state/city/government use.**

“**Modified Vehicle**” means **Vehicles** with limited and properly installed lift kit and tire size modifications become eligible only if the Modified Vehicle Surcharge is selected on the application at the time of purchase. Any components added to the **vehicle** to perform such modifications are specifically excluded from coverage. The maximum body/suspension lift combined cannot exceed six (6) inches, and any tire size modification cannot exceed four (4) inches taller and/or 3 inches wider than the original manufacturer’s installed tire size. Any other vehicle modifications are excluded. Payment of this surcharge removes all exclusions related to Lift Kit/ Tire Size Modifications.

“**Actual Cash Value**” means the average trade-in value of **Your Vehicle** as published in the Kelley Blue Book Used Vehicle Value Guide at the time of the **Mechanical Breakdown**, adjusted for the current **Vehicle** mileage, any physical damage, and factory installed optional equipment.

“Covered Component” means those components of **Your Vehicle** which are named in this Policy under Section II. What This Policy Covers.

“Road Hazard” means any foreign object accidentally driven over on a public highway or road.

SECTION II. WHAT THIS POLICY COVERS

COVERAGE A. MECHANICAL BREAKDOWN REIMBURSEMENT

During the term of this Policy, **We** will reimburse **You**, or an authorized repair facility, the **Repair Cost** to repair or replace any **Covered Component** of **Your Vehicle** that has experienced a **Mechanical Breakdown**, less the applicable **Deductible**. **Under all Coverages the Mechanical Breakdown must occur and be reported during the term of this Policy. Coverage for any Mechanical Breakdown under any Coverage is subject to the terms and conditions of this Policy, including the Declarations Page and the Application.** In addition, **You** are responsible for paying the **Deductible** for a repair or replacement of **Covered Components** for each repair visit, and **You** are responsible for paying the cost to repair or replace any non-covered items or service.

MAXIMUM LIABILITY LIMIT

- A. The maximum liability per loss shall be limited to the **Actual Cash Value (ACV)** of the **Vehicle** on the date of loss. If a covered claim's Repair Cost exceeds the actual cash value of the Vehicle, as defined herein, **We** will pay the portion of the covered claim, up to the ACV limit, directly to **You**. **You** will be responsible for any charges against the covered **Vehicle** should the maximum liability be reached.
- B. Once the maximum limit of liability has been reached, this **Policy's** coverage, transfer and cancellation rights, terminate.

GOLD COVERAGE

Engine Covered Components: Cylinder block, Cylinder head(s), Turbocharger/Supercharger and their internal components; Mounts; Timing gears; Timing/Balance shaft chain/belt, guides, tensioners, sprockets and cover; Flywheel/Flex-plate; Harmonic balancer; Oil pan; Oil pump; Intake manifold; Exhaust manifold; Valve cover(s); Waste gate; Engine oil pressure gauge; Engine oil and filter only in conjunction with covered **Mechanical Breakdowns**.

Transmission/Transaxle Covered Components: Transmission and transaxle cases and their internal components; Mounts; Torque converter; Vacuum modulator; Transmission oil cooler; Gear shift lever; Electronic shift control processor; Electronic shift control sensor; Transmission shift linkage; Pan; Four wheel drive actuator; Transmission fluid and filter only in conjunction with covered **Mechanical Breakdowns**.

Transfer Case Covered Components: Transfer case and its internal components; Mounts; Transfer case fluid only in conjunction with covered **Mechanical Breakdowns**.

Drive Axle Covered Components: Final drive and axle housings and their internal components; Axles; Axle shafts and bearings; Propeller shafts; Hubs; Constant velocity joints; Universal joints; Center bearings; Yokes; Hub bearings; Locking rings; Differential cover; Drive axle fluid only in conjunction with covered **Mechanical Breakdowns**.

Suspension Covered Components: Wheel bearings; Sway bar and its bushings and linkage; Upper and lower control arms; Control arm shafts and bushings; Upper and lower ball joints; Radius arm and bushing; Stabilizer bar, links and bushings; Strut bar; Spindle and support; Strut bearings and bushings; Air suspension compressor; Suspension control computer; Suspension control solenoids; Height sensor; Mode selector switch.

Steering Covered Components: Gear housing, rack assembly and their internal components; Control valve and cylinder; Power cylinder assembly; Steering column shaft(s) and their couplings/bearings; Steering knuckle; Power steering pump, pulley, and mounting bracket; Dampener; Pitman arm; Tie rods; Tie rod ends; Idler arm; Drag link; Steering column bearings; Steering wheel; Tilt wheel mechanism; Rear wheel steering control valve and sensor; Rear wheel steering control unit; Rear wheel steering shaft and couplings; Rear wheel steering power cylinder(s); Rear wheel steering oil pump; Rear wheel steering stepper motor; Rear wheel steering rack assembly; Power steering fluid only in conjunction with covered **Mechanical Breakdowns**.

