

Policy handbook
**Machinery
Insurance**
(Loss of Profits)

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Whereas the Insured by a Proposal and Declaration which shall be the basis of this contract and is deemed to be incorporated herein has applied to the Insurer (hereinafter called "the Company") for the Insurance hereinafter contained and has paid or agreed to pay the Premium as consideration for such insurance in respect of loss or damage occurring during the Period of Insurance.

Now this Policy of Insurance witnesses that in consideration of the Insured having paid or agreed to pay the premium mentioned in the schedule(s) and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon.

The Company hereby agree with the Insured that if during the period of insurance or any renewal thereof the business carried on by the Insured at the premises specified in the schedule(s) is interrupted or interfered with in consequence of an accident (as hereinafter defined) of any machinery described in the list of machinery and plant insured, then the Company shall in respect of each subject matter insured indemnify the

Insured against the amount of loss as hereinafter defined resulting from such interruption or interference.

Provided that the liability of the Company in no case exceeds in respect of each subject matter insured in any one year of insurance the sum expressed in the schedule(s) to be insured thereon or in the whole the total sum insured hereby or such other sum or sums as may hereinafter be substituted therefore by endorsement signed by or on behalf of the Company.

1 Exclusions

This Policy shall not cover any loss resulting from interruption of or interference with the business directly or indirectly attributable to any of the following causes:

1. Loss or damage due to fire, direct lightning, chemical explosion, extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft or attempts thereof, collapse of buildings, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes.
2. Loss or damage due to the imposition of abnormal conditions directly or indirectly resulting from testing, intentional overloading or experiments.
3. Loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract.
4. Loss or damage caused by any faults or defects existing at the time of commencement of this Policy within

the knowledge of the Insured or his representatives, whether such faults or defects were known to the Company or not.

5. Loss or damage arising out of the wilful act or gross negligence of the Insured or his representatives.
6. Any consequence of war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, acts of a group of malicious persons or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation, commandeering, requisition or destruction or damage to property by order of any government de jure or de facto or by any public authority.
7. Any consequence of nuclear reaction, nuclear radiation or radioactive contamination.

8. Loss of or damage to:

- a) Foundations and masonry, unless specifically included and described in the list of machinery and plant insured.
- b) Exchangeable and replaceable parts such as bits, drills, knives, saw blades.
- c) Dies, moulds, patterns, blocks, stamps, punches, coatings or engravings on cylinders and rolls.
- d) Parts which by their use and/or nature suffer a high rate of wear or depreciation such as crushing surfaces, balls, hammers, screens and sieves, engraved soft metal cylinders, wear plates, elevator and conveyor belts or bands, chains, flexible pipes, jointing and packing materials, filter cloths, parts made of glass, rubber, textile or synthetics, grinding wheels, ropes, belts, straps, cables other than electrical conductors,

- brushes, batteries, tyres, refractory materials, grate bars, burner jets.
- e) Operating media such as fuels, chemicals, catalysts, filter substances, heat transfer media, cleansing agents, lubricants.
9. Repair or replacement necessitated by direct damage to wear and tear, corrosion, erosion, deposits of scale, sludge or other sediment, rust or scratching of painted or polished surfaces, or by any other direct consequences of progressive or continuous influences from working or atmospheric or chemical action, but the Company shall be liable for any loss resulting from interruption or interference caused by damage arising from such causes and otherwise insured by this Policy.
10. Shortage, destruction, deterioration of or damage to raw materials, semi-finished or finished products or other materials required for proper operation, even if
- the consequence of material damage to an item indicated in the list of machinery and plant insured is involved.
11. Any restrictions on reconstruction or operation imposed by any public authority.
12. The Insured not having at his disposal in good time sufficient capital for repairing or replacing destroyed or damaged machinery.
13. Loss of or damage to machinery, mechanical installations and their additional installations or other items which are not listed in the list of machinery and plant insured, even if the consequence of material damage to an item indicated in the list of machinery and plant insured is involved.
14. Loss of business due to causes such as suspension, lapse or cancellation of a lease, licence or order, etc. which occurs after the date when the machinery affected by an accident is again in operating condition and the business could have been resumed, if said lease, licence

or order, etc. had not lapsed or had not been suspended or cancelled.

In any action, suit or other proceeding where the Company allege that, by reason of the provision of Exclusions 3-7 above, any loss is not covered by this Policy, the burden of proving that such loss is covered shall be upon the Insured.

2 Basis of Insurance

The cover provided under this Policy shall be limited to loss of gross profit due to reduction in turnover and increase in cost of working and the amount payable as indemnity hereunder shall be

- 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, in consequence of the accident, falls short of the standard turnover
- 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,

less any sum saved during the indemnity period in respect of such of the charges and expenses of the business payable out of the

gross profit as may cease or be reduced in consequence of the accident,

provided that if the sum insured hereunder is less than the sum produced by applying the rate of gross profit to the annual turnover, the amount payable is proportionately reduced.

