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Policy no.

Machinery consequential loss insurance

Whereas the Insured named in the Schedule hereto has made to the

(hereinafter called "the Company") a written proposal by completing a Questionnaire which together with any other statements made in writing by the Insured for the purpose of this Policy is deemed to be incorporated herein,

Now this Policy witnesses that in respect of events occurring during the period of insurance and in consideration of the Insured having paid to the Company the premium mentioned in the Schedule the Company will indemnify the Insured in the manner and to the extent hereinafter set forth,

Provided always that the due observance and fulfilment of the terms, conditions and exceptions of this Policy in so far as they relate to anything to be done or complied with by the Insured and the truth of the statements and answers in the proposal(s) shall be conditions precedent to the right of the Insured to recover hereunder,

The Schedule shall be deemed to be incorporated in and form part of this Policy and the expression "this Policy" wherever used in this contract shall be read as including the Schedule. Any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such meaning wherever it may appear.

1 Object of insurance

- 1.1 If at any time during the period of insurance stated in the Schedule the business carried on by the Insured at the premises specified in the Schedule be interrupted or interfered with in consequence of an *Accident* (as hereinafter defined) of any machinery specified in the schedule of machinery, then the Company will in respect of each item in the Schedule indemnify the Insured against the amount of loss resulting from such interruption or interference, however the liability of the Company during any one year of insurance shall in no case exceed in respect of each item the sum expressed in the Schedule to be insured thereon or in the whole the sum insured hereby or such sum or sums as may hereafter be substituted therefore by memorandum signed by or on behalf of the Company.
- 1.2 *Accident* shall mean sudden, unforeseen physical loss or damage to the machinery specified in the schedule of machinery occurring whilst the machinery is:
- 1.2.1 ready for commercial operation; in the case of newly installed plant once it has been commissioned and the testing period has been completed successfully;
 - 1.2.2 at work or at rest, or dismantled for the purpose of cleaning, overhauling, or of being shifted within the premises, or in course of subsequent re-erection;
 - 1.2.3 on the premises specified in the Schedule.
- 1.3 Resulting from:
- 1.3.1 fortuitous working accidents such as maladjustment, loosening of parts, failures or faults in protective devices, entry of foreign bodies;
 - 1.3.2 tearing apart due to centrifugal forces;
 - 1.3.3 shortage of water in steam boilers or pressure vessels;
 - 1.3.4 over-pressure, except when caused by occurrences excluded under para 1.4.3, or implosion;
 - 1.3.5 short-circuit, over-voltage or over-current, except when caused by occurrences excluded under para 1.4.3;
 - 1.3.6 defects or faults in design, material or manufacturing and faults in erection;
 - 1.3.7 faulty operation, lack of skill, carelessness, malevolence of employees;
 - 1.3.8 storm;
 - 1.3.9 any other accident not hereinafter excluded.
- 1.4 *Excluded* are direct or indirect losses causing interruption or interference which are due to damage caused by:
- 1.4.1 corrosion, erosion, wasting or wearing of any part of machinery caused by ordinary use of working and any other continuous chemical or atmospheric influence, undue deposits of rust,

- mud, boiler scale or other deposits;
- 1.4.2 breakdown caused by test, intentional overloading or experiments involving the imposition of abnormal conditions;
- 1.4.3 fire, explosion, lightning, whether direct or indirect, extinguishing of fire, subsequent demolition, dismantling and clearance of debris;
- 1.4.4 earthquake, seaquake, tsunami, subsidence, landslide, rockfall, flood, inundation, hurricane, typhoon, cyclone, volcanic eruption;
- 1.4.5 theft, burglary;
- 1.4.6 damage arising out of wilful act, wilful negligence by the Insured or its management;
- 1.4.7 any faults or defects existing at the time of commencement of the present insurance within the knowledge of the Insured or its management.
- 1.5 Not insured are direct or indirect losses causing interruption or interference which are due to damage to:
- 1.5.1 exchangeable tools of all kinds, such as drills, crushers, patterns for casting, knives, saw blades, stones, stamps;
- 1.5.2 conveyor belts, sieves and hoses, rubber, textile and plastic linings and bands, brushes and tyres; ropes, chains and belts, parts made of glass, porcelain or ceramics;
- 1.5.3 foundation blocks, brick lining of furnaces, ovens and containers, firing grids, burner nozzles;
- 1.5.4 fuels, filter fillings, cooling media, cleaning products, lubricants, oil fillings;
- 1.5.5 catalysts, chemicals, contact agents;
- 1.5.6 war, invasion, acts of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war, mutiny, insurrection, rebellion, revolution, conspiracy, military or usurped power, martial law, riot and civil commotion, strike, lock-out, confiscation, commandeering, requisition or destruction of or damage to property by order of any government de jure or de facto of any public municipal or local authority;
- 1.5.7
- i) loss, destruction or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss
 - ii) any legal liability of whatsoever nature directly or indirectly caused by or contributed to by or arising from ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. For the purpose of this exclusion only combustion shall include any self-sustaining process of nuclear fission;
- 1.5.8 any loss, destruction, damage or legal liability directly or indirectly caused by or contributed to by or arising from nuclear weapons material.