Engine Cooling Covered Components: Radiator; Radiator fan; Electric fan motor; Water pump and pulley; Water pump housing; Belt tensioner; Fan clutch; Fan shroud; Radiator coolant recovery unit; Electric radiator fan motor relay/switch; Electric radiator fan motor sensor; Engine thermostat; Engine coolant temperature gauge; Hot water valve; Engine coolant only in conjunction with covered **Mechanical Breakdowns**.

Brake Covered Components: Master cylinder; Power brake assist boosters; Combination valve; Backing plate assembly; Brake pedal assembly; Accumulator; Parking brake pedal; Parking brake cable; Parking brake release mechanism; Self adjusters; ABS booster pump; ABS control processor; ABS control sensors; ABS control solenoids; ABS modulator valve; ABS valve and accumulator; Brake calipers; Wheel cylinders; Brake lines and fittings; Brake fluid only in conjunction with covered **Mechanical Breakdowns**.

Ignition and Charging Covered Components: Alternator; Voltage regulator; Ignition coil; Ignition switch; Electronic ignition module; Electronic fuel injection sensors; Electronic fuel injection control units; Electronic ignition distributor; Electronic spark timing control unit; Alternator pulley and mounting bracket; Igniter; Volt/Amp gauge.

Electrical Covered Components: Starter motor; Starter motor drive; Starter motor solenoid; Wiper motors; Manually operated electrical switches; Horn and horn relay; Electric window motors; Electric mirror motors; Cruise control module; Cruise control actuator; Electric door lock relay and actuator; Electric trunk/tailgate/hatchback actuators; Backup light switch; Brake light switch; Door-operated courtesy light switches;

Neutral safety switch; Power antenna motor; Rear window defogger unit; Rear window defrost grid; Windshield washer pump; Electric power seat motor; Electric convertible top motor; Electric sunroof motor; Electric headlamp motor; Electronic instrument panel control module; Electronic instrument panel display; Engine wiring harness; Electronic traction control sensors and control module; Electronic suspension air compressor; Factory installed theft alarm system; Factory installed remote keyless entry transmitter/receiver; Inclinator; Cigarette lighter(s); Auxiliary power point; Illuminated vanity mirrors; Tachometer; Trip/Mileage computer; Headlamp dimmer switch; Map lights; Clock.

Fuel System Covered Components: Fuel tank; Fuel pump; Fuel injection pump; Diesel fuel injectors; Gasoline fuel injectors (for electrical failure only); Accelerator pedal; Fuel pressure regulator; Fuel level sending unit; Accelerator pedal linkage; Fuel pressure sensor; Fuel pump relay; Fuel shutoff control; Fuel tank filler pipe; Metal fuel lines; Fuel gauge; Vacuum pump.

Factory Installed Air Conditioning Covered Components: Compressor; Accumulator/Drier only in conjunction with compressor replacement; Condenser; Evaporator; Compressor clutch and coil; Compressor pulley and mounting bracket; Expansion valve; Orifice tube; Pressure switches; Idler pulley and bearing; Manual temperature control selector head; Automatic temperature control selector head; Blower motor; Heater control valve; Air ducts; Air registers; Control cables; Power module; Plenum doors; Vacuum motors; Idler pulley tensioner; Heater core; Refrigerant and oil only in conjunction with covered **Mechanical Breakdowns**.

Audio Center Covered Components: Factory installed entertainment chassis modules including: Radio; CD player; Magnetic tape player; Graphic equalizer. (Coverage is limited to repair only, not replacement.)

Chassis Hardware Covered Components: Ashtrays; Door handles; Door latches; Door locks; Door hinges; Hood latch release mechanism; Hood struts; Hood hinges; Hood torsion bars; Ignition switch lock cylinder; Rear hatch struts; Seat tracks; Deck lid latch/release; Deck lid hinges; Deck lid torsion bars; Power seat transmission; Window crank handles; Window regulators; Wiper motor transmission; Altimeter; Compass; Glove box lock and latch.

Under Gold Coverage, seals and gaskets are covered only for the above listed components.

Gold Coverage is limited to the above named components.

ANY PART NOT LISTED ABOVE IS NOT COVERED.

