

Machinery Breakdown Loss of Profits Insurance Policy - Policy Wordings

Whereas the Insured named in the Schedule hereto has made to Bharti AXA General Insurance Co. Ltd. (hereinafter called 'the Company') a written proposal by completing a Proposal cum 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 consideration of the Insured having paid to the Company the premium mentioned in the Schedule and also subject to the Terms, Exclusions, Provisions, Definitions and Conditions contained herein or endorsed hereon.

The Company hereby agrees with the Insured that 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 which shall mean sudden and unforeseen physical damage, as defined in the Machinery Insurance Policy of any machinery specified in the schedule of machinery then the Company shall in respect of each item in the Schedule indemnify the Insured against the amount of loss as hereinafter defined resulting from such interruption or interference.

Provided that the liability of the Company during any one-year of Insurance shall in no case exceed in the whole the total Sum Insured hereby or such other sum or sums as may hereafter be substituted therefore by endorsement signed by or on behalf of the Company.

Provided also that at the time of happening of an Accident there shall be in force an insurance covering the machinery described in the Schedule from any accidental cause indemnifiable under the Standard Machinery Insurance Policy and or Boiler & Pressure Plant Insurance Policy and in respect of which liability shall have been admitted or would have been admitted but for the operation of any Excess there under.

Provided always that 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 answer(s) in the proposal shall be conditions precedent to any liability of the Company.

Exclusions -

The Company shall not be liable for any loss resulting from interruption of or interference with the business directly or indirectly attributable to any of the following causes –

- i) Willful act or willful neglect or gross negligence of the Insured or his responsible representatives.
- ii) Loss or damage to machinery or other items which are not listed in the list of machinery insured even if the consequence of material damage to an item indicated in the list of machinery insured is involved.
- iii) Loss or damage caused by any faults or defects existing at the time of commencement of this insurance within the knowledge of the Insured or his responsible representatives whether such faults or defects were known to the Company or not.
- iv) Shortage, destruction, deterioration and spoilage of or damage to raw materials, semi finished or finished products or catalyst or operating media (such as fuel, lubricating oil, refrigerant, heating media and the like) even if the consequence of material damage to an item indicated in the list of machinery insured is involved.

- v) Any restrictions on reconstruction or operation imposed by any public authority.
- vi) An extension of the normal repair period for more than 4 weeks on account of -
 - a) The inability to secure or delays in securing replacement parts, machines or technical services.
 - b) The inability to carry or delays in carrying out repairs.
 - c) The prohibition to operate the machinery due to import and/or export customs & other restrictions or by statutory regulations.
 - d) Transport of parts to and from the Insured's premises.
- vii) Alterations improvements or overhauls being made while repairs or replacements of damaged or destroyed property are being carried out.
- viii) Loss damage and/or liability caused by or arising from or in consequence directly or indirectly of -
 - a) War, Invasion, Act of foreign enemy, hostilities or War like operations (whether war be declared or not), Civil War, Rebellion, Revolution, Insurrection, Mutiny, Riot, Strike, Lockout and Malicious Damage, Civil Commotion, Military or usurped power, martial law, conspiracy, confiscation, commandeering a group of malicious person or persons acting on behalf of or in connection with any political organisation, requisition or destruction or damage by order of any government de jure or de facto or by any public. Municipal or Local Authority, an act of terrorism or the action of any lawfully constituted authority in suppressing or attempting to suppress or minimise the consequences thereof.
 - b) Nuclear reaction, nuclear radiation or radioactive contamination.

Conditions -

- a) This Policy and the Schedule(s) shall be read together as one contract and 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.
- b) This Policy shall be avoidable in the event of misrepresentation, mis-description or nondisclosure in material particular.
- c) This Policy shall be avoided if,
 - i) The business be wound up or carried on by a Liquidator or Receiver or permanently discontinued OR
 - ii) The Insured's interest ceases otherwise than by death OR
 - iii) Any alteration be made whereby the risk of an accident is increased OR
 - iv) The retention of standby or spare machinery or any other loss minimizing factors in existence when this insurance was effected be reduced or discontinued unless its continuance is admitted by an endorsement signed by or on behalf of the Company
- d) 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.
- e)
 - i) 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.
 - ii) The Insured shall immediately notify the Company in writing of any material change in the risk and cause at his own expense, and cause such additional precautions to be taken as circumstances may require and the scope of cover and/or premium shall if necessary be adjusted accordingly.
 - iii) 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.

- f) The Insured shall be obliged to keep complete records. All records e.g. 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.
- g) In the event of any occurrence, which gives rise to or is likely to give rise to a claim under this Policy the Insured shall -
 - i) Forthwith give notice thereof to the Company.
 - ii) 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.
 - iii) 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.
 - iv) 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.
 - v) 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 allow in writing 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 accounts 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.

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 in any respect any payment already made on account of the claims shall be repaid to the Company forthwith.

