

MACHINERY BREAKDOWN SECTION

DEFINED EVENTS

1. Damage to the Insured Machinery as described in sub-section A
2. Loss following interruption of or interference with the Business as described and calculated in sub-section B.

SUB-SECTION A – MATERIAL DAMAGE

Damage to the Insured Machinery whilst:

1. at work or at rest;
2. being dismantled for the purpose of cleaning, inspection, repair or overhaul;
3. in the course of being moved (including any dismantling) to another position;
4. being re-erected after 2 or 3 above;

all whilst within the building(s) on the Premises stated in the schedule, **provided that in respect of any newly installed or acquired Insured Machinery, insurance cover only starts after the initial performance acceptance tests have been successfully completed.**

DEFINITIONS

Damage shall mean any accidental, unforeseen and sudden physical loss or damage to the Insured Machinery from any cause **not otherwise excluded** and that necessitates replacement or repair of the Insured Machinery to ensure its continued operation.

Insured Machinery shall be restricted to the machines (or any parts thereof) described in the schedule for sub-section A.

Market Value shall mean the purchase price as determined at the date of the Damage of secondhand or used machinery of the same kind or type and of equal performance and / or capacity (but not superior to or more extensive than the Insured Machinery) in a substantially similar condition to the Insured Machinery immediately prior to the Damage. Where no similar machine is available, Market Value shall be calculated by deducting from the current New Replacement Value of the Insured Machinery, a reasonable amount as determined by the Company for depreciation.

New Replacement Value shall mean the amount necessary for replacing or reinstating the Insured Machinery on the Premises with brand new machinery of the same kind or type and of equal performance and / or capacity but not superior to or more extensive than the Insured Machinery including all associated costs such as:

1. reasonable installation and testing costs on the Premises;
2. any normal freight costs;
3. any customs duties.

Partial Loss shall mean that the Insured Machinery can if so determined by the Company, be repaired to a working order and condition similar to that which existed immediately prior to the Damage provided the repair costs do not exceed the Market Value of the Insured Machinery.

Premises shall be restricted to the address as described in the schedule of this section.

Salvage shall mean the remains of Damaged Insured Machinery after a Total Loss, ownership of which reverts to the Company upon settlement of a claim in terms of this section.

Total Loss shall mean that the Insured Machinery is totally destroyed or destroyed to an extent that the repairs described under Partial Loss exceed the Market Value. At the sole option of the Company the Insured Machinery can be declared as a Total Loss in other circumstances where it is economically viable for the Company do so provided that the Insured is not financially prejudiced by such decision.

BASIS OF LOSS SETTLEMENT

Subject to the insured amount of each piece of Insured Machinery not being exceeded, the Company may at its option repair, reinstate or replace any Damaged Insured Machinery or pay an equivalent amount in cash using the following claim calculation methods:

Total Loss calculation (equipment not older than 3 years from the date of manufacture):

The New Replacement Value of the Damaged Insured Machinery as determined by the Company

Less

Any Salvage value (if at the request of the Insured and agreed by the Company the salvage is kept by the Insured)

Plus

The cost of removing the Damaged Insured Machinery

Reduced

By the Average calculation

Less

The First Amount Payable.

Total Loss calculation (equipment older than 3 years from the date of manufacture):

The Market Value of the Damaged Insured Machinery

Less

Any Salvage value (if at the request of the Insured and agreed by the Company the salvage is kept by the Insured)

Plus

The cost of removing the Damaged Insured Machinery

Plus

Reasonable installation and testing costs as determined by the Company of any replacement machinery (or part thereof)

Reduced

By the Average calculation

Less

The First Amount Payable.

Partial Loss calculation:

Dismantling, repair and re-erection costs (or if agreed to by the Company the repairs are effected by the Insured, the labour costs of the Insured based on the customary daily rates of wages in the district plus any reasonable overhead charges incurred), new parts (without any deduction for depreciation except as set out in Specific Exclusion 6), normal freight and customs duties

Plus

The reasonable cost as determined by the Company of removing from the Premises any Damaged portions of the Insured Machinery that cannot be repaired

Less

Any Salvage value (if at the request of the Insured and agreed by the Company the salvage is kept by the Insured)

Plus

Any reasonable installation and testing costs as determined by the Company

Reduced

By the Average calculation

Less

The First Amount Payable.

