

## MACHINERY INSURANCE POLICY

Whereas the Insured named in the Schedule hereto has made to ATLAS INSURANCE LIMITED

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

Now this Policy of Insurance witnesseth that subject to and in consideration of the insured having paid to the Insurers the premium mentioned in the said Schedule.

The Insurers hereby agree with the Insured (subject always to the terms, provisions and conditions contained herein or endorsed hereon) that if at any time during the period of insurance stated in the Schedule, or during any subsequent period for which the Insured pays and the Insurers may accept the premium for the renewal of this, Policy, there shall occur to the machinery Insured (or any part thereof) specified in the said Schedule, whilst on the premises mentioned therein, any unforeseen and sudden physical loss or damage necessitating its 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, sabotage, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short-circuit, storm, or any other cause not specifically excluded hereinafter.

The Insurers will indemnify the Insured in respect of such loss or damage by payment in cash, replacement or repair (at their own option) as hereinafter provided, up to an amount not exceeding in any one year of insurance in respect of each of the machines specified in the Schedule the sum set opposite thereto and not exceeding in the whole the total sum insured hereby.

This insurance applies whether the insured machines are at work or at rest, or being dismantled for the purpose of cleaning, overhauling or of being shifted within the said premises, or in the course of the aforesaid operations themselves, or in the course of subsequent re-erection, but in any case only after successful commissioning.

**The Insurers shall not be liable for:**

- (a) the deductible stated in the Schedule to be borne by the Insured in any one occurrence; if more than one machine is lost or damaged in one occurrence, the Insured shall not, however, be called upon to bear more than the highest single deductible applicable to such machines;
- (b) loss of or damage to belts, ropes, wires chains, rubber tyres, dies or exchangeable tools, engraved cylinders, objects made of glass, porcelain, ceramics, felts, sleeves or fabrics, all operating media (e.g. lubricating oil, fuel, catalysts);
- (c) loss or damage arising directly from lightning, directly or indirectly from fire, the extinguishment of a fire, or clearance of debris and dismantling necessitated thereby, chemical explosion (except flue gas explosion in boilers) smoke, soot, aggressive substances, theft, subsidence, landslide, rockslide, flood, inundation, earthquake, impact of landborne, waterborne or airborne craft;
- (d) loss or damage directly or indirectly caused by or arising out of or aggravated by 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 and usurped power, a group of malicious persons or persons acting on behalf of or in connection with any political organization, conspiracy confiscation, commandeering, requisition or destruction of or damage by order of any government de jure or de facto or by any public authority, nuclear reaction, nuclear radiation or radioactive contamination;
- (e) loss or damage caused by any faults or defect existing at the time of commencement of the present insurance within the knowledge of the Insured, or his representatives, whether such faults or defects were known to the Insurers or not;
- (f) loss or damage arising out of the willful act or gross negligence of the Insured or of his representatives;
- (g) loss or damage for which suppliers or manufacturer is responsible either by law or under contract;
- (h) loss or damage as a direct consequence of the continual influence of operation (e.g. wear and tear, cavitation, erosion, corrosion, rust, boiler scale);
- (i) consequential loss or liability of any kind or description, any payments over and above the indemnity for material damage as provided herein.

In any action, suit or other proceeding where the Insurers allege that by reason of the provisions of exclusions (d) – (g) above any loss, destruction, damage or liability is not covered by this insurance the burden or proving that such loss, destruction, damage or liability is covered shall be upon the Insured.

## PROVISIONS

### **MEMO 1 – Sum Insured :**

It is a requirement of this insurance that the sum insured shall be equal to the cost of replacement of insured machinery by new machinery of the same kind and same capacity, which shall mean its replacement costs including, e.g. freight, dues, and customs duties, if any, and erection costs.

If the sum insured is less than the amount required to be insured, the Insurers will pay only in such proportion as the sum insured bears to the amount required to be insured. Every item if more than one shall be subject to this condition separately.

### **MEMO 2 - Basis of Indemnity :**

- a) In cases where damage to an insured item can be repaired – the Insurers will pay expenses necessarily incurred to restore the damaged machine to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting the repairs as well as ordinary freight to and from a repair shop, customs duties and dues, if any, to the extent such expenses have been included in the sum insured. If the repairs are executed at a workshop owned by the Insured, the Insurers will pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage or cover overhead charges.

No deduction shall be made for depreciation in respect of parts replaced, but the value of any salvage will be taken into account.

If the cost of repairs as detailed hereinabove equals or exceeds the actual value of the machinery insured immediately before the occurrence of the damage, the settlement shall be made on the basis provided for in (b) below.

In cases where an insured item is destroyed – the Insurers will pay the actual value of the item immediately before the occurrence of the loss, including costs for ordinary freight, erection and custom duties, if any provided such expenses have been included in the sum insured, such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The Insurers will also pay any normal charges for the dismantling of the machinery destroyed, but the salvage will be taken into account.

Any extra charges incurred for overtime, night-work, work on public holidays, express freight, are covered by this insurance only if especially agreed in writing.

The cost of any alternations, additions, improvements or overhauls shall not be recoverable under this Policy.

The cost of any provisional repairs will be borne by the Insurers if such repairs constitute part of the final repairs, and do not increase the total repair expenses.

The Insurers will make payments only after being satisfied by production of the necessary bills and documents that the repairs have been effected or replacement has taken place, as the case may be.