2 Sums insured

2.1 *Gross profit*

The sum insured on gross profit shall be based on figures for the past financial year adjusted for the trend of the business and shall be adjusted annually.

2.1.1 *Gross profit* is the amount by which the aggregate value of the turnover and the closing stock exceeds the aggregate value of the opening stock and the amount of the specified working expenses.

The values of the opening and closing stocks shall be arrived at in accordance with the Insured's normal accounting methods.

2.1.2 Specified *working expenses* are those costs which vary directly with the turnover and in respect of which therefore no indemnity will be required, eg purchases (less discounts), packing, freight, energy cost etc.

2.1.3 *Turnover*. The money paid or payable to the Insured for goods sold and delivered and for services rendered in course of business carried out at the premises.

2.2 *Wages*

2.2.1 If a sum is set out against this item in the Schedule the Policy cover is extended to include indemnity for wages.

2.2.2 The sum insured on wages shall be equal to all remuneration not treated as salaries in the books including payments pertaining to wages such as: bonuses, holiday pay, social insurances etc.

2.3 *Spoilage*

If a sum is set out against this item in the Schedule the policy cover is extended to include the cost of replacing and/or recovering material spoiled in the course of processing and/or the cost incurred in cleaning the affected machinery.

3 Periods

- 3.1 *Indemnity period.* A period not exceeding the indemnity period limit stated in the Schedule, commencing with the occurrence of the Accident and during which the results of the business are affected in consequence of the accident, provided always that the Company shall not be liable for the amount of loss suffered during the
- 3.2 *Time excess period.* The excess period runs from the occurrence of the accident. When an interruption or interference exceeds the time excess period, the indemnity is reduced in the same proportion as the time excess period bears to the indemnifiable period of interruption.

4 Basis of indemnity

- 4.1 The amount payable as indemnity under item no. 1 of the Schedule is limited to the loss of gross profit due to reduction in turnover and increase in cost of working and shall be:
- 4.1.1 *In respect of reduction in turnover:* the sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the Accident, fall short of the standard turnover,
- 4.1.2 *In respect of increase in cost of working:* the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the Accident, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided,
- 4.2 less any sum saved during the indemnity period in respect of such of the charges and expenses of the business insured under this item as may cease or be reduced in consequence of the Accident,
- 4.2.1 provided that if the sum insured by this item be less than the sum produced by applying the rate of gross profit to the annual turnover, the amount payable shall be proportionately reduced.
- 4.3 The words and expressions used in paras 4.3.1 - 4.3.3 shall have the meaning usually attached to them in the books and accounts of the Insured and are defined as follows:
- 4.3.1 *Rate of gross profit:* the portion of gross profit earned to the turnover during the financial year immediately before the date of the Accident.
- 4.3.2 *Annual turnover:* the turnover during the twelve months immediately before the date of the Accident.
- 4.3.3 *Standard turnover:* the turnover during that period in the twelve months immediately before the date of the Accident which corresponds with the indemnity period.
- 4.4 Adjustments shall be made to the above figures (para 4.3.1 to 4.3.3) as may be necessary to provide for the trend of the business for variations in or special circumstances affecting the business either before or after the Accident or which would have affected the business

had the Accident not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Accident would have been obtained during the relative period after the Accident.

- 4.5 If during the indemnity period goods shall be sold or services shall be rendered elsewhere than at the premises for the benefit of the business either by the Insured or by others on his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.
- 4.6 The Company shall however not be liable for any increase in loss of gross profit due to
- 4.6.1 bodily injury,
- 4.6.2 circumstances which are in no causal connection with the accident, eg delay incurred in obtaining import licences, entry permits, foreign exchange etc.
- 4.6.3 extensions or improvements of the plant affected after the occurrence of the accident,
- 4.6.4 lack of capital,
- 4.6.5 any restrictions or reconstruction methods imposed by any public authority.

5 Premium adjustment

- 5.1 Not later than four months after expiry of the Policy year the Insured may declare that the gross profit earned during the period of insurance is, as certified by the Insured's Auditor, less than the sum insured under Item no. 1; a return premium shall be made proportionate to the reduction in sum insured.
- 5.2 If any claims occurred during the Policy year the amount of such claims shall be added to the revised gross profit as certified by the Insured's Auditor before calculating the proportion of return premium.

