

Learning Unit 11: Personal Computers



learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure for personal computers
- Describe what we insure under personal computers
- Identify what we do not insure (exclusions) under personal computers.
- Identify the underwriting rules relevant to the insurance of personal computers.



Introduction

Computers have been around for a long time. In fact, one of the first “computers” developed was the Chinese abacus, a manual device. While the abacus does not look like the computers we use today, the common link between the two is that they are both computing devices. In each case, there is a certain feel and flow to the logic that directs their activities.

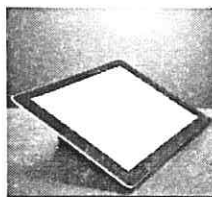
A personal computer (PC) is generally a microcomputer intended to be used by one person at a time and suitable for general purpose tasks based on purchased software not written by the user.



Examples of these tasks are:

- word processing,
- calculations,
- programming,
- accessing the world wide web or internet,
- sending messages or digital documents comprising text, images, audio or video to other computers on the network (commonly called e-mail),
- multimedia editing or game play.

A personal computer is often owned by the person using it and the PC may well accompany the person on his/her travels. For some people the PC is their means of recording everything in their lives: their documents, their budgets, their entertainment, and their means of communicating with the world. It, therefore, becomes important to insure a very personal possession against loss and damage.



Today there are various modern pieces of electronic equipment available which would be covered under this section, such as the iPad, other makes of tablets and the notebook or laptop. Definitions of these appear in section 2 below.

11.1 Definitions

These definitions provide a clear description of whom and what is covered under this section. This table clearly sets out the definitions for easy reference. There is space for you to add any further terms and their definitions.

Word or phrase used	Definition and description
you,	Means the policyholder and anyone we insure under this section.
computer virus	<p>A computer virus is a malicious computer programme that can spread across computers and networks by making copies of itself, usually without the user's knowledge. A virus can have harmful side effects and these can range from displaying irritating messages to deleting all the files on the computer.</p> <p>Such viruses could also be termed trojans or worms. Generally, an anti-virus software programme is installed on the computer to prevent damage.</p>
laptop	<p>A portable personal computer with a clamshell cover, suitable for mobile use. A laptop has most of the same components as a desktop computer, including a display, keyboard, pointing device such as a touchpad, (also known as a track pad) and/or a pointing stick and speakers in a single unit.</p> <p>A laptop is powered by mains electricity via an AC adapter but can be used away from an outlet using a rechargeable battery. Laptops are also sometimes called notebook computers or notebooks.</p>
your computer	<p>Any computer and accessories that belong to you. It includes keyboard, monitor, printer and any other accessories including software described in the schedule.</p> <p>The computer must be clearly described individually in this section.</p>
tablet and/or e readers	<p>A tablet computer, or simply a tablet, is a one-piece mobile computer which does not resemble a laptop in form. Devices typically have a multi touch screen used with a finger or stylus movements replacing the conventional computer mouse.</p> <p>An on-screen, hide-able virtual keyboard is usually used for typing. Some of the devices have built in WI-FI and, in certain cases, internet connectivity for web browsing and e-mail. These tablets can also shoot videos, take photos, play music and become a diary.</p> <p>Tablets differentiate themselves by being larger than smart phones or personal digital assistants. There are a number of different makes currently on the market, such as the Apple iPad or Samsung Galaxy Tab 10.1.</p>



Personal computers are covered on a world-wide basis.

11.2 Who we insure

The following people are insured:

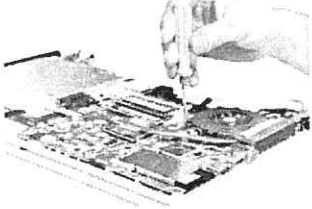
- The policyholder;
- Members of the policyholder’s family who live with the policyholder;

11.3 What we insure

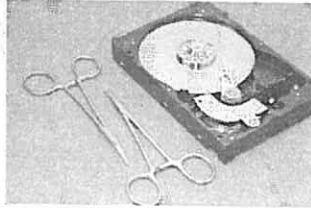
The nature of the insured loss or damage is qualified by the use of the word *physical*. Without this qualifier, damage may be interpreted as the failure of the computer insured to perform its function and the loss would be covered even if a minor adjustment could have corrected the problem.

If it is more economical to repair the damage to the computer, then the indemnity would be restricted to the cost of restoring it to working order, less the excess amount.

The insured is, therefore, covered for the following related to the personal computer.

