

BUSINESS GUARD - COMMERCIAL

Machinery Breakdown Rider

Attached to and forming part of Business Guard-Commercial Policy No. _____

Notwithstanding anything contained in the Policy or any of its Endorsements or Riders hereto, it is agreed and declared that in consideration of the full agreed premium being paid by the Insured to the Company the following Coverage Section is included under the Policy effective the date stated herein. Subject always to the terms and provisions including the General Conditions and General Exclusions of the Policy and all endorsements thereon.

COVERAGE SECTION M (Machinery Breakdown)

any insured property specified in the attached Schedule(s) shall sustain unforeseen and sudden physical damage whilst in the premises therein mentioned necessitating its immediate repair or replacement

CONDITIONS

1. PROVISIONS :

a) 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, dues and customs duties, if any and erection costs.

b) BASIS OF INDEMNITY

- (i) 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, custom 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 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 :

- wear and tear of parts and
- 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 (ii) below.

- (ii) 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.

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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 makers drawing, 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 drawing 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.a) hereinabove, 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 replacements have taken place, as the case may be. The Company may, however, not insist for bills and documents in case of total loss where the Insured is unable to replace the damages equipments for reasons beyond their control. In such cases claims can be settled on 'Indemnity Basis'.

c) INSPECTION OF TURBINES AND TURBO-GENERATORS

All Mechanical and Electrical parts of any steam turbine, gas turbine, water turbine generators 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 as per manufacturer's recommendations but in no case later than completion of 32,000 hrs of operation or four years whichever is earlier. The cost of inspection and overhauling shall be borne by the Insured and a copy of the Report issued by the Maker's representatives 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 circumstance whatsoever.

The Insured may apply for any extension of the period between any two regular inspections and such extension may be considered if in the opinion of the Company the risk is not aggravated thereby.

2. 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 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.
- 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.

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- 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) change in the Insured's interest (such as discontinuation or liquidation of the business or being placed in receivership), taking place,
- the Policy shall be void unless its continuance is agreed by endorsement signed by the Company.

3. DUTIES FOLLOWING AN ACCIDENT

- a) In the event of any occurrence which might give rise to a claim under this Policy the Insured shall :
- (i) 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.
 - (ii) take all reasonable steps within his power to minimise the extent of the loss or damages or liability.
 - (iii) preserve the damage or defective parts and make them available for inspection by an official or surveyor of the Company.
 - (iv) 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 a representative of the Company shall have the opportunity of inspecting the damage before any alteration, repairs, or replacements 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.

4. POSITION AFTER A CLAIM

- a) As from the day of 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 the repaired item is again put to work. For subsequent periods of insurance the original indemnity and premium are again in force unless circumstances justify an alteration.
5. 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 rateable proportion of such loss damage or liability.

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EXCLUSIONS

1. The Company shall not be liable under this Policy in respect of:

- a) Loss, damage and/or liability caused by or arising from or in consequence, directly or indirectly, of Fire including extinguishment of a fire or clearance of debris and dismantling necessitated thereby, smoke, soot, aggressive substance, lighting, explosion of any kind (other than bursting or disruption of turbines, compressors, cylinders of steam engines, hydraulic cylinders or fly wheels 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, waterborne or airborne craft or other serial devices and/or articles dropped therefrom.

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 (lighting included), is covered provided that this extension shall apply only to the particular electrical machine, apparatus, fixture, fitting or portions of the electrical installation so affected and not to other machines, apparatus, fixtures, fittings or portions of the electrical installation which may be destroyed or damaged by fire so set up.

- b) Accident, loss, damage and/or liability resulting from overload experiments or test requiring the imposition of abnormal conditions.
- c) 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.
- d) Deterioration of or wearing away or wearing out of any machine caused by or naturally resulting from normal use or exposure.
- e) 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.
- f) Liability assumed by the Insured by agreement unless such liability would have attached to the Insured notwithstanding such agreement.
- g) Loss, damage and/or liability due to faults or defects existing at the time of commencement of this insurance and known to the Insured or his responsible representatives but not disclosed to the Company.
- i) Loss, damage and/or liability due to explosions in Chemical Recovery Boilers, other than pressure explosions for eg. Smelt, chemical, ignition, explosions etc.