SPECIFIC EXCLUSIONS

The Company shall not be liable under this sub-section for:

1. **Damage caused by or due to impact by animals, vehicles, aircraft or other aerial devices or objects dropped therefrom, sonic shock waves, fire, direct or indirect lightning strikes, explosion, extinguishing of a fire, subsidence, landslide, rockfall, wind, hurricane, typhoon, cyclone, storm, snow, water or any discharge from any sprinkler or drencher system, flood, inundation, hail, tidal wave, tsunami, earthquake, volcanic eruption or other convulsions of nature, theft or attempts thereat, collapse of buildings;**
2. **Demolition, dismantling or clearance of debris costs following any of the above;**
3. **Damage that arises from experiments, intentional overloading, overhauls or tests requiring the imposition of abnormal conditions or any Damage arising out of any wilful act or wilful negligence of the Insured or its management;**
4. **Damage due to the misapplication of tools;**
5. **Damage due to corrosion, erosion, wasting or wearing of any part of machinery caused by ordinary use of working and any other continuous chemical or atmospheric influence, rust, mud, boiler scale or other deposits or other gradual wear and tear or deterioration;**
6. **Damage to and / or the cost of exchangeable parts and tools or parts that by their use and / or nature suffer a high rate of wear and depreciation such as (but not limited to) bits, cutters, knives, saw blades, dies, moulds, patterns, rollers, sieves, chains, belts,**

ropes, conveyor bands or belts, drill bits, jointing and packing material, crushers, parts made of glass, porcelain or ceramics, wires, hoses, rubber, textile or plastic linings and bands, brushes, tyres and burner nozzles;

If however any of these parts or tools are Damaged as a result of Damage to other parts of the Insured Machinery as provided for by this insurance, the Company shall indemnify the Insured for the residual value of such parts or tools. For the purposes of this exclusion, residual value shall mean the proportional value, as determined by the Company, representing the remaining lifespan of such items had the insured loss not happened;

7. Consumable items of Insured Machinery such as (but not limited to) lubricants, fuels, catalysts, cooling substances, cleaning products, oils and chemicals;
8. Damage that is covered under any manufacturer or supplier's warranty or guarantee or for which a manufacturer, supplier, contractor or repairer is responsible either by law or under contract;
9. Damage due to or aggravated by any pre-existing faults or defects of the Insured Machinery at the time of commencement of this section or at any time thereafter when additional items of Insured Machinery are added to this section and where such pre-existing fault or defect is within the knowledge of the Insured or its management;
10. Damage to foundations, masonry, refractories or brick linings of furnaces, ovens or firing grids;
11. Consequential loss, damage or liability of any nature;
12. Damage to the Insured Machinery caused by an authority empowered by law to supply water, gas or electricity, withholding or restricting such supplies due to:
 - 12.1 The Insured failing to pay any utility bills or breaching any other contractual conditions with such suppliers;
 - 12.2 A need for such authority to implement load shedding or other scheduled interruptions;
13. Additional costs of alterations, additions, improvements, maintenance or overhauls carried out at the same time of any repair following Damage;
14. Further or subsequent Damage if Insured Machinery is kept in operation after Damage without being repaired to the satisfaction of the Company;
15. Temporary repairs and any consequences arising therefrom that increase the total cost of repairs unless the Company has authorized such temporary repairs.

SPECIFIC CONDITIONS

1. Average and insured amount(s)

Irrespective of the age of the Insured Machinery, it is a requirement of this section that the insured amount/s is/are at all times equal to the New Replacement Value of the Insured Machinery plus the removal costs of Damaged Insured Machinery.

If the insured amount is less than the amount required to be insured, the Company shall pay only in such proportion as the insured amount bears to the amount required to be insured in terms of this condition. Every item (if more than one) shall be separately subject to this condition.

2. Claims

On the happening of any Damage the Insured shall in addition to complying with General condition 6:

1. take all reasonable steps to minimize the extent of such Damage;
2. preserve any damaged or defective parts for inspection by the Company.

The Insured shall be entitled to carry out emergency minor temporary repairs or replacement to ensure the continuation of the operations or safety of the Insured Machinery, 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. Such provisional repair costs will be borne by the Company if such repairs constitute part of the final repairs and do not increase the total repair costs.

