

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon, the following alteration of Memo 1 (see the Provisions of the Policy) shall apply to this insurance:

The Insurers shall waive the right to apply underinsurance, provided the sum insured at the beginning of the insurance was correctly fixed and the premium as well as the sums insured are adapted at each renewal date (annually) to the changes in machinery production prices and the cost of labour.

Such adaptation shall be made according to the following formulae:

$$S = S_0 \frac{E}{E_0}$$

$$P = P_0 \left( 0.3 \frac{E}{E_0} + 0.7 \frac{L}{L_0} \right)$$

S = sum insured of the current year

S<sub>0</sub> = sum insured as at the beginning of the insurance

E = machinery production price index of the current year

E<sub>0</sub> = machinery production price index as at the beginning of the insurance

P = premium of the current year

P<sub>0</sub> = premium as at the beginning of the insurance

L = labour cost index of the current year

L<sub>0</sub> = labour cost index as at the beginning of the insurance