

IBM TRANSIT LOSS AND DAMAGE PROCEDURES
(Revised 01/18/06)

This procedure is designed for Customers and Business Partners who are now responsible for filing an insurance claim in the event of loss or damage to a Machine, which includes parts, supplied by IBM.

I. GENERAL INFORMATION

The transit insurance policy insures Machines, while in transit, against all risks of physical loss or damage from any external cause. It is important to note that coverage applies only to physical loss or damage and does not extend to loss of market, business interruption or other consequential losses or damages. The Machines are valued at IBM's selling price to the affected Customer/Business Partner. Fireman's Fund McGee Marine Underwriters (FFMU) is the insurer, and W.K. Webster (WKW) is their global claims agent.

II. STEPS TO TAKE IN THE EVENT OF LOSS OR DAMAGE

1. Inspect the Cargo

- Before accepting delivery from the Carrier, carefully inspect the cargo. If damages or shortages are observed, make the appropriate notation on the delivery receipt.
- If damage is observed, take any practical steps to minimize loss or additional damage. Reasonable expenses incurred in mitigating a loss or additional damage are recoverable, such as removing the machine from the weather elements.
- Do not dispose of damaged cargo or packing material until authorized by the surveyor or WKW.

2. File the Insurance Claim

- Customers/Business Partners must promptly (within thirty (30) days of the delivery date or scheduled delivery date) notify IBM CSO/BPSO of the loss or damage by completing the Report of Loss and Damage Form and attaching it in an email and sending it to CSO/BPSO or faxing the signed form to CSO/BPSO. The Report of Loss and Damage Form may be obtained from the www.marshcargo.com/ibm website or from CSO/BPSO. However, it is recommended that the Report of Loss and Damage Form be completed via the Marsh Cargo website referenced above to enable the electronic assignment of a tracking number to the claim. IBM and WKW encourage the customers/business partners to submit claims within ten (10) business days of an incident to ensure efficient processing of the claim. IBM will acknowledge the receipt of the claim within 24 hours or one (1) business day.
- IBM will notify the insurance adjuster, WKW, by emailing the Report of Loss and Damage Form to WKW.
- If needed to assess the damage, WKW will assign a surveyor who will report on the nature, cause and extent of the loss or damage. Within 48 hours, a meeting with the surveyor, IBM Service, the Customer/Business Partner, if appropriate, will take place.
- WKW will request additional documentation that may be needed to clarify or demonstrate the loss or damage. IBM will be responsible for contacting the Customer/Business Partner if any additional information is required.

- The survey company will issue their report to WKW. WKW pays the survey fee. WKW shares this report with IBM.
- In most cases, within thirty (30) calendar days after all documentation is collected, WKW will adjust the claim and issue the settlement via check or wire transfer to the Customer/Business Partner or IBM, if the proceeds were assigned to IBM by the Customer/Business Partner.

III. INSTRUCTIONS FOR COMPLETING THE REPORT OF LOSS OR DAMAGE FORM

1. Customer/Business Partner:
 - a. may access the Report of Loss or Damage Form via the www.marshcargo.com/ibm website or contact their IBM CSO/BPSO CSR who will make the form available via email or fax.
 - b. completes the appropriate section of the Report of Loss or Damage Form and submits it to IBM via an attachment to an email or via fax.
 - c. is responsible to submit the Report of Loss or Damage Form within thirty (30) calendar days of a damage or loss incident. IBM may request additional information to process the claim. Prompt submission of the Report of Loss or Damage Form is essential to avoid the claim from being time barred and, therefore, impacting the Customer's/Business Partner's ability to recover under the applicable policy.
 - d. may elect to place a new (replacement) order if the equipment is damaged beyond repair.
 - e. may contact CSO/BPSO CSR with any questions concerning the claim.
2. Damaged equipment is either repaired by IBM or, if deemed beyond repair, becomes the property of the insurance company.
3. The machine may not be returned once a claim has been initiated for a machine.

IV. ASSIGNMENT OF RIGHTS TO PROCEEDS

The Customer/Business Partner may wish to assign to IBM their rights to the insurance claim proceeds. To accomplish this, the Customer/Business Partner must check the appropriate box and sign the Report of Loss and Damage Form. By selecting this option, the claim payment will be sent directly to IBM and the Customer/Business Partner will no longer be responsible for the original invoice payment.

If the Customer assigns the proceeds to IBM, CSO will place the invoice or, the portion of the invoice relating to the insurance claim, in dispute for the lost or damaged machine until IBM receives the payment from the insurance company. If the Business Partner assigns the proceeds to IBM, the Business Partner must place the invoice or, the portion of the invoice relating to the insurance claim, in dispute for the lost or damaged machine until IBM receives the payment from the insurance company.

No interest or late fees will be charged to the Customer/Business Partner. CSO/BPSO will inform the Customer/Business Partner via email when the claim approval is received from the insurance company, the amount of the check, when the payment is received from the insurance company and the invoice is settled.

V. PAYMENT OF THE CLAIM

When all necessary documentation has been provided and the survey report has been completed, WKW will review and adjust the claim. If there are any problems or ambiguities, WKW will contact the claimant or IBM within 14 calendar days. In most cases, WKW will approve the claim and arrange payment within 30 calendar days of receiving the complete claim documentation. WKW will refer any potential declinations to FFMU who will consult with Marsh and IBM prior to a claim being declined.

If the Customer/Business Partner did not assign the proceeds to IBM, the Customer/Business Partner is responsible for paying the invoice for the initial order which was lost or damaged. Payment will be required prior to receiving the claim payment from the insurance company.

If the Customer/Business Partner assigned the proceeds to IBM, the invoice, or the portion of the invoice related to the lost or damaged machine, will be placed in dispute until the insurance company settles the claim.

VI. REPLACEMENT EQUIPMENT ORDER

1. To request a replacement order, the Customer/Business Partner must check the appropriate box on the Report of Loss or Damage Form. A replacement order will not be automatically processed by IBM.
2. A replacement order must meet all firm order acceptance criteria and established customer/business partner authorization standards that are applicable in the Customer Fulfillment process in support of the Direct and Business Partner channels.
3. The use of the annotation "ROL" in the comments section of the Customer's/Business Partner's purchase order and the comments section of the order will be used to facilitate expediting a replacement order.
4. The expedite charge for the replacement order will be paid by IBM/the Insurance Company.
5. The initial invoice for the lost or damaged machine will not be cancelled.
6. The Customer/Business Partner will be responsible for paying applicable invoices, unless the proceeds were assigned to IBM.
7. For Business Partners IGF floor financed transactions, the Business Partner will need to provide a new Transaction Authorization (TA) number for the replacement order.

VII. DO's AND DON'Ts

DO's

- **DO** report the loss or damaged to IBM immediately.
- **DO** use the Report of Loss and Damage Form.
- **DO** annotate any observed damage on the delivery slip with the transportation carrier when accepting delivery.
- **DO** whatever is reasonable and necessary to prevent further loss or damage.
- **DO** contact CSO/BPSO with any questions concerning the claim.
- **DO** provide complete documentation and details in support of the claim.

DON'Ts

- **DON'T** destroy or dispose of cargo or packing material until a survey has been made.
- **DON'T** accept settlement offers from Carriers without the approval of WKW.