COVERAGE B. TOWING/ROAD SERVICE & LOST KEY/LOCK OUT

- In the event **Your Vehicle** becomes disabled or inoperable during the term of this Policy, Towing/Road Service is available.
- In the event the keys to **Your Vehicle** are lost, broken, or locked in **Your Vehicle** during the term of this Policy, Lost Key/Lockout service is available.
- **You** only pay for any amounts that may exceed the coverage limits, \$75.00 **per occurrence** for Towing/Road Service and \$35.00 **per occurrence** for Lost Key/Lockout service.
- To report a claim involving a **Mechanical Breakdown**, or for coverage questions, please call the National Claims Service toll-free number 1-800-654-8455.
- To utilize the Towing/Road Service or Lost Key/Lock Out services call 1-888-749-6233 and provide **Your Vehicle's** Identification Number (VIN). A contractor will be dispatched to **You**, or, **You** may select **Your** own licensed contractor and submit **Your** paid receipts to **Us** for reimbursement, limited to the amounts covered by this Policy.

COVERAGE C. RENTAL VEHICLE REIMBURSEMENT

In the event a **Mechanical Breakdown** of a Covered Component requires that **Your Vehicle** be kept by a repair facility, **You** may wish to rent a substitute vehicle. The substitute vehicle must be rented from a licensed rental agency. Reimbursement is valid only for actual and verifiable expenses incurred from the date of the covered **Mechanical Breakdown** until the date repairs are completed, and excludes any expense for mileage, gasoline, maintenance or insurance charges. Rental Vehicle Reimbursement will not exceed \$180.00 per repair visit for the entire period required to complete repairs, subject to the schedule below. If repairs are delayed due to parts unavailability, which is confirmed by **Us**, **You** may receive reimbursement for up to 4 additional days of Rental Vehicle Reimbursement per repair visit (limited to \$30 per day for a maximum of \$120), provided a separate additional authorization is obtained from **Us**. Rental Reimbursement is subject to the following schedule:

Authorized Repair Cost	Maximum Cost Reimbursement
\$0 to \$200	\$30.00
\$201 to \$500	\$60.00
\$501 to \$800	\$90.00
\$801 to \$1,200	\$120.00
\$1,201 to \$1,800	\$150.00
\$1,801 and over	\$180.00

COVERAGE D. TIRE PROTECTION REIMBURSEMENT

Until the expiration of this Policy or a tread depth of 3/32 of an inch, whichever comes first, **We** will reimburse **You** for the repair or, if necessary, the replacement of any of **Your Vehicle's** tires (original equipment size only) that have become damaged or unsafe for use due to a **Road Hazard**.

- In no event will Our liability for Tire Protection Reimbursement exceed \$125.00 per tire or \$500.00 during the term of this Policy.
- Rental Vehicle and Emergency Trip Interruption Reimbursement coverage are not applicable to any claim You may have under the Tire Protection Reimbursement.

COVERAGE E. EMERGENCY TRIP INTERRUPTION REIMBURSEMENT

If a covered **Mechanical Breakdown** disables **Your Vehicle** overnight more than 100 miles from **Your** residence, **We** will reimburse **You** for the verifiable and receipted expenses **You** incur for food and accommodations for the first three consecutive days while **Your Vehicle** is being repaired.

- Reimbursement will not be provided for the purchase of alcoholic beverages.
- Reimbursement is limited to a maximum of \$75.00 per day and will not exceed \$225.00 per occurrence.

Note: No Deductible applies to Coverage B., C., D., or E.

COVERAGE F. SPECIAL ELECTRONICS PACKAGE

If **You** selected and paid an additional charge for the Special Electronics Package as shown on **Your** Application, the following additional components of **Your Vehicle** will be covered under this Policy: GPS/Navigation System; Night Vision system; and Video components including TV/VCR/DVD/Video Game Player.

- This coverage applies to manufacturer-installed base units only and does not include software contained therein, cleaning/adjusting, programming, or updates. In addition, the following items are excluded under this coverage: all media (for example, digital storage media, cassettes, compact discs, DVDs, and game cartridges), subscription fees or services, and all handheld wired or remote controls or devices including wiring to handheld devices.
- Coverage for components specifically named in this section supersedes the exclusion of those components in Section III. What is Not Covered.
- This optional coverage requires payment of a surcharge and must have been selected at the time **You** purchased this Policy.
- Component replacements are limited to one (1) occurrence during the term of this Policy.

SECTION III. WHAT IS NOT COVERED

NOT ALL COMPONENTS OF YOUR VEHICLE ARE COVERED BY THIS POLICY. ONLY THE COMPONENTS LISTED IN SECTION II "WHAT THIS POLICY COVERS" ARE COVERED BY THIS POLICY. THE COMPONENTS AND CONDITIONS LISTED BELOW ARE SPECIFICALLY NOT COVERED BY THE TERMS OF THIS POLICY.

