

Summary of Engineering Insurance Classes of Business^{*})

Renewable (annual) covers

Comprehensive machinery (CM) insurance

Comprehensive machinery insurance offers, in addition to the cover under the above described machinery insurance, wide and comprehensive protection against property damage and loss of profits for an entire plant and machinery in operation including other property like buildings, stock, goods in process, etc.

This new policy is designed to grant cover for entire plants where engineering risks are prevailing, in contrast to industrial all risks covers where the fire exposure and extended perils are of more importance.

Therefore, the following property is regarded as excluded under the cover:

- land including topsoil, backfill, drainage and culverts, roads, runways, railway lines, dams, reservoirs, water, canals, drilling rigs, wells, pipelines, transmission and distribution lines, tunnels, bridges, docks, piers, wharves, any underground property, offshore property
- all property on the premises of a nuclear power station, nuclear reactors, reactor buildings with equipment therein on any premises other than nuclear power stations, and property on any premises if used or having been used for generating nuclear energy or production, use or storage of nuclear material
- property of the insured transferred to or in the possession of customers, or under leasing or rental agreements, hire, purchase, credit or other suspense sale agreements.

CMI is an all risks accident and loss of profits insurance covering any unforeseen and sudden physical loss or damage to the insured plant, necessitating its repair or replacement.

Loss or damage covered under Section I of this insurance includes the classical scope of cover described under the machinery insurance above but is furthermore extended to grant protection for plant and machinery mainly against

- fire, lightning, chemical explosion
- earthquake, inundation, flood
- any other cause not specifically excluded
- The exclusions are typical of operational covers and include e.g.
- any loss or damage caused by release, discharge or dispersal of toxic or hazardous substances, contaminants or pollutants
- any loss or damage for which a manufacturer, supplier, contractor or repairer is responsible either by law or under contract

- any loss or damage caused by any shortage of incoming supplies and operational media, including but not limited to electricity, fuel, water, gas, steam or refrigerant
- any costs arising from false or unauthorized programming, punching, labeling or inserting, inadvertent cancelling of information or discarding of data media or from loss of information caused by magnetic fields
- any loss or damage caused by malfunctioning which occurs in hardware, software or embedded chips or any loss, corruption or distortion of data, without any ensuing physical loss or damage to property covered.

The sum insured should always represent the new replacement value of the property insured.

In case of loss or damage, the indemnification under CMI distinguishes between the property affected, i.e.

- plant and machinery – new or used
- goods in process, raw material and supplies, finished goods, stocks, plans, electronic data, etc.
- other property such as buildings or civil structures.

In the event of loss or damage to mechanical, electrical or electronic equipment not older than 5 years, the insurer indemnifies the insured in respect of the expenses incurred for restoring or replacing the damaged property to its condition when new. Regarding insured equipment older than 5 years or totally destroyed or where the repair cost would exceed the actual value, the insurer indemnifies the insured for the actual value of the equipment immediately before the occurrence of the loss or damage.

In case of loss or damage to goods in process, raw materials and supplies, finished goods and stock, indemnification equals the cost of replacement of such items whereas indemnification for damaged plans, drawings, records, data and programs for electronic and electromechanical data processing equipment equals the cost of reproducing from originals or from duplicates.

For all other damaged property such as buildings, civil structures, etc., indemnification equals the cost of repair or replacement, whichever is lowest, to its condition when new.

Section II of CMI comprises the business interruption (BI) cover which provides protection against loss of gross profit and increased cost of working in case the business is interrupted or interfered with as a consequence of loss or damage indemnifiable under Section I.

The few exclusions under this Section II refer mainly to losses resulting from

- earthquake, volcanic eruption or tsunami
- shortage, destruction, deterioration or damage to raw materials, semi-finished or finished products
- deliberate and/or other erasure loss, distortion or corruption of information in computer systems or other records or programs of software unless resulting from an occurrence insured under Section I

Furthermore the insurer is not liable for the amount of any fines or damages for breach of contract, late or non-completion of orders, or penalties of whatever nature.

As to the BI sum insured, the period of indemnity, deductible, etc., the terms are in line with the MLOP policy, whereas under Section II the policy allows to apply either a time excess or a monetary deductible.

^{*}) This summary is taken from Munich Re's booklet Technical Insurance References and is based on the examples of Engineering Insurance wordings of Munich Re, but broadly applies in general to the class of Engineering Insurance referred to herein.