3 Definitions

Gross Profit

The amount by which the sum of the value of the turnover and the value of the closing stock exceed the sum of the 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 accountancy methods, due provision being made for depreciation.

Specified Working Expenses

The variable expenses of the business which are not insured by this Policy:

1. Turnover and purchase taxes
2. Purchases (less discounts received)
3. Carriage, packing and freight

Turnover

The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the business at the premises.

Indemnity Period and Time Excess

The period not exceeding

the indemnity period limit stated in the list of machinery and plant insured commencing with the occurrence of the accident during which the results of the business are affected in consequence of such accident, provided always that the Company are not liable for the amount of loss arising during the time excess, such time excess to commence as from the beginning of the interruption or interference with the business resulting in a claim under this Policy.

Rate of Gross Profit

The rate of gross profit earned on the turnover during the financial year immediately before the date of the accident.

Standard Turnover

The turnover during that period in the twelve months immediately before the date of the accident which corresponds to the indemnity period.

Annual Turnover

The turnover which the Insured would have been able to obtain but for the accident during the twelve months immediately before either the date when the business is no

longer affected or when the indemnity period ends, whichever occurs first.

Accident

Unforeseen and sudden physical loss or damage occurring to the insured machinery and necessitating its immediate repair or replacement due to causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, malice, shortage or water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm, or any other cause not specifically excluded hereinafter whilst such machinery is

- working or at rest,
- being dismantled, moved or re-erected for the purpose of cleaning, inspection, repair or installation

at another location within the premises, provided such machinery has successfully completed its performance acceptance tests.

4 Provisions

Memo 1 – Benefits from Other Premises

If during the indemnity period goods are sold or services are rendered elsewhere that at the premises for the benefit of the business either by the Insured or by others acting on his behalf, the money paid or payable in respect of such sales or services shall be taken into account in arriving at the turnover during the indemnity period.

Memo 2 – Return of Premium

If the Insured declares at the latest six months after the expiry of any policy year that the gross profit earned during the accounting period of twelve months most nearly concurrent with any period of insurance, as certified by the Insured's auditors, was less than the sum insured thereon, a pro rata return of premium not exceeding one third of the premium paid on such sum insured for such period of insurance shall be made in respect of the difference.

If any accident has occurred giving rise to a claim under this Policy, such return shall be made in respect only of so much of said difference as is not due to such accident.

Memo 3 – Relative Importance

The term "relative importance" referred to in the list of machinery and plant insured shall be the percentage effect which a breakdown of a particular machine will have on the total gross profit, disregarding any loss minimizing measures. If in the event of an accident affecting an insured item of machinery the percentage of relative importance stated in the list of machinery and plant insured for this item is lower than the actual percentage of relative importance subsequently arrived at for the period of interruption, the Company shall only be liable to indemnify the proportion which the percentage of relative importance stated in the list of machinery and plant insured bears to the actual percentage.

Memo 4 – Overhauls

In calculating the loss, due allowance shall be made for the time spent on any overhauls, inspections or modifications carried out during any period of interruption.

Memo 5 – Benefits after Recommissioning

If during a period of six

months immediately following the recommissioning of insured machinery after an accident, the Insured derives benefits from deferred sales or from increased production and/or profits as a consequence of an interruption, such benefits shall be taken into account in determining the indemnity payable under this Policy.

Memo 6 – Reinstatement of Sum Insured

For the period following the occurrence of an accident up to the end of the policy period the sum insured shall be reinstated by payment of an additional premium on a pro rata basis, such premium to be calculated from that part of the sum insured which corresponds to the indemnity paid; the agreed sum insured shall remain unaltered.

Memo 7 – Material Damage Cover for Machinery Insured

The machinery described in the list of machinery and plant insured shall be covered against machinery breakdown during the currency of this Policy.