1. REPAIR OR REPLACEMENT OF COMPONENTS THAT ARE RECOMMENDED OR REQUIRED SOLELY BY THE ENACTMENT OF ANY LOCAL, STATE, OR FEDERAL LAW, RULE OR REGULATION. NOR DOES THIS POLICY COVER ANY REPAIR OR REPLACEMENT OF COMPONENTS RECOMMENDED OR REQUIRED SOLELY BY A MANUFACTURER'S TECHNICAL BULLETIN OR MANUFACTURER UPDATE WHEN NO FAILURE HAS OCCURRED.
2. NON-MECHANICAL, NON-ELECTRICAL, NON-PNEUMATIC OR NON-HYDRAULIC COMPONENTS; AUDIO SPEAKERS; BATTERIES; WATER AND WIND/AIR LEAKS; BUMPERS; CABLES; CHASSIS; CLAMPS; FASTENERS (I.E., NUTS, BOLTS, STUDS, CLIPS, ETC.)^[1]; CONVERTIBLE TOPS AND THEIR MECHANISMS^[2]; EXHAUST/EGR SYSTEM; AIR PUMP AND CATALYTIC CONVERTER, PCV SYSTEM; FUEL VAPOR RECOVERY SYSTEM; GASOLINE FUEL INJECTORS THAT DO NOT HAVE AN ELECTRICAL FAILURE; GLASS; HOSES; LINES AND FITTINGS^[3]; MIRRORS^[4]; MANUAL CLUTCH COMPONENTS; PASSENGER/DRIVER RESTRAINT SYSTEMS; SEAT COMPONENTS^[5]; SECONDARY IGNITION COMPONENTS; SUSPENSION SPRINGS; TELEPHONES; TORSION BARS; WHEELS; INTERNET COMPUTER; TELEMATIC SERVICES AND DEVICES (I.E., ONSTAR); NAVIGATION SYSTEM^[6]; VIDEO COMPONENTS^[6]; HEADS-UP DISPLAY; NIGHT VISION SYSTEMS^[6].

SUBSECTION 2 NOTES

- [1] FASTENERS (I.E., NUTS, BOLTS, STUDS, CLIPS, ETC.) ARE COVERED IN CONJUNCTION WITH A COVERED REPAIR.
- [2] CONVERTIBLE TOP COMPONENTS: ONLY ELECTRIC CONVERTIBLE TOP MOTOR IS COVERED.
- [3] BRAKE LINES/FITTINGS: ONLY METAL BRAKE LINES/FITTINGS ARE COVERED. FUEL LINES: ONLY METAL FUEL LINES ARE COVERED.
- [4] MIRRORS: ONLY MIRROR MOTORS ARE COVERED.
- [5] SEAT COMPONENTS: ONLY SEAT TRACKS, MOTOR, AND TRANSMISSION ARE COVERED.
- [6] NAVIGATION SYSTEM, VIDEO COMPONENTS AND NIGHT VISION SYSTEMS ARE COVERED ONLY WHEN YOU HAVE PURCHASED THE SPECIAL ELECTRONICS PACKAGE.

3. NORMAL MAINTENANCE AND SERVICE ITEMS; ALIGNMENTS; ADJUSTMENTS; CALIBRATIONS; SOFTWARE UPDATES; CLEANING; NON-PUBLISHED DIAGNOSTIC LABOR; FILTERS/FLUIDS/LUBRICANTS/REFRIGERANTS^[1]; A/C ACCUMULATOR/DRIER^[2]; FUSES; LIGHTS/BULBS/LENSES ASSEMBLIES; WEAR ITEMS; ACCESSORY DRIVE BELTS; BRAKE PADS/SHOES/DRUMS/ROTORS; SHOCKS; STRUTS; TIMING BELTS THAT ARE WORN OR STRETCHED; AND WIPER BLADES.

SUBSECTION 3 NOTES

[1] FILTERS/FLUIDS/LUBRICANTS/REFRIGERANTS ARE COVERED IN CONJUNCTION WITH A COVERED REPAIR.

[2] A/C ACCUMULATOR/DRIER ARE COVERED IN CONJUNCTION WITH COMPRESSOR REPLACEMENT.