2. SPECIAL EXCLUSIONS

The Company shall not be liable for :

- a) 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 lost or 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.
- b) Loss of or damage to belts, ropes, chains, rubber tyres, dies, moulds, blades, cutters, knives, or exchangeable tools, engraved of impression cylinders or rolls; objects made of glass, porcelain, ceramics, all operating media (e.g. lubrication oil, fuel, catalyst, refrigerant, dowertherm), felts, endless conveyor belts or wires, sleeves, fabrics, heat resisting and anti-corrosive lining and parts of similar nature, packing material, parts not made of metal, (except insulation material), and non-metallic lining or coating of metal parts; unless loss or damage to the equipments/machinery is indemnifiable in terms of the Policy.

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- c) 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 provision of the exceptions or exclusions above any loss, destruction, damage or liability is not covered by insurance, the burden of proving that such loss, destruction, damage or liability is covered shall be upon the Insured.

PERILS SPECIFIED

Unforeseen and sudden physical damage by any cause not herein excluded to any insured property after successful completion of their performance/acceptance tests, whether they are at work or at rest, or being dismantled for the purpose of clearing or overhauling, or in the course of the aforesaid operations themselves or when being shifted within the premises, or during subsequent re-erection.

ENDORSEMENTS

The following shall apply in respect of any insured item of the type/situation referred herein. Subject otherwise to the terms, conditions and exceptions of the Policy.

1. Carding Machines In Textile Industry

It is hereby declared and agreed that notwithstanding anything stated in the Policy to the contrary, any loss or damage to Card Fillets, Needles and Magnetic Tapes of Knitting Machines is excluded under the Policy.

2. Furnaces

a) Induction Furnace

It is hereby declared and agreed that the damage to the refractory lining due to any cause is specifically excluded.

b) Electrical Furnace

- (i) It is hereby declared and agreed that any damage to crucibles and refractory linings due to any cause is specifically excluded.
- (ii) It is hereby declared and agreed that any damage to induction coils/heating element of electric furnace will be subject to 25% depreciation per year or part thereof subject to a maximum depreciation of 75%.
- (iii) Warranted that the refractory linings are examined each time the furnace is recharged and linings renewed, if any defects are apparent. Further, the linings are, in any event, replaced periodically in accordance with the Maker's recommendations.

3. DG sets

It hereby declared that any loss or damage payable under the Policy to the cylinder head, liner and piston of the Diesel/oil engines will be indemnified subject to

- (i) 15 % depreciation per annum be made applicable to the Turbo-charger subject to a maximum of 75 %.
- (ii) Turbo-charger cannot be insured in isolation.

4. Reduction Gear Box

It is hereby declared and agreed that all claims pertaining to Reduction Gear Box will be subject to depreciation at the rate of 15 % per year or part thereof subject to a maximum depreciation of 75 %.

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5. Patterns And Core-Boxes

It is hereby declared and agreed that in the event of an accident, for which the Company is liable under the Policy, involving the replacement of a casting for which no patterns are available, the Insured shall bear the cost of making patterns and core boxes, the Company's liability being for the making of the casting itself.

6. Expellers/Expeller Gears

a) Expellers

It is hereby declared and agreed that any damage to the following parts of Oil Expellers viz., ball bearing, roller bearing, thrust bearing and bush bearing of all types are specifically excluded from the scope of cover.

b) Expeller Gears

It is hereby declared and agreed that all claims pertaining to Gears will be subject to depreciation at the rate of 15 % for every year or part thereof subject to a maximum depreciation of 75 %.

7. Plastic Extruders/Injection Moulding Machines

It is hereby understood and agreed that the insurance by this Policy does not cover any loss or damage to the dies, moulds and heating elements used on the Plastic Extruder/Injection Moulding Machines.

8. Stand-By Machinery

Warranted by the Insured that any item of machinery marked 'STANDBY' in the Schedule of machinery shall not be worked at the same time as the machine to which it is standby except for the period when the load is being transferred from one to the other.

