

ALLIANZ INSURANCE LANKA LTD
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MACHINERY BREAKDOWN POLICY

Please read this policy carefully and if it is incorrect or does not provide the coverage required or does not provide the cover required it should be returned immediately for correction.

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 **ALLIANZINSURANCE LANKA LIMITED** (hereinafter called ‘the Insurer’ for the indemnity hereinafter contained.

IN-CONSIDERATION of the Insured named in the schedule hereto paying to the Insurer the premium mentioned in the said Schedule or during any subsequent period for which the insured pays and the Insurer may accept the premium for the renewal of this policy, the Insurer agree (subject to the conditions contained herein or endorsed or otherwise expressed hereon which conditions shall so far as the nature of them respectively will permit be deemed to be conditions precedent to the right of the insured to recover hereunder) that if after payment of the premium, the items (or any part thereof) entered in the Schedule, whilst on the premises mentioned therein, suffer any unforeseen and sudden physical loss or damage from causes such as defects in casting and 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, storm, or from any other cause not specifically excluded hereinafter, in a manner necessitating repair or replacement.

The Insurer will indemnify the insured in respect of such loss or damage as hereinafter provided, by payment in cash, replacement or repair (at the insurer’s option) up to an amount not exceeding in any one year of insurance in respect of each of the items specified in the Schedule the sum set opposite thereto and not exceeding in all the total sum expressed in the Schedule as insured hereby.

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.

Exclusions

The Insurer shall not be liable for

1. The deductible stated in the Schedule to be borne by the insured in any one occurrence; if more than one item is lost or damaged in one occurrence, the insured shall not, however be called upon to bear more than the highest single deductible applicable to such items;
2. Loss of or damage to exchangeable tools, eg. dies, moulds, engraved cylinders, parts which by their use and/or nature suffer a high rate of wear or depreciation, eg. refractory linings, crushing hammers, objects made of glass, belts, ropes, wires, rubber tyres, operating media, eg. lubricants, fuels, catalysts;
3. Loss or damage due to fire, direct lightning, chemical explosion (except fuel gas explosions in boilers), extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped there from, theft, burglary or attempts threat, collapse of buildings, 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 existing at the time of commencement of this Policy within the knowledge of the insured or his representatives, whether such faults or defects were known to the Insurer or not;
6. Loss or damage arising out of the willful act or gross negligence of the insured or his representatives;
7. Any consequence of war, invasion, acts of foreign enemy, hostilities (whether be declared or not), civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, acts of a group of malicious person or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation, commandeering, requisition, or destruction of or damage to property by order of any government de jure or de facto by any public authority;
8. Any consequence of nuclear reaction, nuclear radiation or radioactive contamination;
9. Loss or damage as a direct consequence of the continual influence of operation (eg. wear and tear, cavitations, erosion, corrosion, rust, boiler scale);
10. Consequential loss or liability of any kind or description, any payments over and above the indemnity for material damage as provided herein.

In any action, suit or other proceeding where the Insurer allege that, by reason of the provision of Exclusion 7 above, any loss or damage is not covered by this Policy, the burden of proving that such loss or damage is covered shall be upon the insured.

Provisions

Memo 1 - Sum Insured

It shall be a requirement of this Policy that the sum insured is equal to the cost of replacement of the insured machinery by new machinery of the same kind and capacity, which means its cost of replacement including, e.g. 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 subject to this condition separately.

Memo 2 - Basis of Indemnity

(a). In cases where damage to an insured item can be repaired - the Insurer shall pay expenses 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 insurers shall 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, but the value of any salvage shall 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 item shall be regarded as destroyed and settlement shall be made on the basis provided for in 'b' below.

(b). In cases where an insured item is destroyed - the Insurer shall pay the actual value of the item immediately before the occurrence of the loss, including charges for ordinary freight, cost of 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 Insurer shall also pay any normal charges for the dismounting of the machinery destroyed, but the salvage shall be taken into account.

Any extra charges incurred for overtime, night work, work on public holidays and express freight shall be covered by this Policy only if especially agreed in writing.

The cost of any alterations, additions, improvements or overhauls shall not be recoverable under this Policy.

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 repair.

The Insurer shall make payments only after being satisfied by submission of the necessary bills and documents that the repairs have been effected or replacement has taken place, as the case may be.

Conditions

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.