5 Conditions

1. The due observance and fulfillment of the terms 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 questionnaire and proposal made by the Insured shall be a condition precedent to any liability of the Company.
 2. The schedule(s) 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(s). Any word or expression to which a specific meaning has been attached in any part of this Policy or of the schedule(s) shall bear such meaning wherever it may appear.
 3. The Insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Company to prevent loss or damage and comply with statutory requirements and manufacturers’ recommendations.
 4. a) Representatives of the Company shall at any reasonable time have the right to inspect and examine the risk and the Insured shall provide the representatives of the Company with all details and information necessary for the assessment of the risk.
b) The Insured shall immediately notify the Company either by telegram and in writing of any material change in the risk and cause at his own expense such additional precautions to be taken as circumstances may require, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly.
c) Dismantling and reassembling in connection with any examinations shall be carried out by the Insured on such date or dates as the Company and the Insured mutually agree upon for the making of such examinations. No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the cover provided under this Policy is confirmed in writing by the Company.
 5. The Insured shall be obliged to keep complete records. All records, eg. inventories, production and balance sheets, for the three preceding years shall be held in safe keeping or, as a precaution against their being simultaneously destroyed, the Insured shall keep separate sets of such records.
 6. In the event of any occurrence which might give rise to a claim under this Policy, the Insured shall
 - a) Immediately notify the Company by telephone or telegram and send them written confirmation thereof within forty-eight hours of the occurrence;
 7. 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 times as the Company may allow in writing, the Insured shall at his own expense deliver to the Company, a written statement setting forth particulars of his claim together with details of all other policies covering the accident or any part of it or consequential loss of any kind resulting therefrom, and the Insured shall at his own expense also produce and furnish to the Company such books of account and other business books, e.g. 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.
 8. In the event of an accident to any insured machinery likely to give rise to a claim hereunder the Company shall have the right to take over and control all necessary repairs or replacements.
 9. In the event of any occurrence in respect of which a claim is or may be made under this Policy the Company and every person authorized by the Company may, without thereby incurring any liability and without diminishing the right of the Company to rely upon any condition of this Policy, enter any building where the loss has happened and may take possession of or require that any of the machinery be rendered to them and may keep possession of and deal with such machinery for all reasonable purposes and in any reasonable manner. The condition shall be evidence of the leave and licence of the Insured to the Company so to do. If the Insured or anyone acting on his
- b) Do and concur in doing and permit to be done all such things as may be reasonably practicable to minimize or establish the extent of any interruption of or interference with the business or to avoid or diminish the loss resulting therefrom;
 - c) As 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;
 - d) Discontinue the use of any damaged machinery unless the Company authorize otherwise, and the Company shall not be liable in respect of any further interruption or interference arising out of the continued use of any damaged machinery without their having given their consent to such use until said machinery has been repaired to the satisfaction of the Company.

behalf does not comply with the requirements of the Company or hinders or obstructs the Company during any of the abovementioned acts, then all benefit under this Policy shall be forfeited.

10. 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 are or would become entitled or which is or would be subrogated to them on paying for or making good any loss or damage under this Policy, whether such acts and things are or become necessary or required before or after the Insured's indemnification by the Company.

11. If any difference arises out of this Policy the Company shall immediately notify the Insured in writing of his right to refer the

difference to arbitration. Such difference 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 appointed in writing by the Arbitrators before entering upon the reference. The Umpire shall sit with the Arbitrators and preside at their meetings and the making of an Award shall be a condition precedent to any right of action against the Company if the Company shall disclaim liability for any claim hereunder and such claim shall not within twenty four calendar months from the date of such disclaimer have been referred to arbitration under the provisions herein contained then the claim shall for all purposes be deemed to have been abandoned

and shall not thereafter be recoverable hereunder.

12. a) If any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and the Company shall not be liable to make any payment hereunder.

b) In the event of the Company disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaimer or (in the case of arbitration taking place in pursuance of condition 11 of this Policy) within three months after the arbitrators or umpire have made their award, all benefit under this Policy in respect of such claim shall be forfeited.

13. If at the time any claim arises under this Policy there is any other insurance covering the same loss or damage, the Company shall

not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.

The Company shall not be liable to pay for or contribute to any loss which but for the existence of this Policy is or would be insured by any Loss of Profits policy covering Marine risks or Fire and/or Explosion risks.

14. The indemnity shall fall due two weeks after its final determination. If after the expiry of one month since the beginning of an interruption of or interference with the business and after the expiry of each further month it is possible to determine the minimum amount which the Company are liable to pay for the elapsed period of interruption, the Insured shall be entitled to demand that such amount be paid to him as an installment of the total indemnity.

The Company shall be entitled to postpone payment

a) If there is any doubt as to the Insured's

right to receive payment, until the necessary proof is furnished;

b) If, as a result of any physical loss or damage or any interruption of or interference with the business, police or penal investigations have been initiated against the Insured, until the completion of such investigations.

This Company shall not be liable to pay interest other than interest for default.

15. Should at any time after the commencement of this Policy:

a) The business be wound up or carried on by a liquidator or receiver or be permanently discontinued;

b) The Insured's interest cease otherwise than by death;

c) Any alteration be made whereby the risk of accident is increased;

d) The retention of standby or spare machinery or

any other loss-minimizing factors in existence when the insurance was effected be reduced or discontinued, or such standby or spare machinery be not maintained in an efficient working condition and available for immediate use, then this Policy shall be avoided unless its continuance is admitted by a special written statement signed by or on behalf of the Company.

16. This Policy may be terminated at any time at the request of the Insured in writing in which case the Company will retain the customary short period rate for the time the Policy has been in force. This Policy may also be terminated at any time at the option of the Company, on thirty days notice to that effect being given to the Insured, in which case the Company shall be liable to repay on demand a rateable proportion of the Premium for the unexpired term from the date of the cancellation.



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