6 Reinstatement

- 6.1 Payments in respect of claims made under any item of the Schedule of the Policy reduces the sum insured unless the insured pays to the Company pro rata an additional premium on the amount of the payment from the date of the occurrence of the loss to the end of the policy period.
- 6.2 Such additional premium shall be disregarded for the purpose of any adjustment of the premium.

7 General conditions

- 7.1 The Insured shall take all reasonable steps to maintain the machinery listed in the schedule of machinery in efficient working order and to ensure that no item is habitually or intentionally overloaded. The Insured shall fully observe the manufacturers' instructions for operating, inspection and overhaul as well as government, statutory, municipal and all other binding regulations in force concerning the operation and maintenance of the plant and machinery.

7.2 The Company's representatives shall at all reasonable times have the right to inspect and examine the machinery and the Insured shall provide the officials of the Company with all details and information necessary for the assessment of the risk.

In case of accident the Company's representatives shall have immediate access to all machinery and the right to take over and to control all necessary repairs.

7.3 In the event of any

7.3.1 material change in the original risk such as changes of standby or spare machinery etc,

7.3.2 alteration, modification or addition to any item of machinery,

7.3.3 departure from prescribed operating conditions, whereby the risk of interruption or interference increases,

7.3.4 changes in the Insured's interest (such as discontinuation or liquidation of the business or being placed in receivership),

taking place, the Policy shall be avoided unless its continuance be agreed by endorsement signed by the Company.

7.4 In the event of any occurrence giving rise or likely to give rise to a claim under this Policy coming to the knowledge of the Insured the Insured shall:

7.4.1 give immediate notice thereof to the Company by telephone or telegram and send written confirmation thereof within forty-eight hours of the event to the Company;

7.4.2 do and concur in doing and permit to be done all things which may be reasonably practicable to minimise or check any interruption of or interference with the business or to avoid or diminish the loss;

7.4.3 discontinue the use of any damaged machinery unless the Company authorises otherwise (the Company shall not be liable in respect of any interruption or interference arising out of the continued use of any damaged machinery without the prior authority of the Company until such machinery shall have been repaired to the satisfaction of the Company);

- 7.4.4 so far as may be reasonably practicable without causing any increase in the period of interruption or interference take precautions to preserve any things which might prove necessary or useful by way of evidence in connection with any claim;
- 7.4.5 in the event of a claim being made under this Policy not later than thirty days after the expiry of the indemnity period or within such further time as the Company may in writing allow, deliver to the Company in writing a statement setting forth particulars of the claim together with details of all other insurances covering the Accident or any part of it or consequential loss of any kind resulting therefrom. Also produce and furnish to the Company such books of account and other business books such as invoices, balance sheets and other documents proofs information explanation and other evidence as may reasonably be required by the Company for the purpose of investigating or verifying the claim together with if required a statutory declaration of the truth of the claim and of any matters connected therewith.

No claim under this Policy shall be payable unless the terms of this condition have been complied with and in the event of non-compliance therewith any payment on account already made shall be repaid to the Company forthwith.

- 7.5 The Insured shall at the expense of the Company do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Company in the interest of any rights or remedies, or of obtaining relief or indemnity from parties (other than those insured under this Policy) to which the Company shall be or would become entitled or subrogated upon their paying for or making good any loss or damage under this Policy, whether such acts and things shall be or become necessary or required before or after the Insured's indemnification by the Company.
- 7.6 All differences arising out of this Policy shall be referred to the decision of an arbitrator to be appointed in writing by the parties in difference or if they cannot agree upon a single arbitrator to the decision of two arbitrators, one to be appointed in writing by each of the parties, within one calendar month after having been required in writing so to do by either of the parties, or, in case the arbitrators do not agree, of an umpire to be appointed in writing by the arbitrators before entering upon the reference. The umpire shall sit with the arbitrators and preside at their meetings. The making of an award shall be a condition precedent to any right of action against the Company.
- 7.7 If a claim is in any respect fraudulent, or if any false declaration is made or used in support thereof, or if any fraudulent means or devices are used by the Insured or anyone acting on his behalf to obtain any benefit under the Policy, or if a claim is made and rejected and no action, suit, or reference to arbitration is commenced within three months after such rejection or, in case of arbitration taking place as provided herein, within three months after the arbitrator or arbitrators or the umpire have made their award, all benefit under this Policy shall be forfeited.
- 7.8 This insurance may be terminated at the request of the Insured at any time, in which case the Company will retain the customary short period rate for the time the Policy has been in force. This insurance may equally be terminated at the option of the Company by ten days notice to that effect being given to the Insured in which case the Company shall be liable to repay a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the Company may have incurred.

- 7.9 This insurance is not to be called upon in contribution and is only to pay any loss hereon if and so far as not recoverable under any other insurance.