

MACHINERY BREAKDOWN INSURANCE POLICY

Whereas the Insured named in the Schedule hereto has made to Santam Limited (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 INSURED MACHINERY AND PLANT

1.1 Insured are

- 1.1.1 All machinery and plant specified in the Schedule;
- 1.1.2 Machinery is insured when ready for commercial operation; in the case of newly installed plant once it has been commissioned and the testing period has been completed successfully;
- 1.1.3 This insurance applies whether the insured property is 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;
- 1.1.4 The insured property is covered as long as it remains on the premises specified in the Schedule.

1.2 Not insured are

- 1.2.1 Exchangeable tools of all kinds, such as drills, crushers, patterns for casting, knives, saw blades, stones, stamps;
- 1.2.2 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;
- 1.2.3 Foundation blocks, brick lining of furnaces, ovens and containers, firing grids, burner nozzles;
- 1.2.4 Fuels, filter fillings, cooling media, cleaning products, lubricants, oil fillings;
- 1.2.5 Catalysts, chemicals, contact agents;
- 1.2.6 Excess amounts to be borne by the Insured. (If several items are affected by the same accident the highest excess only will be applied).

2 INSURED PERILS

- 2.1 The Company indemnifies sudden and unforeseen physical loss or damage, necessitating its repair or replacement and resulting from:
 - 2.1.1 Fortuitous working accidents such as maladjustment, loosening of parts, failures or faults in protective devices, entry of foreign bodies;
 - 2.1.2 Tearing apart due to centrifugal forces;
 - 2.1.3 Shortage of water in steam boilers or pressure vessels;
 - 2.1.4 Over-pressure, except when caused by occurrences excluded under para. 3.1.3, or implosion;
 - 2.1.5 Short circuit, over-voltage or over-current, except when caused by occurrences excluded under para. 3.1.3;

- 2.1.6 Defects or faults in design, material or manufacturing and faults in erection;
- 2.1.7 Faulty operation, lack of skill, carelessness, malevolence of employees;
- 2.1.8 Storm;
- 2.1.9 Any other accident not hereinafter excluded.

3 Excluded perils

3.1 The Company shall not be liable for loss or damage due to:

- 3.1.1 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;
- 3.1.2 Breakdown caused by test, intentional overloading or experiments involving the imposition of abnormal conditions;
- 3.1.3 Fire, explosion, lightning, whether direct or indirect, extinguishing of fire, subsequent demolition, dismantling and clearance of debris, scheduled interruptions of the public power supply, interruption of electricity due to shortage of primary energy at the power stations.
- 3.1.4 Earthquake, seaquake, tsunami, subsidence, landslide, rockfall, flood, inundation, hurricane, typhoon, cyclone, volcanic eruption;
- 3.1.5 Theft, burglary;
- 3.1.6 Damage arising out of wilful act, wilful negligence by the Insured or its management;
- 3.1.7 Any faults or defects existing at the time of commencement of the present insurance within the knowledge of the Insured or its management;
- 3.1.8 Loss or damage for which the manufacturer or supplier of the property is responsible either by law or under contractual obligations;
- 3.1.9 Consequential loss, damage or liability of any nature;
- 3.1.10 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;
- 3.1.11 i) Loss, destruction or damage to any property whatsoever or any loss or expense whatsoever resulting or arising there from 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;

3.1.12 Any loss, destruction, damage or legal liability directly or indirectly caused by or contributed to by or arising from nuclear weapons material.

4 Sum insured

- 4.1 It is a requirement of this insurance that the sum insured shall be equal to the cost of replacement of the insured machinery and plant by new machinery of the same specifications and same capacity including all freight costs to site, erection costs and customs duties and other dues;
- 4.2 If on the date of the accident the sum insured of the damaged item of machinery is less than its cost of replacement (as defined under para. 4.1) the Company will pay the claim only in such proportion as the sum insured for the damaged item, as shown in the Schedule, bears to its replacement cost.