Provided that the standby machine may be turned over periodically for maintenance purpose.

Provided always that if the standby machine shall be used otherwise than as above the Insured shall forthwith notify the Company and pay such additional premium as may be required by the Company failing which the Company's liability thereon shall cease.

9. Bakeries

It is hereby declared and agreed that any damage to whisks, dough hook and beaters of dough mixers are specifically excluded from the scope of cover.

10. All Types Of Imported Machinery

The indemnity provided by the Policy does not extend to include cost incurred/time involved in the movement of machinery and/or any other property insured hereunder and/or personnel outside the territorial limits of India other than the cost of delivery or replacements for machinery lost or damaged.

11. Glass And Graphite Equipments /Glass Lined Vessels

a) Glass And Graphite Equipments

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon indemnity granted by this Policy in respect of equipment/apparatus made out of Glass/Graphite is restricted to cover losses due to accidental

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damage or external impact and not any loss or damage arising out of wear and tear, general usage and/or cracking of the insured item due to continuous working and/or fatigue.

b) Glass Lined Vessels

It is hereby declared and agreed that the indemnity granted by this Policy in respect of glass lined production plant is restricted to cover losses due to accidental damage or external impact and not any loss or damage arising out of wear and tear, general usage and/or cracking of the glass lining due to continuous working and/or fatigue.

Provided, however, that depreciation at the rate of 10% for every year of operation shall be deducted in respect of all claims arising out of perils covered by this Endorsement subject to maximum depreciation of 75% in addition to other terms and conditions.

12. Ropes in Lifts, Cranes and Ropeways

It is understood and agreed that insurance by this Policy shall include sudden and unforeseen damage to rope resulting in their actual and complete severance. It shall not include breakage or abrasion of wire or strand of ropes/slings although replacement is necessitated thereby.

Provided that the amount indemnifiable in respect of items thus affected is depreciated at an annual rate to be determined at the time of loss, this rate being not less than 15 % per annum subject to a maximum of 75 %.

13. Refractory Materials In Boilers

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon, the Company shall indemnify the Insured for loss of or damage to refractory materials subject to depreciation of the amount indemnifiable in respect of the items thus affected, at the time of loss. This rate being not less than 20 % per annum but not more than 80 % in total.

14. Overhaul Of Platen Presses

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon, the following shall apply to this insurance.

The Insured shall arrange at his own expense an overhaul (the Insured shall inform the Company of such an overhaul in good time so that the Company's representatives may be present during the overhaul at the Company's expense) of all highly stressed parts of platen presses as well as an inspection by an expert in non-destructive testing and shall supply the Company with reports on this overhaul and inspection. The expert shall determine the date of the next overhaul. Such overhauls/inspections shall take place at intervals of at least 12 months.

These provisions shall apply regardless of the commencement date of the insurance cover.

The Insured may apply for an extension of the period between overhauls. Such extension shall be granted if in the opinion of the Company the risk is not aggravated thereby.

If the Insured fails to comply with the requirements of this Endorsement, the Company shall be free from all liability for loss or damage caused by any circumstance which could have been detected had an overhaul taken place.

15. Overhaul Of Electric Motors

(Above 750 Kw for Motors with 2 Poles and above 1,000 Kw for Motors with 4 and more Poles)

It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in the Policy or endorsed thereon, the following shall apply to this insurance.

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The Insured shall arrange at his own expense an overhaul (the Insured shall inform the Company of such an overhaul in good time so that the Company's representatives may be present during the overhaul at the Company's expense) in a completely opened-up state after 8,000 hours of operation or after 500 start-ups or at least after two years following the last overhaul.

New electric motors shall be overhauled after 2,000 hours or at least after one year of operation. The Insured shall supply the Company with reports on this overhaul.

These provisions shall apply regardless of the commencement date of the insurance cover.

The Insured may apply for an extension of the period between overhauls. Such extension shall be granted if in the opinion of the Company the risk is not aggravated thereby.

If the Insured fails to comply with the requirements of this Endorsement, the Company shall be free from all liability for loss or damage caused by any circumstance, which could have been detected, had an overhaul taken place.
