



# **MACHINERY BREAKDOWN POLICY**

General Insurance Company Ltd.

## **MACHINERY BREAKDOWN POLICY**

**WHEREAS** the Insured named in the schedule hereto by a proposal and declaration, which shall be the basis of this contract and is deemed to be incorporated herein has applied to the **MAGMA HDI GENERAL INSURANCE CO. LTD.** (hereinafter called the company) for the Insurance hereinafter contained and has paid the premium as consideration for such Insurance in respect of accident or damage occurring during the period of Insurance stated in the schedule or during any subsequent period for which the Insured pays and the Company may accept the premium for the renewal of the Policy.

**NOW THIS POLICY OF INSURANCE WITNESSETH** that subject to the terms, exceptions, exclusions, provisions and conditions contained herein or endorsed hereon, the company will at its own option by payment or reinstatement or repair indemnify the Insured against unforeseen and sudden physical damage by any-cause not hereinafter excluded to any insured property specified in the attached schedule (s) whilst in the premises therein mentioned necessitating its immediate repair or replacement. This Policy shall apply to the insured items after successful completion of their performance/acceptance tests, whether they are at work or at 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. The liability of the Company for any one item of the Insured property shall not exceed in the aggregate in any one period of Insurance the Sum Insured set against such item in the attached schedule(s), unless the Sum Insured under such item is reinstated after occurrence of a claim for balance period.

### **1.1 GENERAL EXCEPTIONS**

#### **THE COMPANY SHALL NOT BE LIABLE UNDER THIS POLICY IN RESPECT OF:**

1. Loss, damage and/or liability caused by or arising from or in consequence, directly or indirectly of fire including extinguishments of a fire or clearance of debris and dismantling necessitated thereby smoke, soot, aggressive substance, lightning explosion of any kind (other than bursting or disruption of turbines, compressors, cylinders of steam engines, hydraulic cylinders or flywheels or other apparatus subject to centrifugal force, internal pressure) theft, collapse of building, subsidence, landslide, rockslide, water which escapes from water containing apparatus, flood, inundation, storm, tempest, earthquake, volcanic eruption or other Acts of God, impact of land borne or water borne or airborne craft or aerial devices and/or articles dropped there from.

Any loss or damage by fire within the electrical appliances and installation insured by this Policy arising from or occasioned by overrunning, excessive pressure, short circuiting, arcing, self heating or leakage of electricity from whatever cause (lightning included) is covered; provided that this extension shall apply only to the particular electrical machine; apparatus fixtures fittings or portions of the electrical installation so affected and not to other machines apparatus fixtures fittings or portions of the electrical equipment which may be destroyed or damaged by fire so set up.

2. Loss, damage and/or liability caused by or arising from or in consequence, directly 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 by a group of malicious persons 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.
  - b) Nuclear reaction, nuclear radiation or radioactive contamination.
3. Accident Loss/damage and/or liability resulting from overload experiments or tests requiring imposition of abnormal conditions.
4. Gradually developing flaws, defects, cracks or partial fractures in any part not necessitating immediate stoppage, although at some future time repair or renewal of the parts affected may be necessary.
5. Deterioration of or wearing away or wearing out of any machine caused by or naturally resulting from normal use or exposure.
6. Loss, damage and/ or liability caused by or arising out of the willful act or willful neglect or gross negligence of the insured or his responsible representatives.
7. Liability assumed by the insured by agreement unless such liability would have attached to the insured notwithstanding such agreement.
8. Loss, damage and/or liability due to faults or defects existing in at the time of commencement of this insurance and known to the Insured or his responsible representatives but not disclosed to the Company.
9. Loss of use of the Insured's plant or property or any other consequential loss incurred by the Insured.
10. Loss, damage and /or liability due to explosion in chemical recovery, Boilers, other than pressure explosion for e.g., Smelt, chemical, ignition, Explosion etc.