<p>Physical loss or damage</p> 	<p>The insurer will compensate the insured for physical loss of or damage to the computer. The cover provided under this section is essentially of an all-risks nature. The section provides for physical loss or physical damage to the property insured, provided that the cause of damage is not excluded.</p> <p>Therefore, to establish whether the section covers a loss, the insurer would first consider whether the damage is physical and then the exclusion must be carefully examined. Physical damage would be damage which can be measured either:</p> <ul style="list-style-type: none"> • Visibly, or • In consequence, for example, lightning damage, which is not visible.
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Loss of data and programmes



The insurer will compensate the insured for the reasonable cost of recompiling data or programs that are lost because they have been accidentally erased.

The policy holder will be compensated up to the limit shown in the schedule for any single loss or series of losses that are the result of one event.

The policy wording states "are lost because they have been accidentally erased". The term *accidental* has wide implications and its legal interpretation is almost endless, unless of course an element of purposeful act exists.

11.4 What we do not insure (exclusions)

In terms of the policy wording under this section the following are not compensated:



Erasing data

For loss of data or programs, the insurer will not compensate the insured for accidentally erasing data caused by:

- programme errors;
- viruses, trojans, worms or other destructive media or computer programs;
- incorrect data entries;
- corrupted data.

Physical loss or damage

This exclusion addresses two issues, firstly, dual insurance and, secondly, insurable interest. Insurable interest is the legal right to insure arising out of a financial relationship recognised at law, between the insured and the subject matter of insurance. The subject matter of the insurance would be the computer. The relationship is financial because the insured will be financially worse off if his/her computer is damaged and/or stolen.

For physical loss or damage, we do not compensate you for:

- loss or damage that is insured under any maintenance or lease agreement or arrangement;
- loss or damage that is insured under any guarantee, service contract, or purchase agreement

- loss or damage that happens because of:
 - Wear and tear, rust, mildew, corrosion, or decay;
 - Gradual deterioration or repairing or any gradual operating causes;
 - Electronic or electrical breakdown or failure unless accompanied by physical loss or damage;
 - Cleaning, or upgrading the computer;
 - Development of poor electrical and electronic contacts;
 - Scratches to the painted or polished surfaces.
 - Viruses, Trojans, worms or other destructive media or computer programs;
- your computer working in an irregular or unusual way, unless it is caused by physical damage that is insured;
- parts of your computer that have a short lifespan. Some examples of this are cathode ray tubes, bulbs, fuses and sacrificial buffer circuits. If these parts are affected when your computer is damaged, we compensate you for the remaining lifespan of the parts at the time of the damage;
- your computer being stolen from an unattended motor vehicle. We compensate you if your computer was locked in a boot, or hidden in a compartment in a locked vehicle and there are visible signs of forced entry to the vehicle.

Let's break this down, clearly the policy should not be brought into contribution with a maintenance contract/agreement.



A maintenance agreement generally covers the cost of labour in the event of damage. The maintenance contract ensures rapid response in the event of a loss, thereby reducing downtime, but it does not provide for fire, lightning and theft claims. One of the basic principles of

insurance is that an insured should act as though he/she was not insured. This implies that the policyholder should take due care in preventing losses. Having a maintenance agreement on the personal computer is a good example of this principle.



Loss or damage would not be covered if the computer is insured under any guarantee, service contract or purchase agreement. Let us reflect on what these terms imply.



Guarantee means a promise or an assurance, especially one given in writing that confirms the quality or durability of a product or service.

A **Service Contract** is a legal agreement between two parties, one of whom agrees to provide services specified in the contract in exchange for a flat fee or wages, depending on the nature of the document. A service contract sometimes offers more coverage and people can buy it anytime or extend an existing agreement.

A **Purchase Agreement** is a legal document that outlines the terms and conditions connected with a transaction that includes the act of purchasing goods or services. Generally the terms of a purchase agreement involve identifying specific conditions that both the buyer and the seller agree to meet and perform as part of the transaction.

Insurance is intended for unexpected occurrences. The intention of the exclusion of scratching is purely to avoid claims for disfigurement, which occurs naturally during the lifespan of the equipment.

“your computer working in an irregular or unusual way, unless it is caused by physical damage that is insured”



This exclusion excludes any cover should the computer function in an irregular or unusual way, unless the computer is functioning in this manner due to it being caused by physical damage that would be covered in terms of the policy wording.

“parts of the computer that have a short life span”

Electronic apparatus may have various component parts with a short lifespan and which are installed purely as protective measures to avoid damage to the equipment by over-voltage or low-voltage conditions. Generally, such items or components have a limited lifespan in relation to the overall lifespan of the insured equipment.

The component parts listed are not the only items that could be regarded as limited lifespan items, but are merely an indication of the nature of excluded equipment.

Remote blocking or jamming

Mutual & Federal has been made aware of the increasing number of remote control blocking incidents that have been taking place across the country. Remote control "blocking" takes place when criminals interfere with a car's central locking system, leaving the vehicle owner to think that the car has been locked while it actually has not.