3. First Amount(s) Payable

Claims under this Sub-Section are subject to the First Amount Payable as reflected in the schedule against each Insured Machinery but if more than one item of Insured Machinery stated in the schedule is Damaged in one occurrence, the Insured shall not be called upon to bear more than one First Amount Payable provided that the highest First Amount Payable of those Damaged insured items will apply.

4. Loss prevention and minimisation

The Insured shall:

1. take all reasonable steps to maintain the Insured Machinery in efficient working order and ensure that no item of Insured Machinery is intentionally or recklessly overloaded;

2. comply with the manufacturers' instructions for operating, inspection and maintenance of the Insured Machinery;
3. ensure the operators and maintenance staff of the Insured Machinery are sufficiently trained and qualified;
4. comply with any government, statutory, municipal and all other binding regulations in force concerning the safe operation and maintenance of the Insured Machinery. A breach of this condition shall not affect any claim payment unless such breach caused the Damage or increased the amount of the Damage.

5. Material alterations

Notice of any intended alteration to or departure from existing conditions must be given to the Company in writing as soon as possible but only if such changes would increase the risk of Damage to the Insured Machinery. Examples of such changes may include but are not limited to:

1. alterations, additions or modifications to the Insured Machinery;
2. departure from existing operating conditions or recommended operating conditions of the manufacturer or supplier of the Insured Machinery;
3. changes in maintenance frequencies, the scope of maintenance activities or the use of unqualified or under qualified maintenance staff or operators.

Upon notification of any changes the Company will confirm whether cover will continue or not and if cover can continue, any revised terms and conditions that may apply. Any claim in respect of loss or Damage that may arise before such notice is given shall, if it would have been accepted by the Company, be handled in accordance with the Company's normal conditions, exclusions 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.

6. Reinstatement or Replacement

Reinstatement or replacement on a New Replacement Value basis as provided for under the total loss calculation for Insured Machinery not older than 3 years is conditional on:

1. 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 Company not being thereby increased) being commenced and carried out without unreasonable delay;
2. the Insured confirming to the Company within 6 months of the date of damage (or such further time as the Company may in writing allow), his intention to replace or reinstate the Insured Machinery;
3. the Insured being able and willing to replace or reinstate the Insured Machinery on the same or another site;

failing which no payment beyond the amount which would have been payable if the basis of calculation was on a Market Value basis will be made.

7. Risk inspection

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;

8. Service contract

If a service contract for the Insured Machinery is in existence as recorded in the schedule, it is a condition that such contract is to remain in force unless notified to the Company in writing beforehand that the contract is going to be cancelled or replaced.

CLAUSES AND EXTENSIONS

Subject otherwise to the terms, exclusions and conditions of this section and the General section (all of which shall remain valid and applicable unless specifically deleted or amended below), the cover under this section is amended or extended as set out below under each extension and clause (but where applicable as indicated below, only if such extensions and clauses are stated as included in the schedule) **subject to any insured amounts or first amounts payable stated in the schedule under each extension.**

Alternative replacement (design capacity) (if stated as included in the schedule)

In the event of Damage resulting in a Total Loss and it is not possible to replace such Insured Machinery with machinery that has an equivalent measurable function, capacity or output then the Company will pay the cost of replacing such machinery with machinery the quality, capacity, function or output of which is as near as possible but not inferior to that of the original property, provided that:

1. **The Insured Amount as stated in the schedule shall remain the maximum amount payable by the Company;**
2. The Average condition calculation will be amended so that the value of the Insured Machinery will be based on the installed New Replacement Value of the alternative machinery agreed upon in the claim.

Capital additions (if stated as included in the schedule)

This section covers alterations, additions and improvements **(but not appreciation in value in excess of the insured amount)** to the Insured Machinery **for an amount not exceeding the percentage (%) reflected in the schedule** of the Insured Amount under the applicable item provided that:

1. the Insured advises the Company each quarter (or each month if the premium is paid monthly by debit order) of such alterations, additions and improvements and pays any additional premium thereon;
2. the protection provided under this clause for any newly acquired or installed machinery **is restricted to machinery of a like nature to the existing Insured Machinery;**
3. **the protection provided under this clause for any newly acquired or installed machinery only starts after the initial performance acceptance tests have been successfully completed;**
4. **all protection under this clause for alterations, additions and improvements made in the quarter (or the month if the premium is paid monthly by debit order) ceases at the end of the quarter (or at the end of the month if the premium is paid monthly by debit order)** if a formal instruction to amend the schedule to include such changes has not been received by the Company by the end of the quarter (or at the end of the month if the premium is paid monthly by debit order).