- h) In the event of an accident to any insured machinery likely to give rise to a claim under this Policy, the Company shall have the right to take over and control all necessary repairs or replacements.
- i) 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 reasonably required by the Company for the purpose of enforcing any rights or remedies or obtaining relief or indemnity from other parties to which the Company shall be or would become entitled or subrogated upon its 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 his indemnification by the Company.
- j) If the claim be in any respect fraudulent or if any false declaration be made or used in support thereof or if any fraudulent means or devices are used by the Insured or any one acting on his behalf to obtain any benefit under this Policy or if the Accident be occasioned by the willful act or with the connivance of the Insured or if the claim be made and rejected and an action or suit be not commenced within three months after such rejection or in case of an arbitration taking place as provided hereunder within three months of this Policy after the Arbitrator or Arbitrators or Umpire shall have made their award, all benefit under this Policy shall be forfeited.
- k) If at the time of any accident resulting in a loss under this Policy there be any other insurance covering the same loss or damage, the Company shall not be liable to pay more than its rateable proportion of the loss.
- l) This insurance may be terminated at the request of the Insured in which case the Company will retain the customary short period rate for the time the Policy has been in force. This insurance may also at any time be terminated at the option of the Company on 7 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 cancellation less any reasonable inspection charges the Company may have incurred.

m) **Midterm increase in Sum Insured -**

'If the Sum Insured is increased during the currency of the Policy -

- i) Short period scale of rate shall apply to the increased amount.
- ii) If the Policy is renewed thereafter for twelve months, for an amount not less than the increased total sum insured, the difference of premium between the short period scale of rates and pro-rata rate, may be refunded, or a new policy for the full increased sum insured, may be issued, at the tariff rate (annual or short period, as required) canceling the old insurance and allowing a pro-rata refund for the unexpired period of the cancelled policy'.

n) **Departmental Clause -** Applicable when business has separate sections or departments, each earning a different rate of gross profit.)

If the business be conducted in departments, the independent trading results of which are ascertainable, the provision of clauses (a) & (b) of item 1 of the specification shall apply separately to each department affected by the damage; provided that if the sum insured by the said item be less than the aggregate of the sum produced by applying the rate of gross profit provided for each department of the business (whether affected by the accident or not) to the relative annual output thereof, the amount payable shall be proportionately reduced.

o) If any dispute or difference shall arise as to the quantum to be paid under this policy, (liability being otherwise admitted) such difference shall independently of all other questions be referred to the decision of a sole Arbitrator, to be appointed in writing by the parties to or, if they cannot agree upon a single arbitrator within 30 days of any party invoking Arbitration, the same shall be referred to a panel of three Arbitrators comprising of two Arbitrators-one to be appointed by each of the parties to the dispute / difference, and the third Arbitrator to be appointed by such two Arbitrators and arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act 1996.

It is clearly agreed and understood that no difference or dispute shall be referable to arbitration as herein before provided, if the Company has disputed or not accepted liability under or in respect of this Policy.

It is hereby expressly stipulated and declared that it shall be condition precedent to any right of action or suit upon this Policy that the award by such Arbitrator/ Arbitrators of the amount of the loss or damage shall be first obtained.

p) In no case whatever shall the Company be liable in respect of any claim under this Policy after the expiry of -

- i) One year from the end of the indemnity period or if later.
- ii) Three months from the date on which payment shall have been made or liability admitted by the Company covering the Accident giving rise to the said claim unless the claim is the subject of pending action or Arbitration.

q) Every notice and other communication required by these conditions must be written or printed.

Specification – Insurance on gross profit on output basis

The cover provided under this Policy shall be limited to loss of gross profit due to

- a) Reduction in output and
- b) Increase in Cost of Working and the amount payable as indemnity thereunder shall be
 1. In respect of Reduction in output: the sum produced by applying the rate of gross profit to the amount by which the output during the indemnity period shall in consequence of the damage fall short of the standard output.
 2. In respect of Increase in Cost of Working; the additional expenditure (subject to provision of memos) necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in output which but for that expenditure

would have taken place during the indemnity period in consequence of the damage, 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 Insured Standing Charges as may cease or be reduced in consequence of the damage.

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 output, the amount payable shall be proportionately reduced.

Definitions -

1) Gross profit -

The sum produced by adding to the Net Profit the amount of the Insured standing charges or if there be no Net Profit, the amount of the Insured Standing Charges less such a proportion of any net trading loss as the amount of the Insured Standing Charges bears to all the Standing Charges of the business.

2) Net profit -

The Net Trading Profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured at the Premises after due provision has been made for all Standing and Other Charges including depreciation but before the deduction of any taxation chargeable on profits.

3) Output -

The quantity of * produced at the premises, measured in units of *

* As specified in the schedule attached to the Policy.

4) 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 is not liable for the amount equivalent to the rate of gross profit applied to the standard output during the period of time excess (in terms of * days) stated in the policy.

* As specified in the schedule attached to the Policy.

**5) Rate of gross output -
Provisions -**

1) Memo 1 - Benefits from other premises -

If during the indemnity period goods are sold or services are rendered elsewhere than 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.

<p>a) Rate of Gross Profit: Rate of Gross Profit per unit earned on the output during the financial year immediately before the date of damage.</p>	<p>To which such adjustments shall be made as may be necessary to provide for the trend of business and for variations in or special business circumstances affecting the business either before or after the damage or which would have affected the business had damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable. The results which but for the damage would have been obtained during the relative period after the accident.</p>
<p>(b) Standard Output: Output during that period in 12 months immediately before the date of damage which correspond to indemnity period.</p>	
<p>(c) Annual Output: The output during 12 months immediately before the date of damage.</p>	

2) Memo 2 - 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.

3) Memo 3 - Return of premium –

If the Insured declares at the latest twelve 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 half 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, the amount of such claim shall be added to the revised Gross Profit as certified by the Insured's Auditors before calculating the proportion of return of premium.

4) 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.

5) Memo 5 – 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 additional premium shall be adjusted against the net claim amount payable and such premium shall be calculated for that part of the sum insured, which corresponds to the indemnity, paid. The agreed sum insured shall remain unaltered.

Insurance is the subject matter of the solicitation.