5 Basis of indemnity

- 5.1 In cases where damage to an insured item can be repaired the Company will pay expenses necessarily incurred to restore the damaged machine to the operating conditions in which it was before the occurrence of the damage. If the value of one item or a part thereof is increased by the repair, the liability of the Company shall be reduced by the amount of such increase.

The Company will also pay dismantling and re-erection charges incurred for the purpose of effecting the repairs as well as ordinary freight charges, customs duties and dues, if any. If the repairs are executed at a workshop owned by the Insured, the Company will pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges. The value of any salvaged material shall be deducted;

- 5.2 In cases where an insured item is destroyed or if the cost of repairs equals or exceeds the actual value of the machinery insured immediately before the occurrence of the damage, the settlement shall be made as follows:

The Company will pay the actual value of the item immediately before the occurrence of the loss, including costs for ordinary freight, erection and customs duties, if any, such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The Company will also pay any normal charges for the dismantling of the machinery destroyed, but the value of any material salvaged will be deducted;

- 5.3 The cost of any alterations, additions, improvements or overhauls carried out at the time of repairs shall not be recoverable;
- 5.4 The costs of any provisional repairs will be borne by the Company if such repairs constitute part of the final repairs and do not increase the total repair costs;

- 5.5 The Company may at its own option repair, reinstate or replace any property lost or damaged or pay in cash the amount payable hereunder;
- 5.6 The liability of the Company for any item of machinery shall not exceed in the aggregate in any annual period of insurance the sum set against such item in the Schedule;
- 5.7 Unless otherwise specially provided for in the Policy any extra charges incurred in connection with a claim covered by this Policy, for overtime, night-work, work on public holidays, express and air freight, shall not be reimbursed.

6 General conditions

- 6.1 The Insured shall take all reasonable steps to maintain the insured property 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 insured plant and machinery;
- 6.2 The Company's officials shall at all reasonable times have the right to inspect and examine any property insured hereunder and the Insured shall provide the officials of the Company with all details and information necessary for the assessment of the risk. The Company shall provide the Insured with a copy of the inspecting official's report, which shall however be treated as strictly confidential, both by the Insured and the Company;
- 6.3 In the event of any
 - 6.3.1 material change in the original risk,
 - 6.3.2 alteration, modification or addition to an insured item,
 - 6.3.3 departure from operating conditions, whereby the risk of loss or damage increases,
 - 6.3.4 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.
- 6.4 In the event of any occurrence which might give rise to a claim under the Policy, the Insured shall:
 - 6.4.1 immediately notify the Company by telephone or telegram as well as in writing and supply all such particulars and proofs of claim as may be required by the Company;
 - 6.4.2 take all steps within his power to minimise the extent of the loss or damage;
 - 6.4.3 preserve the damaged property and make it available for inspection by a representative or surveyor of the Company.

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

The liability of the Company under this Policy in respect of any item of property sustaining damage, for which indemnity is provided, shall cease thereafter if the said item continues to be in operation without being repaired to the satisfaction of the Company.

Upon notification of a claim being given to the Company, the Insured may carry out repairs or replacement of any minor damage, but in all other cases a representative of the Company shall have the opportunity of inspecting the damage before any repairs or alterations are effected. Nothing contained herein shall prevent the Insured from taking such steps as are absolutely necessary for the security and continuation of the operations.

The Insured shall not be entitled to abandon any property to the Company whether taken possession of by the Company or not.

- 6.5 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.
- 6.6 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.
- 6.7 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 umpire have made their award, all benefit under this Policy shall be forfeited.
- 6.8 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.
- 6.9 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.
- 6.10 No claim (other than a claim under the business interruption), shall be payable after the expiry of twelve (12) months or such further time as the company may allow from the happening of any event unless the claim is the subject of pending legal action or is a claim in respect of the insured's legal liability to a third party.

No claim shall be payable unless the insured claims payment by serving legal process on the company within six (6) months of the rejection of the claim in writing and pursues such proceedings to finality.