4. ANY COMPONENT NOT SUPPLIED AS ORIGINAL EQUIPMENT BY THE VEHICLE MANUFACTURER.
5. POWERTRAIN WARRANTY COMPONENTS IF YOU SELECTED AND PAID FOR THE POWERTRAIN EXCLUSION COVERAGE, AS SHOWN ON YOUR APPLICATION.
6. ANY MECHANICAL BREAKDOWN OR DAMAGE:
 - A. CAUSED BY RUST, CORROSION, OXIDATION, CONTAMINATION, SLUDGE, OR RESTRICTED OIL PASSAGES;
 - B. CAUSED BY IMPROPER AMOUNTS OR IMPROPER TYPES OF LUBRICANTS, COOLANTS, REFRIGERANTS OR FILTERS;
 - C. IF PRIOR AUTHORIZATION IS NOT GIVEN BY US PRIOR TO REPAIRS BEING PERFORMED (SEE CONDITIONS OF COVERAGE);
 - D. RESULTING FROM MISUSE OF, ALTERATION OF, TAMPERING WITH, DISCONNECTION OF, MISCHIEF OR VANDALISM TO, THE VEHICLE OR ANY OF ITS COMPONENTS; OR DAMAGES RESULTING FROM COLLISION, ACCIDENTS, WATER, FIRE, FREEZING, ACTS OF GOD, OR THEFT;
 - E. IF MAINTENANCE RECORDS HAVE BEEN REQUESTED BY US BUT CANNOT BE PRODUCED OR VERIFIED;
 - F. THAT MAY REASONABLY BE ASSUMED TO HAVE EXISTED 1)PRIOR TO THE EFFECTIVE DATE OF THIS POLICY, 2) DURING ANY EXISTING CLAIM EXCLUSION PERIOD, 3) THAT OCCURS OR IS REPORTED AFTER THE EXPIRATION OF THIS POLICY, OR 4) THAT OCCURS DURING THE VEHICLE MANUFACTURER'S WARRANTY PERIOD, A REPAIRER'S GUARANTEE, OR A PARTS WARRANTY;
 - G. IF YOUR VEHICLE'S ODOMETER IS INOPERATIVE, HAS EVER BEEN ALTERED OR TAMPERED WITH, OR THE ACTUAL ACCUMULATED MILEAGE CANNOT BE DETERMINED;
 - H. DUE TO CONTINUED OPERATION OF YOUR VEHICLE, OR FAILURE TO USE REASONABLE MEANS TO PROTECT YOUR VEHICLE FROM FURTHER DAMAGE, AFTER A FAILURE OCCURS (SEE CONDITIONS OF COVERAGE);
 - I. CAUSED BY ENGINE OVERHEATING OR LACK OF LUBRICATION DUE TO FAILURE OF A NON-COVERED COMPONENT.
7. WE WILL NOT COVER ANY OF THE FOLLOWING:
 - A. ANY RESULTING OR CONSEQUENTIAL DAMAGE TO A NON-COVERED COMPONENT, OR CAUSED BY, A NON-COVERED COMPONENT;
 - B. ANY CHARGES, COSTS, EXPENSE, INCONVENIENCE, LOSS OF TIME, LOSS OF INCOME OR ANY OTHER CONSEQUENTIAL LOSSES ARISING FROM A MECHANICAL BREAKDOWN NOT SPECIFICALLY COVERED BY THIS POLICY, OR ANY OTHER EXPENSES YOU INCUR NOT SPECIFICALLY COVERED BY THIS POLICY;
 - C. IF YOUR VEHICLE IS USED FOR, EQUIPPED FOR OR IDENTIFIED AS A: SNOW PLOW, RACING, EMERGENCY, DELIVERY VEHICLE, OR COMMERCIAL VEHICLE (LIMITED COMMERCIAL USE IS AVAILABLE ONLY IF THE PROPER SURCHARGE HAS BEEN PAID);
 - D. GRINDING OF VALVES OR OTHER COMPONENT REPAIRS TO IMPROVE COMPRESSION OR CORRECT OIL CONSUMPTION WHEN A DEFINED MECHANICAL BREAKDOWN HAS NOT OCCURRED;
 - E. IF ANY ALTERATIONS OR MODIFICATIONS HAVE BEEN MADE TO YOUR VEHICLE, OR YOU ARE USING OR HAVE USED YOUR VEHICLE IN A MANNER NOT RECOMMENDED BY THE MANUFACTURER (EXAMPLES INCLUDE, BUT ARE NOT LIMITED TO: ANY CUSTOM OR ADD-ON PART; ALL FRAME OR SUSPENSION MODIFICATIONS; LIFT KITS; OVERSIZED TIRES; HEAVY DUTY TRAILER HITCHES; EMISSIONS AND/OR EXHAUST SYSTEMS MODIFICATIONS; ENGINE MODIFICATIONS; ENGINE OVER-REVING; IMPROPER SHIFTING). (LIMITED VEHICLE MODIFICATIONS ARE ALLOWED ONLY IF THE PROPER SURCHARGE HAS BEEN PAID).
 - F. ENGINE DAMAGE RESULTING FROM THE INGESTION OF WATER THROUGH THE AIR INTAKE SYSTEM (COMMONLY REFERRED TO AS WATER INGESTION)

