

# MACHINERY BREAKDOWN

## DEFINED EVENTS

Unforeseen and sudden fortuitous physical damage to the insured property (or any part thereof) whilst on the premises from any cause not specifically excluded whilst at work or at rest or being dismantled for the purpose of cleaning, inspection, repair, overhaul or removal to another position within the premises or in the course of these operations and subsequent re-erection by, but not restricted to,

defects in casting, defects in material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit or from any other cause not specifically excluded in terms of any exception that is applicable to this policy as a whole or this section in particular that necessitates repair or replacement of the insured property.

Provided always that this insurance shall only apply to the insured property after successful completion of their performance acceptance tests whether they are at work or rest, or being dismantled for the purpose of cleaning or overhauling, or in the course of the aforesaid operations themselves, or when being shifted within the premises, or during subsequent re-erection.

## SPECIFIC EXCEPTIONS

The insurer shall not be liable for:

1. the first amount payable to be borne by the insured in any one occurrence stated in the schedule. If more than one item is lost or damaged in one occurrence the insured shall not be called upon to bear more than the highest single first amount payable applicable to such items;
2. loss of or damage to exchangeable tools (for example but not restricted to dies, moulds, engraved cylinders), parts that by their use and/or nature suffer a high rate of wear and depreciation (for example, but not restricted to, refractory linings, crushing hammers), objects made of glass, belts, ropes, wires, rubber tyres, and operating media (for example but not restricted to lubricants, fuels, catalysts);
3. loss or damage due to fire, direct lightning, chemical explosion (except flue gas explosions in boilers), extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft or attempts thereat, collapse of buildings, wind, storm, water, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes;
4. loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract;
5. loss or damage caused by any faults or defects within the knowledge of the insured or his representatives existing at the time of commencement of this section, whether such faults or defects were known to the insurer or not;
6. loss or damage as a direct consequence of the continual influence of operation (for example but not restricted to wear and tear, cavitation, erosion, corrosion, rust, boiler scale);
7. consequential loss or liability of any kind or description;
8. damage resulting from the misapplication of tools or from experiment, overhauls or tests requiring the imposition of abnormal conditions.

# BASIS OF INDEMNITY

## 1. Partial loss

Where damage to the insured property can be repaired the insurer will pay the expenses necessarily incurred to restore the damaged insured property 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 that such expenses have been included in the sum insured. If the repairs are executed at a workshop owned by the insured the insurer shall pay the costs of materials and wages incurred for the purposes of the repairs plus a reasonable percentage to cover overhead charges.

No deduction shall be made for depreciation in respect of the parts replaced, but the value of any salvage shall be taken into account if the cost of repairs equals or exceeds the actual value of the insured property immediately before the occurrence of the damage, the property shall be regarded as destroyed and settlement shall be made on the basis provided for in (2) below.

## 2. Total loss

- (a) If equipment not exceeding 3 years from date of manufacture is totally damaged the basis of calculating the amount payable shall be the cost of replacing or reinstating the equipment with equipment of the same kind or type but not superior to or more extensive than the insured equipment when new including freight and erection costs customs duties and the cost of removing the destroyed equipment less the value of the remains subject to provisos (a), (b) and (c).
- (b) If equipment exceeding 3 years from date of manufacture is totally damaged the basis of calculating the amount payable shall be the cost of replacement at market value and the cost of removing the destroyed equipment less the value of any salvage subject to provisos (a), (b), (c), (d) and (e).

The insured item shall be regarded as totally damaged if the repair costs (as defined under partial loss) equal or exceed the value as defined in 2 (b) above immediately before the insured event.

Provided that:

- (a) the cost of any alterations, additions, improvements or overhauls carried out at the time of repair shall not be recoverable;
- (b) the cost of any provisional repairs shall be borne by the insurer if such repairs constitute part of the final repairs and do not increase the total cost of repairs;
- (c) the insurer shall 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;
- (d) the work of replacement or reinstatement (which may be carried out at other premises and in any manner suitable to the requirements of the Insured subject to the liability of the insurer not being thereby increased) must be commenced and carried out with reasonable despatch otherwise no payment beyond the amount which would have been payable if these reinstatement value conditions had not been incorporated herein shall be made
- (e) In either event (1) or (2) the amount claimable shall not exceed the amount specified in the Machinery Insurance Schedule

# SUM INSURED AND AVERAGE

It is a requirement of this section that the sum insured is equal to the cost of replacement of the insured property by new property of the same kind and capacity, which means its cost of replacement including freight, dues and customs duties, if any, and cost of erection. If the sum insured is less than the amount required to be insured, the insurer shall 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 separately subject to the foregoing stipulation.

## DEFINITIONS

For the purposes of this section the following expressions mean:

**“Insured property”** – the property described in the schedule of this section under the heading “Description of insured property”

**“premises”** – the premises, the situation of which is stated in the schedule of this section.

## CLAUSES AND EXTENSIONS

### Overtime, night work, work on public holidays and express freight

The insurance under this section covers extra charges for overtime, night work, work on public holidays and express freight (excluding airfreight).

Provided that such extra charges are incurred in connection with damage to the insured property recoverable under this section.

Provided further that the amount payable in respect of this extensions shall not exceed the sum insured set opposite the applicable item and not exceeding in all the total sum insured stated in the schedule of this section.

### Capital additions

This section covers alterations, additions and improvements (but not appreciation in value in excess of the sum insured) to the insured property for an amount not exceeding 20% of the sum insured under the applicable item, it being understood that the insured undertakes to advise the insurer each quarter of such alterations, additions and improvements and pay or agree to pay the additional premium thereon.

## SPECIFIC CONDITIONS

1. The due observance and fulfillment of the terms of this section and 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 insurer.
2. In the event of any material alteration in the risk undertaken by the insured, the insured shall as soon as possible give notice in writing to the insurer. The premium, terms and conditions shall thereupon be subject to adjustment accordingly. Any claim in respect of loss or damage that may arise before such notice is given shall be handled in accordance with the insurer's normal conditions, exceptions and first amount payable for risks of a similar nature, provided the insured agrees to pay the increased premium that may be required in respect of the altered risk.
3. (a) On the happening of any damage the insured shall in addition to complying with general condition 6 of this policy

- (i) take all reasonable steps to minimise the extent of such damage
    - (ii) preserve any damaged or defective parts for inspection by the insurer.
  - (b) On notification being given to the insurer in terms of general condition 6 of this policy the insured may carry out the repairs or replacement of any minor damage; in all other cases a representative of the insurer shall have the opportunity of inspecting the loss or damage before any repairs or replacements or alterations are effected. If a representative of the insurer does not carry out the inspection within a period of time that could be considered adequate under the circumstances, the insured is entitled to proceed with the repairs or replacement.
  - (c) The liability of the insurer under this section in respect of the insured property shall cease if such insured property is kept in operation after a claim without being repaired to the satisfaction of the insurer, or if temporary repairs (other than in terms of 3(b) above) are carried out without the insurer's consent.
4. The insured shall, in addition to complying with general condition 5 of this policy
- (i) take all reasonable steps to maintain the insured property in efficient working order and to ensure that no part of the insured property is habitually or intentionally overloaded;
  - (ii) fully observe the manufacturer's/agent's instructions for the operation, inspection and maintenance of the insured property and fully observe government regulations, statutory regulations, municipal regulations and all other binding regulations in force concerning the operation and maintenance of the insured property.