GENERAL EXCEPTIONS

The Insurers will not indemnify the Insured in respect of:

1. War, Riot and Terrorism

(A) This Policy does not cover loss of or damage to property related to or caused by:

- i) civil commotion, labour disturbances, riot, strike, lockout or public disorder or any act or activity which is calculated or directed to bring about any of the above;
- ii) war, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not) or civil war;
- iii)
 - a) mutiny, military rising, military or usurped power, martial law or state of siege, or any other event or cause which determines the proclamation or maintenance of martial law or state of siege;
 - b) insurrection, rebellion or revolution;
- iv) any act (whether on behalf of any organisation, body or person, or group of persons) calculated or directed to overthrow or influence any State or Government, or any provincial, local or tribal authority with force, or by means of fear, terrorism or violence;
- v) any act which is calculated or directed to bring about loss or damage in order to further any political aim, objective or cause, or to bring about any social or economic change, or in protest against any State or Government, or any provincial, local or tribal authority, or for the purpose of inspiring fear in the public, or any section thereof;
- vi) any attempt to perform any act referred to in clause (iv) or (v) above;
- vii) the act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any occurrence referred to in clause (i),(ii),(iii),(iv),(v) or (vi) above.

If the Insurers allege that by reason of clause (i),(ii),(iii),(iv),(v),(vi) or (vii) of this Exception, loss or damage is not covered by this Policy, the burden of proving the contrary shall rest on the Insured.

(B) This Policy does not cover loss or damage caused directly or indirectly by or through or in consequence of any occurrence for which a fund has been established in terms of the War Damage Insurance and Compensation Act, 1976 (No. 85 of 1976) or any similar Act operative in any of the territories to which this Policy applies.

- (C) Notwithstanding any provision of this Policy including any exclusion, exception or extension or other provision not included herein which would otherwise override a general exception this policy does
- (D) not cover loss of or damage to property or expense of whatsoever nature directly or indirectly caused by, arising out of or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any sequence to the loss, damage or expense.

For the purpose of this General Exception 1.(C), an act of terrorism includes, without limitation, the use of violence or force or the threat thereof whether as an act harmful to human life or not, by any person or group of persons, whether acting alone or on behalf of or in connection with any organisation or government or any other person or body of persons, committed for political, religious, personal or ideological reasons or purposes including any act committed with the intention to influence any government or for the purpose of inspiring fear in the public or any section thereof.

If the Insurers allege that, by reason of clause 1.(C) of this General Exception, loss or damage is not covered by this Policy, the burden of proving the contrary shall rest on the Insured

2. **Nuclear**

This Policy does not cover any legal liability, loss, damage, cost or expense whatsoever or any consequential loss directly or indirectly caused by or contributed to by or arising from:

- (i) ionising radiations or contamination by radio-activity from any nuclear fuel or from any nuclear waste from the combustion or use of nuclear fuel;
- (ii) nuclear material, nuclear fission or fusion, nuclear radiation;
- (iii) nuclear explosives or any nuclear weapon;
- (iv) nuclear waste in any form; regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this Exception only, combustion shall include any self-sustaining process of nuclear fission.

This exception shall not apply to Radioactive Isotopes used by or on behalf of the Insured.

3. **Computer Losses**

Notwithstanding any provision of this policy including any special exclusion or extension or other provision not included herein which would otherwise override a general exception, this policy does not cover:

- (i) loss or destruction of or damage to any property whatsoever (including a computer) or any loss or expense whatsoever resulting or arising therefrom;
- (ii) any legal liability of whatsoever nature;
- (iii) any consequential loss;

directly or indirectly caused by or contributed to by or consisting of or arising from the incapacity or failure of any computer, correctly or at all:

- (a) to treat any date as the correct date or true calendar date, or correctly or appropriately to recognise, manipulate, interpret, process, store, receive or to respond to any data or information, or to carry out any command or instruction, in regard to or in connection with any such date, or
- (b) to capture, save, retain or to process any information or code as a result of the operation of any command which has been programmed into any computer, being a command which causes the loss of data or the inability to capture, save, retain or correctly to process such data in regard to or in connection with any such date or
- (c) to capture, save, retain or to process any information or code due to programme errors, incorrect entry or the inadvertent cancellation or corruption of data and or programmes, or
- (d) to capture, save, retain or to process any data such as a result of the action of any computer virus, or other corruption, harmful or otherwise unauthorised code or instruction, including Trojan horse, time or logic bomb or worm or any other destructive or disruptive code, media or programme or interference.