IN THE SITUATIONS COVERED BY 6.E., 6.G., 7.C. AND 7.E ABOVE, OR IN THE EVENT YOUR VEHICLE IS REPOSSESSED, HAS EVER BEEN DECLARED A TOTAL LOSS, IS A SALVAGE OR REBUILT VEHICLE, WE MAY CANCEL THIS POLICY. ALSO, SEE THE PROVISIONS CONTAINED IN SECTION V. GENERAL PROVISIONS, SUBSECTION 7. CANCELLATION.

SECTION IV. CONDITIONS OF COVERAGE

You have specific duties that must be performed by You before We will be liable for payment of claims under the terms of this Policy. They include:

1. VEHICLE MAINTENANCE:

- A. You MUST follow the instructions contained within Your Vehicle owner's manual regarding proper operation and all maintenance services scheduled and/or recommended by Your Vehicle's manufacturer. Your Vehicle manufacturer's mileage recommendations will be considered the maximum allowable interval between service requirements.
- B. You MUST retain Maintenance Records, as defined herein. If You perform maintenance on the Vehicle Yourself, You must maintain a log showing the date, mileage and type of maintenance service performed. You must also keep receipts for the purchase of the products used to perform the maintenance service (e.g., lubricants and filters).
- C. In the event of a Mechanical Breakdown, You may be requested to provide all Maintenance Records proving that proper maintenance has been performed before a Mechanical Breakdown for certain components will be covered under this Policy, regardless of where or by whom maintenance is performed.

- D. **CAUTION: Failure to provide all requested Maintenance Records may cause denial of benefits under this Policy.** A Routine Maintenance and Repair Log is provided to assist **You** in recording the maintenance services performed on **Your Vehicle**, regardless of where and by whom the maintenance is performed.

*Refer to **Your Vehicle** manufacturer owner's manual for all recommended maintenance services. If **You** do not have a **Vehicle** owner's manual, **You** may either purchase one from a franchise dealer or **You** may contact **Us** and **We** will provide information to **You** regarding recommended maintenance service information, when it is available.*

2. WHAT TO DO WHEN A BREAKDOWN OCCURS: **You** are responsible for all expenses and **Repair Costs** if it is determined that the **Mechanical Breakdown** is not covered by the terms of this Policy. If **Your Vehicle** has a **Mechanical Breakdown**:

- A. **You** MUST use all reasonable means to protect **Your Vehicle** from further damage. Example: Activated warning lights, such as oil or temperature lights in the dashboard, indicate that **You** should stop operating **Your Vehicle** immediately. If **Your Vehicle** is disabled, or if it is unsafe to continue to drive **Your Vehicle**, **You** may wish to arrange for towing.
- B. **You** MUST have the repair facility contact **Us** immediately after the **Vehicle** is brought in for service, and again when a cause of failure and **Repair Cost** is determined during **Our** normal business hours. It is **Your** responsibility to authorize the repair facility to perform any diagnosis or teardown that is necessary to determine the cause of failure and **Repair Cost**. National Claims Service toll-free number is **1-800-654-8455**.
- C. **We** may require inspections of the **Vehicle** to verify the reported cause of failure and extent of the damage.
- D. **You** MUST NOT authorize repairs until **We** verify that the **Mechanical Breakdown** is covered by this Policy and **We** have issued an approval number. **Maintenance Records** may be requested from **You** before an approval number can be issued.
- E. If payment for an authorized claim is not made to an authorized repair facility, **We** will reimburse **You** directly. To receive reimbursement of **Your** authorized claim, please mail a copy of the paid receipt itemizing the charges **You** paid. The receipt must also include **Your** signature, the date of repair, the odometer reading, the **Prior Authorization** number, **Your** telephone number, Vehicle Identification Number, and the identity of the repairer. **You** are responsible for any expenses that are not covered by this Policy, including the **Deductible**.
- F. **Documents requesting reimbursement for **Your** authorized claim must be received within 180 days of the date **We** provided the approval number. If the required documentation is not received within that time, **Your** claim will be denied.**