Criminals are believed to be doing this by pressing down on a gate remote control at the same time as when the car owner presses down the central locking button. This then blocks the car's remote control signal. Most car and gate remote controls use the same frequency, making it easier for the gate remote control to block the car remote control.

In terms of the cover under the Personal Computer section, losses of this nature would not be covered as there would not be any visible signs of forced entry to the vehicle. Due to losses of this nature, a decision was made to grant limited cover in the event of items stolen from an unoccupied motor vehicle if there is no forcible entry/exit into the vehicle.

Should the insurer compensate the insured if there are no visible signs of forced entry in to the vehicle, it will be done on the following basis:

- a) The item must be specified in the schedule;
- b) The maximum compensation is the limit shown in the schedule per item;
- c) The maximum compensation is the limit shown in the schedule for any one event;
- d) There is an excess shown in the schedule.


11.5 Compensation

A personal computer policy is a policy of indemnity. When loss occurs the insured should, as far as is possible, be placed in exactly the same financial position as he/she was in before the loss occurred. This is subject to the amount of the sum insured being sufficient and providing all policy terms and conditions have been met.

How we compensate you

<p>If the computer can be repaired</p>	<p>If the computer is physically damaged and can be repaired, the insurer will compensate for the <u>lower amount</u> of either:</p> <ul style="list-style-type: none"> • The cost of repair less the excess, or • The amount that it is insured for less the excess.
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<p>If the computer cannot be repaired</p>	<p>If the computer is lost or physically damaged and cannot be repaired, the insurer will compensate for the <i>lower amount</i> of either:</p> <ul style="list-style-type: none"> • The cost of replacing the computer with a computer of the closest possible performance and capacity, less the excess; or • The amount that the computer is insured for, less the excess.
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	<p>It is important to remember that, if the replacement cost of the computer exceeds the sum insured, then settlement would be based on the amount the computer is insured for, less the excess. It is therefore important that the computer is insured for the correct amount.</p>
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Limit of compensation

The policyholder will be compensated up to the limit shown in the schedule.

Excess

The excess amount is shown in the policy schedule for this section.

Underwriting Rules

This section can only be selected together with a House owner’s Insurance, Household Goods or Motor section.

Personal computers are susceptible to electrical disturbances, either via the electrical supply, or the telephone line if a modem is used. It is recommended that an approved surge protection and arrestors be installed at the plug point, the telephone line connector and the DB board.

Laptops are particularly susceptible to theft. There are several approved security devices available and these must be attached to the laptop.

iPads and tablets must be insured under the Personal Computer section.



ACTIVITIES

Activity 1

On trying to start up his personal computer, the policyholder finds that it is completely dead. He takes it to the nearest repairer who advises that the computer has been struck by lightning, but the damage is repairable. The repairer prepares a quotation for the necessary repairs which are well below the sum insured.

How will the insured be compensated for this loss?

Activity 2

The policyholder has a computer insured under this section. One evening there is an electrical storm and the computer is struck by lightning. On taking the computer to a repairer the insured is advised that the computer cannot be repaired.

How will the insured be compensated for this loss?

Activity 3

The policyholder is taking his personal computer to the repairers, as it is not functioning correctly. The computer is contained in the boot of the insured's motor vehicle. He parks in the parking area near the computer store, locks his vehicle and first goes to the store to arrange for someone to assist him. While inside making the necessary arrangements, his vehicle is broken into and the computer is stolen.

Would there be cover in terms of the policy wording?

Activity 4

The policyholder's daughter is busy surfing the web, on a laptop, to obtain information for a project that she has to hand into school the next morning. It is getting late and she needs a cup of coffee to keep awake. On returning to the laptop on the dining room table, she notices Tabby her cat, jumping off the table.

On closer inspection, she notes that the keyboard and screen are wet and the screen has gone blank. She realises that Tabby has urinated on the laptop.

Would there be cover in terms of the policyholder for this type of loss?



Summary

In this day and age, many people have personal computers and feel the frustration and dismay of having this piece of equipment not functional or simply missing from their lives. This section is therefore an important one in the policy.

This learning unit has provided you with the information required to correctly advise a client regarding the insurance of the relevant item. It details the two basic events which are insured, how the compensation takes place and it also describes when the computer is not covered. Knowing how to distinguish between the two issues will properly prepare the client for what to expect if the worst happens.

Learning Unit 12: Legal Costs



learning outcomes

Learning Outcomes

Upon completion of this learning unit, it is expected that you will be able to:

- Understand and provide definitions for terminology.
- List who we insure under legal costs.
- Describe what we insure under legal costs
- Identify what we do not insure (exclusions) under legal costs.
- Identify the underwriting rules relevant to the insurance of legal costs.