Observance of terms and conditions

1. The due observance and fulfillment of the terms of this Policy, in so far as they relate to anything to be done or complied with by the insured, and the truth of the statements and answers in the questionnaire and proposal made by the insured shall be a condition precedent to any liability of the Insurer.

Minimizing loss

2. The insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Insurer to prevent loss or damage and comply with statutory requirements and manufactures' recommendations

Inspection of risks

3. Representatives of the Insurer shall at any reasonable time have the right to inspect and examine the risk and the insured shall provide the representatives of the Insurer with all details and information necessary for the assessment of the risk.

Alterations

The insured shall immediately notify the Insurer either by (fax, e-mail, telegram or letter) or by telephone confirmed 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 to ensure safe operation of the insured items, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly.

No material alteration shall be made or admitted by the insured whereby the risk is increased unless the continuance of the insurance is confirmed in writing by the Insurer.

Claims

4. In the event of any occurrence which might give rise to a claim under this Policy, the insured shall:
 - (a) immediately notify the Insurer either by (fax, e-mail, telegram or letter) or by telephone confirmed in writing, giving an indication as to the nature and extent of the loss or damage;
 - (b) take all reasonable steps within his power to minimize the extent of the loss or damage;
 - (c) preserve the parts affected and make them available for inspection by a representative or surveyor of the Insurer;
 - (d) furnish all such information and documentary evidence as the Insurer may require;
The Insurer shall on no account be liable for loss or damage of which no notice has been received by the Insurer within 14 days of its occurrence

Upon notification being given to the Insurer under this condition, the insured may carry out repairs of any minor damage or replace items which have sustained 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 alterations are effected. If a representative of the Insurer does not carry out the inspection within a period of time which could be considered adequate under the circumstances, the insured shall be entitled to proceed with the repairs or replacements.

The liability of the Insurer under this Policy in respect of any insured item shall cease if said item is kept in operation after a claim without being repaired to the satisfaction of the Insurer, or if temporary repairs are carried out without the Insurer's consent.

5. The Insured shall at the expenses of the Insurer do and concur in doing and permit to be done all such acts and things as may be necessary or reasonably required by the Insurer 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 Insurer shall be or would become entitled or which is or would be subrogated to them upon their paying for or making good any loss or damage under this Policy, whether such acts and things are or become necessary or required before or after the insured's indemnification by the Insurer
6. The Insurer shall be entitled to withhold indemnification

- (a) if there are doubts regarding the insured's right to receive the indemnity, pending receipt by the Insurer of the necessary proof;
- (b) if in connection with the claim an examination by the police or, an inquiry under criminal law has been instituted against the insured, pending completion of such examination or inquiry.

7. The Insurer shall not be liable to pay interest other than interest for default.

Arbitration

8. If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted), such difference 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 the latter enter 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 Insurer.

Forfeiture

9. (a) If the proposal or declaration of the insured is untrue in any material respect, or if any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and the Insurer shall not be liable to make any payment hereunder.
- (b) In the event of the Insurer disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaim or (in the case of arbitration taking place in pursuance of condition 8 of this Policy) within three months after the arbitrator(s) or umpire have made their award all benefit under this policy in respect of such claim shall be forfeited.

Other Insurance's

10. If at the time any claim arise under this Policy there is any other insurance covering the same loss or damage, the Insurer shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.

Cancellation

11. This Policy may be terminated at the request of the insured at any time, in which case the Insurer will retain the customary short-period rate for the time this Policy has been in force. This Policy may equally be terminated at the option of the Insurer by seven day's notice to that effect being given to the insured in which case the Insurer will be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the Insurer may have incurred.

Stamp Duty

It is hereby certified that the stamp duty shown in the schedule of the policy payable in respect of the property covered has been compounded in terms of section 7 of the Stamp Duty Act. No 12 of 2006

Data Privacy & Protection

The Insurer is strongly committed to conducting its business in full compliance, and in accordance with applicable Data Privacy protection laws and regulations. All privacy related matters are governed by Allianz Privacy Notice which is available on the Insurer's official website

<https://www.allianz.lk/data-privacy-notice.html>.

The said privacy notice explains how and what type of personal data will be collected, why it is collected and to whom it is shared or disclosed. Further, the Insurer is committed to keep your Personal Data only so long as necessary to fulfill the purposes for which the data was collected for or to fulfill legal obligations.

Definition:

Personal Data - means any information relating to an individual