A computer includes any computer, data processing equipment, microchip, integrated circuit or similar device in computer or non-computer equipment or any computer software, tools, operating system of any computer hardware or peripherals and the information or data electronically or otherwise stored in or on any of the above, whether the property of The Insured or not.

Special Extension to the above General Exclusion

A Loss or destruction of or damage to the Insured Property by fire, explosion, lightning, earthquake or by the special perils referred to in B below is not excluded by this General Exclusion.

B The special perils that are not excluded for the purpose of this special extension are damage caused by:

1. storm, wind, water or snow excluding damage to property
 - a) arising from it's undergoing any process necessarily involving the use or application of water;
 - b) caused by tidal wave originating from earthquake or volcanic eruption;
 - c) in the underground workings of any mine;
 - d) in the open (other than buildings structures and plant designed to exist or operate in the open)*
 - e) any structure not completely roofed;*
 - f) being retaining walls;*

* Unless so described and specifically insured as a separate item.

2. aircraft and other aerial devices or articles dropped therefrom;

3. impact by animals, trees, aerials, satellite dishes or vehicles excluding damage to such animals, trees, aerials, satellite dishes or vehicles or property in or on such vehicles.

These special perils do not cover wear and tear or gradual deterioration.

- C The above General Exception also does not apply to consequential loss as insured by any Business Interruption indemnity provided by this policy to the extent that such consequential loss results from damage to insured property by the perils referred to in A above.
- D The Special Extension will not insure any loss destruction, damage or consequential loss if it would not have been insured in the absence of this Computer Loss General Exclusion and this Special Extension.
- E This Special Extension shall not apply to any Public Liability indemnity.

4 **Asbestos**

Notwithstanding any provision of this Policy including any exclusion, exception or extension or other provision which otherwise override a general exception, this Policy does not cover any legal liability, loss damage, cost or expense whatsoever or any consequential loss directly or indirectly caused by, arising out of, resulting from, in consequence of, in any way involving, or to the extent contributing to by, the hazardous nature of asbestos in whatever form or quantity.

- 5 the deductibles stated in the Schedule to be borne by the Insured.

- 6 confiscation nationalisation or requisition or destruction of or damage to property by or under the order of any Government de jure or de facto of any Public or Local Authority or abandonment of the Property Insured.

7 **Sanctions Limitation and Exclusion**

No (re) insurer shall be deemed to provide cover and no (re) insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re) insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union as well as United Kingdom or United States of America insofar as they are not in contradiction to the legislative provisions applicable to the (re) insurer concerned.

8. **Communicable Disease Endorsement**

1. This policy, subject to all applicable terms, conditions and exclusions, covers losses attributable to direct physical loss or physical damage occurring during the period of insurance. Consequently and notwithstanding any other provision of this policy to the contrary, this policy does not insure any loss, damage, claim, cost, expense or other sum, directly or indirectly arising out of, attributable to, or occurring concurrently or in any sequence with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease.

2. For the purposes of this endorsement, loss, damage, claim, cost, expense or other sum, includes, but is not limited to, any cost to clean-up, detoxify, remove, monitor or test:
 - 2.1. for a Communicable Disease, or
 - 2.2. any property insured hereunder that is affected by such Communicable Disease.
3. As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
 - 3.1. the substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not, and
 - 3.2. the method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from or to any surface or object, solid, liquid or gas or between organisms, and
 - 3.3. the disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property insured hereunder.
4. This endorsement applies to all coverage extensions, additional coverages, exceptions to any exclusion and other coverage grant(s).

All other terms, conditions and exclusions of the policy remain the same.