Equipment in the open

Cover is restricted to Insured Machinery whilst in the building/s stated in the schedule unless disclosed and noted in the schedule to the contrary and provided further that such Insured Machinery is designed to operate in the open.

Express delivery and overtime (if stated as included in the schedule)

Where required to maintain the operations of the Insured, the insurance under this section covers extra charges for overtime, night work, work on public holidays and express freight (excluding airfreight) provided that:

1. such extra charges are incurred in connection with the repair of Damage to the Insured Machinery as insured under this section;
2. **the maximum amount payable for these charges shall not exceed the percentage (%) reflected in the schedule** of the Insured Amount of the Damaged item of Insured Machinery;
3. such charges are agreed to by the Company prior to being incurred.

Lubricating products (if stated as included in the schedule)

Specific exclusion 7 is deleted **provided that the maximum amount payable for lubricating products and other consumable items following Damage to the Insured Machinery shall not exceed the Insured Amount stated in the schedule** against this extension. For the purposes of this extension, should the Insured Machinery be refrigerant plant, the cover provided hereunder shall include the necessary replacement of refrigerant following Damage to such Insured Machinery.

Riot and strike (other than RSA and Namibia) (if stated as included in the schedule)

This section is extended to cover damage directly occasioned by or through or in consequence of:

1. civil commotion, labour disturbances, riot, strike or lockout;
2. the act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any occurrence referred to in 1 above;

Provided that this extension does not cover:

- 1 **loss or damage occurring in the Republic of South Africa and Namibia;**
- 2 **consequential or indirect loss or damage of any kind or description whatsoever;**
- 3 **loss or damage resulting from total or partial cessation of work, or the retarding or interruption or cessation of any process or operation;**
- 4 **loss or damage occasioned by permanent or temporary dispossession resulting from confiscation, commandeering or requisition by any lawfully constituted authority;**
- 5 **loss or damage related to or caused by any occurrence referred to in General exclusion 1 (A) (ii), (iii), (iv), (v) or (vi) of this policy or the act of any lawfully established authority in controlling, preventing, suppressing or in any other way dealing with any such occurrence;**

If the Company alleges that, by reason of provisos 1 to 5 above, loss or damage is not covered by this section, the burden of proving the contrary shall rest on the Insured.

SUB-SECTION B – CONSEQUENTIAL LOSS

The Company will pay to the Insured as indemnity under this sub-section for loss following interruption of or interference with the Business in consequence of Damage to the Insured Machinery occurring during the period of insurance at the Premises stated in the schedule and as set out under the applicable Gross Profit basis under the basis of loss settlement section below.

DEFINITIONS

Annual Turnover shall mean the Turnover during the twelve months immediately before the date of the Damage to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations or other circumstances affecting the Business either before or after the Damage or which would have affected the Business had the 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 Damage. If the Damage occurs before the completion of the first year's trading of the Business at the Premises, the value shall be calculated by using values proportionate to the results obtained during the period between the commencement of the Business and the date of Damage.

Business shall mean the Insured's Business as stated in the schedule of this policy.

Damage shall mean Damage as defined under sub-section A **but restricted to Damage in respect of which payment has been made or liability admitted by the Company under sub-section A of this section.** For the purposes of this definition, liability shall be deemed to have been admitted under sub-section A if such payment is precluded solely because the Insured is required to bear the first portion of the loss in the form of a first amount payable.

Dependency percentage as reflected in the schedule next to each item of Insured Machinery shall mean that the Insured has declared that, as an approximation, the generation of the stated Gross Profit insured amount is dependent on such item of Insured Machinery to the extent of such stated percentage.