## 1.2 SPECIAL EXCLUSIONS

### *The Company shall not be liable for:-*

1. The Excess, as stated in the Schedule, to be first borne by the insured out of each and every claim; where more than one item is damaged in one and the same occurrence, the insured shall not, however, be called upon to bear more than the highest Excess applicable to any one such item;

2. Loss of or damage to belts, ropes, chains, rubber tyres, dies, moulds, blades, cutters, knives or exchangeable tools, engraved or impression cylinders or rolls; objects made of glass, porcelain, ceramics, all operating media (e.g. lubricating oil, fuel, catalyst, refrigerant, dowertherm) felts, endless conveyor belts or wires; sieves, fabrics, heat resisting and anti-corrosive lining and parts of similar nature, packing material, parts not made of metal (except insulating material) and non-metallic lining or coating of metal parts."
3. Loss or damage for which the manufacturer or supplier or repairer of the property is responsible either by law or under contract; In any action, suit or other proceeding where the Company alleges that by reason of the exceptions or exclusions above, any loss, destruction, damage or liability is not covered by this insurance, the burden of proving that such loss, destruction, damage or liability is covered shall be upon the Insured.

## 2 PROVISIONS

### 2.1 SUM INSURED:

It is a requirement of this Insurance that the Sum Insured shall be equal to the cost of replacement of the insured property by new property of the same kind and same capacity which shall mean its replacement cost including freight and customs duties, if any, and erection costs.

### 2.2 BASIS OF INDEMNITY:

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

No deduction shall be made for depreciation in respect of parts replaced except for :

#### 1) **Wear and tear parts and**

**2) Parts for which manufacturers have specified a fixed life for use and the like but the value of any salvage will be taken into account. If the cost of repairs as detailed herein above equals or exceeds the actual value of the machinery insured immediately before the occurrence of the damage the settlement shall be made on the basis provided for in (b) below.**

b) In cases where an insured item is destroyed 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 provided such expenses have been included in the sum insured, such actual value to be calculated by deducting proper depreciation from the replacement value of

the item. The Company will also pay any normal charges for the dismantling of the machinery destroyed but the salvage will be taken into account. Any extra charges incurred for overtime, night-work, work on public holidays, express freight, are covered by this insurance only if especially agreed to in writing.

In the event of the maker's drawings patterns and core boxes necessary for the execution of a repair not being available the Company shall not be liable for the cost of making any such drawings patterns and core boxes. The cost of any alterations, improvements or overhauls shall not be recoverable under this Policy. The cost 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 expenses.

If the Sum Insured is less than the amount required to be insured as per Provision 1 herein above, the Company will pay only in such proportion as the Sum Insured bears to the amount required to be insured. Every item if more than one shall be subject to this condition separately.

The company will make payments only after being satisfied, with the necessary bills and documents that the repairs have been effected or replacement have taken place, as the case may be. The company may, however, not insist for the bills and the documents in case of total loss where the insured is unable to replace the damaged equipments for the reasons beyond their control. In such case claims can be settled on indemnity Basis.

**2.3 INSPECTION OF TURBINES AND TURBO-GENERATORS**

All Mechanical and Electrical parts of any steam turbine, gas turbine, water turbine or generator up to 30,000 kw shall be inspected and overhauled thoroughly under the supervision of Maker's representatives or any competent agency in the field, in a completely opened up state at least every 2 yrs: for turbine and generators exceeding 30,000 kw such inspection and overhaul shall take place after 32,000 hours of operation or every four years. The extensions for the interval between successive overhauls to 64,000 hrs / 8 years are as under.

<b>PERIOD BETWEEN SUCCESSIVE OVERHAUL</b>	<b>TERMS AND CONDITIONS</b>
Beyond 32000 hr/4years and upto 48000 hrs/6 years	Excess shall be 25% of claim amount subject to a minimum of 150% of the normal excess
Beyond 48000hr/6years and upto 56000 hrs/7 years	Excess shall be 37.5% of claim amount subject to a minimum of 200% of the normal excess
Beyond 56000 hr/7years and upto 64000 hrs/8 years	Excess shall be 50% of claim amount subject to a minimum of 300% of the normal excess
Beyond 64000 hr/8years	To be referred to Chief Underwriter

The cost of inspection and overhauling shall be borne by the Insured and a copy of the Report issued by the Maker's representative or competent agency on such inspection and overhauling shall be furnished to the Company immediately after the work has been carried out.

The Insured shall arrange for these regular inspections in such a way as to enable the company's representative to be present at the inspection at their own expenses. The Company shall be notified at least seven days in advance of the commencement of any overhauling necessary according to expert opinion.

If the insured fails to comply with the requirements of this condition, the Company shall be free from all liability for loss or damage caused by any circumstances, whatsoever. The insured may apply for an extension of the period between any two regular inspections, and such extension shall be considered if in the opinion of the Company, the risk is not aggravated thereby.