3. EMERGENCY REPAIRS: A **Mechanical Breakdown** may occur that is unexpected, and is of a serious and urgent nature which renders the **Vehicle** inoperable or unsafe to operate during a weekend or after **Our** normal business hours. In this case, if **You** are unable to reach **Us** to obtain **Prior Authorization** before repairs are fully completed, **You** may, at **Your** own discretion, wish to authorize the necessary emergency repairs. However, **if any portion of the repairs is being performed during **Our** normal business hours, **You** must have the repair facility contact **Us** as soon as our normal business hours commence and prior to the repairs being completed, or **Your** claim may be denied. **You** are responsible for all expenses and **Repair Costs** if it is determined that the **Mechanical Breakdown** does not qualify as an **Emergency Repair** as defined by this Policy.**

In the case of "Emergency Repairs", complete the Emergency Claim Reimbursement Form and mail it to American Mercury Insurance Company, (P.O. Box 728866, Oklahoma City, OK 73172-8866) within 30 days of the date of repair, and include all original paid receipts, **Maintenance Records**, **Your** Policy number, telephone number, and an explanation of the circumstances surrounding the failure. **Your** Emergency Repairs claim will be processed according to the terms and conditions of this Policy. **We** will contact **You** if additional information is needed. If **We** do not receive the required documentation within 30 days of the date of repair, **Your** claim may be denied.

SECTION V. GENERAL PROVISIONS

- 1. This is a Mechanical Breakdown Insurance Policy between **You** and **Us**. It is **NOT** an automobile liability or physical damage insurance policy, nor a warranty or guaranty. It does **NOT** comply with any financial responsibility law or cover consequential loss of any kind.
- 2. **Policy Period:** This Policy begins on the Application date and expires at 12:01 a.m. on the expiration date defined in the application, or when the number of miles defined as the expiration mileage in the Application appears on **Your Vehicle's** odometer, whichever occurs first.
- 3. **Territory:** This Policy applies to **Mechanical Breakdowns** occurring only within the United States of America and Canada.
- 4. **No Benefit to Bailee:** This Policy shall not, directly nor indirectly, benefit any carrier or bailee for hire.
- 5. **Your Assistance and Cooperation:** If **We** request **Your** assistance, **You** agree to cooperate with **Us** in investigating any claim under this Policy, in making settlements, and in enforcing any right of contribution or indemnity against any manufacturer or repairer that may be responsible to **You** for the **Repair Cost** of any **Mechanical Breakdown** covered by this Policy. Unless **We** expressly authorize **You** to do so, **You** agree that **You** will not assume any obligation or incur any expense in this regard, except at **Your** own expense. **We** may request **Your** assistance and cooperation on **Our** behalf.
- 6. **Transfer:** This Policy is solely for **Your** benefit; however, if **You** sell **Your Vehicle** to another individual, the remaining coverage under this Policy can be transferred one time to the new owner prior to the Policy expiration date, provided that:
 - A. All the original manufacturer's warranties are also transferred to the new owner;
 - B. **Your Vehicle** has not been sold or traded to or through an automobile dealer, auto broker, auto auction or financial institution.
 - C. **You** provide the new owner all **Maintenance Records** confirming that **Your Vehicle** has had all required maintenance and servicing. Both **You** and the new owner are responsible for ensuring that all **Maintenance Records** for **Your Vehicle** are available for review in case of a **Mechanical Breakdown**.

- D. You complete the Transfer Request Form and mail it to Us within fifteen (15) days of a change of ownership, to the address listed below. Be sure to include:
- i) a certified odometer statement for Your Vehicle, and
 - ii) a \$50.00 transfer fee.

Note: If the original Policy Holder becomes deceased during the term of this Policy, the Policy will automatically extend to: 1) the original Policy Holder's surviving spouse or heir, or, 2) the original Policy Holder's legal representative while acting within the scope of his/her duties as such.

7. **Cancellation:** You may cancel this Policy by mailing to Us within 30 days of the date You wish to cancel: 1) this Policy, 2) a signed cancellation request stating the date of cancellation, and 3) a certified odometer statement. If You cancel within sixty (60) days of purchase and no claims have been paid, We will refund the total charge You paid for this Policy and this Policy will be considered void. If You cancel within sixty (60) days of purchase and had a claim during that period, or You cancel after the expiration of sixty (60) days of purchase, Your refund will be prorated based upon the amount You paid for this Policy and the number of days or odometer miles this Policy has been in force, in relation to the time and mileage terms of this Policy, whichever refund amount is less. If You cancel this Policy after it has been in force for sixty (60) days, a \$35.00 cancellation fee will be withheld from any refund made.