Gross profit (additions basis) shall mean the sum produced by adding to the Net Profit the amount of the Insured Standing Charges or, if there is no Net Profit, the amount of the Insured Standing Charges less such proportion of any net trading loss as the amount of the Insured Standing Charges bears to all the standing charges of the Business.

Gross profit (difference basis) shall mean the amount by which the sum of the Turnover and the amount of the closing stock shall exceed the sum of the amount of the opening stock and the amount of the Uninsured Costs.

The amount 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.

Indemnity period shall mean the period during which the results of the Business shall be affected in consequence of the Damage beginning after the No Claim Period and ending not later than the number of months thereafter stated in the schedule under the Indemnity Period.

Insured Machinery shall be restricted to the machines (or any parts thereof) described in the schedule for sub-section B.

Insured standing charges shall mean the charges of the items as specified in the schedule (the words and expressions used shall have the meaning usually given to them in the books of account of the Insured).

Net profit shall mean 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.

No claim period shall mean the initial period as stated in the schedule following the Damage during which the Company shall not be liable for any loss of Gross Profit relating to such period.

Rate of Gross Profit shall mean the rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Damage to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations or other circumstances affecting the Business either before or after the Damage or which would have affected the Business had the 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 Damage. If the Damage occurs before the completion of the first year's trading of the Business at the Premises, the value shall be calculated by using values proportionate to the results obtained during the period between the commencement of the Business and the date of Damage.

Standard Turnover shall mean the Turnover during that period in the 12 months immediately before the date of the Damage which corresponds with the Indemnity Period to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations or other circumstances affecting the Business either before or after the Damage or which would have affected the Business had the 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 Damage. If the Damage occurs before the completion of the first year's trading of the Business at the Premises, the value shall be calculated by using values proportionate to the results obtained during the period between the commencement of the Business and the date of Damage.

Standby machinery as reflected in the schedule next to each item of Insured Machinery shall mean that the Insured has declared that standby machinery is in existence and is operational and ready to take over the function of such Insured Machinery item in the event of Damage.

Turnover shall mean the money paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business at the Premises.

Uninsured costs shall mean the costs of the items specified in the schedule (the words and expressions used shall have the meaning usually attached to them in the books of account of the Insured).

BASIS OF LOSS SETTLEMENT

Subject to the insured amount in the schedule not being exceeded:

Gross profit - difference basis (if stated as included in the schedule and the Gross Profit basis is stated as "Difference" in the schedule)

Loss following interruption of or interference with the Business in consequence of Damage to the Insured Machinery reflected in the schedule under this item but limited to loss of Gross Profit due to:

1. **reduction in Turnover;** and
2. **increase in cost of working;**

and the amount payable as indemnity hereunder shall be

1. **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** shall, in consequence of the Damage, fall short of the Standard Turnover;
2. **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 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 charges and expenses of the Business payable out of Gross Profit as may cease or be reduced in consequence of the Damage, **provided that the amount payable shall be proportionately reduced if the insured amount in respect of Gross Profit is less than the sum produced by applying the Rate of Gross Profit to the Annual Turnover where the maximum Indemnity Period is 12 months or less, or the appropriate multiple of the Annual Turnover where the maximum Indemnity Period exceeds 12 months.**

Gross profit - additions basis (if stated as included in the schedule and the Gross Profit basis is stated as "Additions" in the schedule)

Loss following interruption of or interference with the Business in consequence of Damage to the Insured Machinery reflected in the schedule against this item but limited to loss of Gross Profit due to:

1. **reduction in Turnover;** and
2. **increase in cost of working;**

and the amount payable as indemnity hereunder shall be

1. **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** shall, in consequence of the Damage, fall short of the Standard Turnover;
2. **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 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 the amount payable shall be proportionately reduced if the insured amount in respect of Gross Profit is less than the sum produced by applying the Rate of Gross Profit to the Annual Turnover where the maximum Indemnity Period is 12 months or less, or the appropriate multiple of the Annual Turnover where the maximum Indemnity Period exceeds 12 months.**