#### **2.4 CONDITIONS:**

- a. This Policy and the attached Schedule(s) shall be read together as one contract and words and expressions to which specific meanings have been attached in any part of this Policy or of the attached Schedule (s) shall bear the same meaning wherever they may appear.
- b. 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 any one acting on his behalf to obtain any benefit under this Policy or if a claim is made and rejected and no action, or suit 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 awards, all benefit under this Policy shall be forfeited.
- c. No admission, offer, promise, payment or indemnity shall be made or given by or on behalf of the Insured without the written consent of the Company who shall be entitled if they so desire to take over and conduct in the name of the Insured the defence or settlement of any claim for indemnity or damage or otherwise and shall have full discretion in the conduct of any proceeding or in the settlement of any claim and the Insured shall give such information and assistance as the Company may require.
- d. The due observance and fulfillment of the terms, provisions and conditions of and endorsement on 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 said proposal shall be conditions precedent to any liability of the Company to make any payment under this Policy.

#### **2.5. OBLIGATIONS OF THE INSURED :**

- a) 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 over loaded. 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.

b) 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.

**c) In the event of any:**

- i) Material change in the original risk
- ii) Alteration, modification or addition to an insured item
- iii) Departure from prescribed operating conditions, whereby the risk of loss or damage increases
- iv) Changes in the Insured's interest (such as discontinuation or liquidation of the business or being placed in receivership) taking place, common to all points, the Policy shall be void unless its continuance be agreed by endorsement signed by the Company.

**2.6. DUTIES FOLLOWING AN ACCIDENT:**

- a) In the event of any occurrence which might give rise to a claim under this Policy the Insured shall immediately notify the Company by telephone or telegram as well as in writing giving an indication as to the nature and extent of loss or damage;
- b) Take all reasonable steps within his power to minimize the extent of the loss or damage;
- c) Preserve the damaged or defective parts and make them available for inspection by an official or surveyor of the Company.
- d) Furnish all such information and documentary evidence as the Company may require.

The Company shall not be liable for any loss or damage of which no notice and completed claim form have been received by the Company within Fourteen days of its occurrence.

Upon notification of a claim being given to the Company the Insured may proceed with the repair of any minor damage not exceeding Rs.2, 500/- provided that the carrying out of such repair is without prejudice to any question of liability of the Company and that any damaged part requiring replacement is kept for inspection by the Company, but in all other cases representative of the Company shall have the opportunity of inspecting the damage before any alterations, repairs or replacement are effected. Nothing contained herein shall prevent the Insured from taking such steps as are absolutely necessary to maintain the operation of the plant.

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

**2.7. OTHER INSURANCE:**

If at the time any claim arises under this Policy there is any other insurance covering the same loss damage or liability, the Company shall not be liable to pay or contribute more than its ratable proportion of such loss damage or liability.

**2.8. POSITION AFTER A CLAIM:**

- a) The Insured shall not be entitled to abandon any property whether taken possession of by the Company or not.
- b) As from the day of the loss the Sum Insured for the remainder of the period of Insurance is reduced by the amount of the compensation. To prevent under insurance during the remainder of the current period of insurance the amount insured must be reinstated. The premium will be calculated pro-rata from the day repaired item is again put to work. For subsequent period of insurance the original indemnity and premium are again in force unless circumstances justify an alteration

**2.9. TRANSFER OF INTEREST:**

The Insurance granted by this Policy shall cease to attach to any items described in the Schedule the interest in which shall pass from the Insured otherwise than by will or operation of law. Unless the consent of the Company for the continuance of the Insurance shall be obtained and signified by endorsement hereon.

**2.10. TERMINATION OF INSURANCE:**

This insurance may be terminated at any time at the request of the insured, in which case the Company will retain the premium calculated at 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 by 15 days notice to that effect being given to the insured, in which case the Company shall be liable to repay on demand a ratable proportion of the premium for the unexpired term from the date of the cancellation.

**2.11. RECOURSE:**

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 enforcing any right 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 of 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.

**2.12. ARBITRATION:**

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 in difference, 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 a condition precedent to any right of action or suit upon this policy that the award by such Arbitrator/ Arbitrators or umpire of the amount of the loss or damage shall be first obtained:

 **MAGMA HDI**  
General Insurance Company Ltd.