We may cancel this Policy for any of the following reasons: 1) repossession or total loss of Your Vehicle; 2) Your Vehicle's odometer has been altered or is inoperable anytime during the term of this Policy; 3) Your Vehicle has been altered or modified as set out in Section III, paragraph 7.E. herein (except as allowed in this Policy with payment of the Modified Vehicle surcharge); 4) Your Vehicle is used as set out in Section III, paragraph 7.C. herein; 5) material misrepresentation or fraud by You at any time relating to this Policy; 6) nonpayment of fees; 7) Commercial Use of Your Vehicle (except as allowed in this Policy with payment of the Commercial Use surcharge); or, 8) if You fail to maintain Your Vehicle according to the manufacturer's recommendations. We will mail written notice to the address shown in the Declarations stating the reason for the cancellation, when the cancellation is effective and the amount of any refund due, at least fifteen (15) days prior to the cancellation date. The refund will be pro-rated based on the amount You paid for this Policy and the number of days or odometer miles this Policy has been in force, in relation to the time and mileage terms of this Policy, whichever refund amount is less.

Cancellation - Alaska: The following additional provision applies to cancellations in Alaska. The following language is deleted "We will retain a \$35.00 cancellation fee.", and replaced with the following, "If You cancel this policy the \$35.00 cancellation fee is not applicable in Alaska." We may cancel only for the following reasons: nonpayment of premium, fraud or material misrepresentation affecting the Policy or in the presentation of a claim, or violation of any terms or conditions of the Policy. In the event We cancel this Policy for fraud or material misrepresentation, We will provide You with ten (10) days written notice. If We cancel for nonpayment of premium We will provide You with twenty (20) days written notice. If We cancel for any other reason We will give You thirty (30) days written notice of cancellation stating the reason of termination.

Cancellation - California: In the event of cancellation, We will only retain a \$25.00 cancellation fee. If We cancel this Policy, the cancellation date will be no less than five days after the postmark date of the notice, and shall state the specific grounds for cancellation. Any refund will be made within thirty (30) days of the date of cancellation.

Cancellation - Oregon: The following additional provision applies to cancellations in Oregon. If this Policy has been in effect for more than sixty (60) days, We may cancel only for the following reasons: nonpayment of premium, fraud or material misrepresentation affecting the Policy or in the presentation of a claim, or violation of any terms or conditions of the Policy. In the event We cancel this Policy for nonpayment of premium, We will provide You with ten (10) days written notice. If We cancel for any other reason We will give You thirty (30) days notice of cancellation stating the reason of termination.

8. This Policy is not renewable.

9. We may rescind this policy, if at any time, it is discovered that the vehicle never qualified for the policy. In such case, the purchase price will be refunded less any claims paid.

STATE SPECIFIC PROVISIONS

ALASKA -

The following language is deleted from Section III 'WHAT IS NOT COVERED', paragraph 7.

'C. IF YOUR VEHICLE IS USED FOR, EQUIPPED FOR OR IDENTIFIED AS A: SNOW PLOW, RACING, EMERGENCY, DELIVERY VEHICLE, OR COMMERCIAL VEHICLE (LIMITED COMMERCIAL USE IS AVAILABLE ONLY IF THE PROPER SURCHARGE HAS BEEN PAID);'

and replaced with the following:

'C. IF YOUR VEHICLE IS USED FOR, EQUIPPED FOR OR IDENTIFIED AS A: COMMERCIAL SNOW PLOW, RACING, EMERGENCY, DELIVERY VEHICLE, OR COMMERCIAL VEHICLE (LIMITED COMMERCIAL USE IS AVAILABLE ONLY IF THE PROPER SURCHARGE HAS BEEN PAID);'

The transfer fee of \$50 mentioned in Section V part 6D.ii is not applicable to Alaska.

CALIFORNIA –

Performance to You under this Policy is guaranteed by a California approved insurance company. You may file a claim with this insurance company if any promise made in the Policy has been denied or has not been honored within sixty (60) days the date proof of loss was filed. The name and address of the insurance company is: American Mercury Insurance Company, P.O. Box 728866, Oklahoma City, OK 73172-8866. If You are not satisfied with the insurance company's response, You may contact the California Department of Insurance at 1-800-927-4357. Our service contract provider license number is OE48157.

IDAHO –

Coverage afforded under this Policy is not guaranteed by the Idaho Insurance Guarantee Association.

**CUSTOMER SERVICE
NATIONAL CLAIMS SERVICE
1-800-654-8455**



I N S U R A N C E G R O U P

Insured by American Mercury Insurance Company
P.O. Box 728866
Oklahoma City, OK 73172-8866

For Towing/Road Service and Lost Key/Lockout Assistance, Call 1-888-749-6233.