LOSS SETTLEMENT MEMORANDA

1. **If any standing charges of the Business are not insured under this section, then in computing the amount recoverable hereunder as increase in cost of working, that proportion only of the additional expenditure shall be brought into account which the sum of the Net Profit and the Insured Standing Charges bears to the sum of the Net Profit and all the standing charges.** This memorandum shall apply to Gross Profit – Additions Basis only.
2. If during the Indemnity Period goods shall be sold or services shall be rendered elsewhere than at the insured Premises for the benefit of the Business either by the Insured or by others on his behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover during the Indemnity Period.
3. In the event of any interruption, following Damage, being aggravated or prolonged by:
 - 3.1 the Insured being unable or unwilling to replace or reinstate destroyed or damaged Insured Machinery, or failing to carry out such replacement or reinstatement within a reasonable time;
 - 3.2 addition, alteration, overhaul, servicing or improvements being effected to the Insured Machinery on the occasion of its repair following Damage,
 - 3.3 lack of capital or inability to raise capital by the Insured to fund any large first amounts payable or underinsurance average calculations under sub-section A resulting in delays or the prevention of the repair or replacement of damaged Insured Machinery;

- 3.4 any restrictions on reconstruction methods imposed by any public authority;
- 3.5 any gazetted law of the Republic of South Africa, including any exchange control regulation, directed against any other country;
- 3.6 any law of a foreign country or international law directed against the Republic of South Africa;
- 3.7 any economic sanctions, conventions, trade embargoes, boycotts, strikes or actions directed against the Republic of South Africa

the Company's liability under this sub-section shall be restricted solely to the business interruption which would have arisen in the absence of the above circumstances.

4. If the Insured shall hold a salvage sale during the Indemnity Period, the reduction in Turnover part of the wording of the Gross Profit item shall, for the purposes of such claim, read as follows:

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 (less the Turnover for the period of the salvage sale) shall, in consequence of the Damage, fall short of the Standard Turnover, from which sum shall be deducted the Gross Profit actually earned during the period of the salvage sale.
5. If during a period of 6 months immediately following the recommissioning of the Insured Machinery and plant after Damage the Insured derives benefit from deferred sales or from increased production and/or profits as a consequence of an interruption of or interference with the Business, such benefits shall be taken into account in determining the amount payable as indemnity under this sub-section.

SPECIFIC EXCLUSIONS

This sub-section does not cover consequential loss of whatsoever nature (including but not limited to destruction, deterioration, damage to raw materials, semi-finished or finished products even if the consequence of Damage to Insured Machinery) other than as provided for under loss of Gross Profit as provided for hereunder.

SPECIFIC CONDITIONS

1. Business rescue or liquidation

The insurance under this sub-section shall cease if the Business is wound up or carried on by a liquidator or judicial manager or is permanently discontinued, except with the written agreement of the Company.

2. Claims or possible claims

On the happening of any Damage in consequence of which a claim may be made under this sub-section:

1. the Insured shall, in addition to complying with General conditions 6 and 7, immediately notify the Company of the aforesaid occurrence and send the Company written confirmation thereof within 48 hours after the aforesaid occurrence;
2. the Insured shall with due diligence do and concur in doing and permit to be done all things which may be reasonably practicable to minimise or check any interruption of or interference with the Business or to avoid or diminish the loss;
3. as far as may be reasonably practicable without causing any increase in the period of interruption or interference with the Business, the Insured shall take precautions to preserve anything that might prove necessary or useful by way of evidence in connection with any claim;
4. the Insured shall discontinue the use of any damaged Insured Machinery unless the Company authorised otherwise, and **the Company shall not be liable in respect of any further interruption or interference with the Business arising out of the continued use of any damaged Insured Machinery** without the Company having given its consent in writing to such use until the aforesaid Insured Machinery has been repaired to the satisfaction of the Company;

and in the event of a claim being made under this sub-section the Insured shall, not later than 30 days after the expiry of the Indemnity Period, or within such further time as the Company may in writing allow, at their own expense deliver to the Company:

5. in writing a statement setting forth particulars of their claim together with details of all other insurance covering the loss or any part of it or consequential loss of any kind resulting therefrom;
6. such books of account and other Business books, documents, proofs, information, explanation and other evidence as may be reasonably required by the Company for the purpose of investigating or verifying the claim, together with (if required) a statutory declaration regarding the truth of the claim and of any matters connected with the claim.

No claim under this sub-section shall be payable unless the terms of this specific condition have been complied with and, in the event of non-compliance therewith in any respect, any payment on account of the claim already made shall be repaid to the Company forthwith.