### **MEMO 3 – Inspections of Turbines, Turbo- Generators and Boilers :**

All mechanical and electrical parts of any steam-turbine, gas turbine or turbogenerator set, upto 30,000 KW shall be inspected and overhauled thoroughly in a completely opened up state at least every two year; for turbines or turbogenerators exceeding 30,000 KW such inspection and overhaul shall take place after 20,000 hours of operation or at least every three years. All boilers shall be inspected annually. The Insured shall arrange for these regular inspections in such a way as to enable the Insurer's representative to be present at the inspection at their own expense. The Insurers shall be notified at least seven days in advance of the commencement of any overhauling necessary according to expert opinion.

If the Insured fails to comply with the requirements of this condition, the Insurers shall be free from all liability for loss or damage caused by any circumstance which could have been defected had an inspection taken place in the presence of the Insurer's representative.

The Insured may apply for an extension of the period between any two regular inspections, and such extension shall be granted if in the opinion of the Insurers the risk is not aggravated hereby.

### **MEMO 4 – Premium Reduction for Standstill:**

If any boilers, turbines, steam engines, generators or Diesel engines are at a standstill for a continuous period of more than three months in any one year of insurance (including any period of overhauling but excluding any period of repair due to loss or damage under this Policy) the Insured shall be entitled to a reduction in premium in accordance with the under mentioned scale:

if such continuous period of standstill lasts

|      |                       |                             |
|------|-----------------------|-----------------------------|
| I)   | 3 months to 5 months  | – 15% of the annual premium |
| II)  | 6 months to 8 months  | – 25% of the annual premium |
| III) | 9 months to 11 months | – 35% of the annual premium |
| IV)  | throughout the year   | – 50% of the annual premium |

This MEMO does not apply to machinery used in seasonal factories

#### **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 shall be a condition precedent to any liability of the Insurers.
2. The Insured shall at his own expense take all reasonable precautions to prevent loss, damage or liability and to comply with statutory requirements and manufacturer's recommendations.
3. (a) Representatives of the Insurers shall at all reasonable times have the right to inspect and examine the plant and the Insured shall provide the representatives of the Insurers with all details and information necessary for the assessment of the risk.  
  
(b) The Insured shall immediately notify the Insurers in writing of any material change in the risk and cause such additional precautions to be taken as circumstances may require to ensure safe operation of the insured machinery, and the scope of cover and/or premium shall if necessary be adjusted accordingly.  
No material alteration shall be made or admitted by the Insured whereby the risk of damage is increased unless the continuance of the Insurance be confirmed by memorandum signed by or on behalf of the Insurers.
4. In the event of any occurrence which might give rise to a claim under this policy the Insured shall
  - (a) immediately notify the Insurers by telephone or telegram as well as in writing, giving an indication as to the nature and extent of loss or damage;
  - (b) take all reasonable steps within his power to minimize the extent of the loss or damage;
  - (c) preserve the damaged or defective parts and make them available for inspection by an official or surveyor of the Insurers;
  - (d) furnish all such information and documentary evidence as the Insurers may required.

The Insurers shall not be liable for any loss or damage of which no notice has been received by the Insurers within 14 days of its occurrence.

Upon notification of a claim being given to the Insurers, the Insured may proceed with the repair of any minor damage provided that the carrying out of such repair is without prejudice to any question of liability of the Insurers and that any damaged part requiring replacement is kept for inspection by the Insurers, but in all other cases a representative of the Insurers shall have the opportunity of inspecting the damage before any alterations repairs or replacements are effected. If an inspection by a representative of the Insurers does not take place within a period of 14 days from the date of the notification of the claim, the Insured shall be entitled to proceed with the repairs or replacement. Nothing contained herein shall prevent the insured from taking such steps as are absolutely necessary to maintain the operation of the plant.

The liability of the Insurers under this Policy in respect of any item of properly sustaining damage, for which indemnity is provided, shall cease if the said item is kept in operation without being repaired to the satisfaction of the Insurers.

5. (a) If the proposal or declaration of the Insured is not true in any material respect, or if any claim made be fraudulent or substantially exaggerated, or if any false declaration or statement be made in support thereof, then this Policy shall be void and the Insurers shall not be able to make any payment hereunder.  
  
(b) In the event of the Insurers disclaiming liability in respect of any claim and if an action or suit be not commenced within six months after such disclaimer or (in the case of arbitration taking place in pursuance of Condition 9 of this Policy) within six months after the Arbitrators or Umpire shall have made their award, all benefit under this Policy in respect of such claim shall be forfeited.
6. The Insured shall at the expense the Insurers do and concur in doing and permit to be done, all such acts and things as may be necessary or required by the Insurers in the interest of any right or remedies, or of obtaining relief or indemnity from parties (other than those insured under this Policy) to which the Insurers 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 Insurers.
7. No admission, offer, promise payment or indemnity shall be made or given by or on behalf of the Insured without the written consent of the Insurers who shall be entitled if they so desire to take over and conduct in the name of the insured the defence or settlement of any claim for indemnity or damage or otherwise and shall have full discretion in

the conduct of any proceedings or in the settlement of any claim and the Insured shall give all such information and assistance as the Insurers may require.

8. This insurance may be terminated at the request of the Insured at any time, in which case the Insurers 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 Insurers by seven days notice to that effect being given to the Insured in which case the Insurers shall be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the Insurers may have incurred.
9. 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 two calendar months after having been required in writing to do so 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 Insurers.
10. If at the time any claim arises under this Policy there be any other insurance covering the same loss or damage the Insurers shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.

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