3. Material alterations

The Insured shall as soon as possible notify the Company 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.

4. Risk inspection

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.

5. Reasonable care and loss prevention

The Insured shall exercise all reasonable care:

1. in the selection of employment and supervision of all employees;
2. in the prevention of any Damage;
3. in ensuring compliance with any statutory regulations and manufacturer's recommendations.

6. Standby machinery and dependency percentages

Where in the schedule next to any Insured Machinery it indicates that:

1. there is Standby Machinery, it is a condition that such Standby Machinery is to be retained in a fully operational condition ready to take over the function of the Damaged Insured Machinery to which it relates. If such Standby Machinery is not maintained in an efficient working condition and available for immediate use or if conditions or circumstances change that would prevent or reduce the effectiveness of such Standby Machinery then this is to be communicated to the Company in writing immediately this becomes known to the Insured;
2. there is a Dependency Percentage of less than 100%, it is a condition that any change in this percentage be communicated to the Company in writing immediately this becomes known to the Insured.

The Company reserves the right to amend the premium charged or terms and conditions (including the continuance) of the insurance under this sub-section in these circumstances.

CLAUSES AND EXTENSIONS

Accountants clause

Any particulars or details contained in the Insured's books of account or other Business books or documents which may be required by the Company under this sub-section for the purpose of investigating or verifying any claim hereunder, may be produced and certified by the Insured's auditors or professional accountants, and their certificate shall be prima facie evidence of the particulars and details to which it relates.

Accumulated stocks clause

In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in Turnover due to the Damage is postponed by reason of the Turnover being temporarily maintained from accumulated stocks.

Departmental clause

If the Business is conducted in departments or branches, the independent trading results of which are ascertainable, the provisions under Gross Profit relating to reduction in Turnover and increase in cost of working, shall apply separately to each department or branch affected by the Damage, **except that if the insured amount by the relative item is less than the aggregate of the sums produced by applying the Rate of Gross Profit for each department or branch, whether or not affected by the Damage, to the relative Annual Turnover thereof (proportionately increased if the number of months referred to in the definition of Indemnity Period exceeds 12), the amount payable shall be proportionately reduced.**

Deposit premium clause

If in the schedule next to deposit premium the percentage is less than one hundred percent then this shall mean that the premium charged by the Company is provisional and is temporarily discounted in that the premium is multiplied by the per centage stated in the schedule until the actual Gross Profit earned for the period of insurance is known.

In such case at the expiry of each period of insurance (or after twelve consecutive months from the inception date or anniversary date if this policy is paid by monthly debit order) the Insured shall declare the actual Gross Profit earned as certified by the Insured's auditors (increased proportionately if the number of months referred to in the definition of indemnity period exceeds 12) during the financial year most nearly concurrent with the period of insurance (or the equivalent twelve consecutive months from the inception date or anniversary date if this policy is paid monthly by debit order).

A pro rata refund or additional premium for such past period of insurance will be made based on the actual Gross Profit earned but without the percentage mentioned above being applied provided that if the actual Gross Profit earned exceeds the insured amount, any additional premium due to the Company shall be calculated on the insured amount.

In the event of a claim being made under Gross Profit, the maximum amount payable shall be restricted to the insured amount stated in the schedule notwithstanding any declaration being made that exceeds the insured amount.

Output (alternative basis) clause

At the option of the Insured, the term "output" may be substituted for the term "Turnover" and, for the purposes of this sub-section, output shall mean the sale or transfer value, as shown in the Insured's books, of goods manufactured or processed by the Insured at the Premises, provided that:

1. only the meaning of output or the meaning of Turnover shall be operative in connection with any one event resulting in interruption;
2. if the meaning of output be used
 - 2.1 then the accumulated stocks clause shall be inoperative;
 - 2.2 then memorandum 2 under "loss settlement memoranda" shall read:

"If, during the Indemnity Period, goods shall be manufactured or processed other than at the Premises for the benefit of the Business either by the Insured or by others on behalf of the Insured, the sale or transfer of such goods shall be brought into account in arriving at the output during the Indemnity Period."

Version 1	Product: Guesthouse	Country: South Africa
------------------	----------------------------	------------------------------