

Machinery

Breakdown policy

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Introduction

In consideration of the Insured named in the Schedule having paid or promised to pay the required premium, the company named in the Schedule agrees to indemnify the Insured as set out below.

The Insured's written proposal or statement, on which this Insurance is based, is deemed to be incorporated as if it were fully set out in this Policy.

The indemnity

If, during the Period of Insurance, any:

- (a) physical damage – unintended and unforeseen by the Insured – happens to any of the Insured Machinery;
- (b) costs arise for which this Policy is expressly extended;

then, subject to the terms conditions and exclusions of this Policy, the company will indemnify the Insured for the damage, and costs. The Insured will be indemnified by payment or, at the company's option, by repair or by replacement of the damaged machinery and by payment of any insured costs.

Subject to the 'Reinstatement of Amount of Insurance' condition of this Policy, the company's liability will not exceed the Sum Insured; and if more than one Item is included in the Schedule, will not exceed in respect of each Item the Sum Insured applicable to that Item.

This Policy applies to Insured Machinery within the precincts of the location whilst the Insured Machinery is working or at rest, or being dismantled, moved, reassembled or reinstalled for the purpose of cleaning, inspection, adjustment, repair, overhaul or relocation but only after completion of successful initial commissioning at the location.

Exclusions

1 This Policy does not insure:

- (a) foundations and masonry;
- (b) exchangeable and replaceable parts such as shear pins, bits, drills, knives, saw blades;
- (c) dies, moulds, patterns, blocks, stamps, punches, coatings or engravings on cylinders and rolls, parts made of glass, rubber, textile or synthetics;
- (d) parts which by their use or nature suffer a high rate of wear or depreciation such as crushing surfaces, balls, hammers, screens and sieves, wear plates, elevator and conveyor belts or bands, chains, flexible pipes, jointing and packing materials, filter cloths, grinding wheels, ropes, belts, straps, cables other than electrical conductors, fuses, brushes, batteries, tyres, refractory material, grate bars, burner jets;
- (e) operating media such as fuels, chemicals, catalysts, filter substances, heat transfer media, cleansing agents, lubricants;
- (f) consequential loss of any kind or description whatsoever;
- (g) damage caused by any faults or defects existing at the time of commencement of this Insurance or any subsequent renewal thereof and known to the Insured and not disclosed to the company;
- (h) damage resulting from experiments or overload or similar tests requiring the imposition of abnormal conditions;
- (i) damage resulting from the direct application of any tool or process in the course of maintenance, inspection, repair, alteration, modification or overhaul.

2 This Policy does not insure any damage directly or indirectly caused by or resulting from:

- (a) war, invasion, act of foreign enemy, war-like operations (whether war is declared or not), civil war, mutiny, rebellion, revolution, insurrection, military or usurped power;
- (b) confiscation, requisition or destruction of or damage to machinery by order of Government or Local Authority;
- (c) nuclear weapons material;
- (d) ionising radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. (For the purposes of this exclusion, combustion includes any self-sustaining process of nuclear fission.);
- (e) earthquake, hydrothermal activity, landslip, subterranean fire, tsunami, volcanic eruption, shrinkage or expansion of the ground, and subsidence or erosion of the land;
- (f) fire, smoke, soot, chemical explosion of any kind, lightning;
- (g) wind, storm, flood, hail, snow, frost, ice, water, leakage or spillage of gas, vapour or liquid;

- (h) aircraft or other aerial devices or articles dropped therefrom;
- (i) impact by animals, landborne vehicles, or waterborne craft;
- (j) riot, civil commotion, strike, locked-out workers, vandalism, malicious acts;
- (k) theft, or attempts thereat.

3 In respect of the machinery or part immediately affected, this Policy does not insure:

- (a) scratching of painted or polished surfaces;
 - (b) wasting or wearing away or wearing out of any part caused by or naturally resulting from ordinary use or working;
 - (c) gradual deterioration;
 - (d) or other direct consequences of progressive or continuous influences of atmospheric or chemical action;
- but the company shall be liable for other damage insured by this Policy and resulting from such causes.

4 The company will not pay the cost of any:

- (a) alterations, additions, improvements, overhauls, or maintenance;
- (b) provisional repairs unless such repairs constitute part of the final repairs and do not increase the total repair cost;
- (c) extra charges incurred for overtime work or work performed on public holidays, express freight, or air freight.

Provisions

1 Sum Insured – Average

- (a) The Sum Insured for each item at the commencement of this Insurance or any subsequent renewal thereof must not be less than the new replacement cost which shall mean the cost of replacement of the insured item by a new item of the same kind and capacity including packing, freight, customs duties and dues if any, and installation charges;
- (b) If at inception or renewal the Sum Insured is less than the new replacement cost as defined in paragraph (a) then the amount recoverable by the Insured under this Policy shall be reduced in such proportion as the Sum Insured bears to such new replacement cost provided that if valuations are accepted by the company at the commencement of each period of insurance, this sub clause (b) shall be waived.

Average

The meaning of subject to Average:

- 1 This insurance policy contains a provision making it 'subject to Average'.
- 2 That provision will have effect only if the property insured under the policy is underinsured at the time of loss.
- 3 If the property insured under the policy is underinsured at the time of loss, the following rules apply:
 - (a) if you suffer a total loss, the provision will have no effect;
 - (b) if you suffer a partial loss, the maximum amount that you may recover will bear the same proportion to your actual loss as the amount for which the property is insured bears to the full value of the property;
 - (c) whatever your loss, in no case will you be entitled to recover more than the amount for which the property is insured, e.g: your property is worth \$20,000. You insured it for \$10,000. You suffer a loss of \$5,000. If your policy is 'subject to Average', the maximum amount that you may recover will be \$2,500.

2 Bases of indemnity

- (a) Where damage to an insured item can be repaired, the company will pay all expenses necessarily incurred to restore the damaged item to its state of serviceability immediately before the occurrence of damage. If the repairs are executed by the Insured, the company will pay the cost of materials and wages incurred for the purpose of the repairs, plus a reasonable allowance to cover overhead charges.

If any parts are found to be unprocurable the company's liability for these parts shall be limited to the manufacturer's or supplier's latest list price.

- (b) Where an insured item is totally destroyed the company will at its own option either;
 - (i) pay the actual value of the item immediately before the occurrence of damage such actual value to be calculated by deducting reasonable depreciation from the new replacement cost of the item, or;
 - (ii) supply an equivalent replacement item similar in type capacity and condition to the insured item immediately before the occurrence of damage and pay any costs for ordinary freight and installation.

An item will be deemed to be totally destroyed if the cost of repairs as detailed in paragraph (a) equals or exceeds the actual value of the insured item immediately before the occurrence of damage.

Additional clauses

1 Goods and Services Tax memorandum

Provided that Goods and Services Tax (GST) is recoverable by the company, the sum or sums insured by this Policy are exclusive of GST to the intent that, in the event of a claim, the company will pay a maximum of the sum insured plus additional GST to a maximum of the current rate of GST applied to that sum insured.

2 Progress claims payments

In the event of loss or damage giving rise to a claim under this Policy, it is agreed that the company will make progress claim payments on production of acceptable evidence of insured loss.

Provided that, if the aggregate of progress payments exceeds the total amount of the adjusted loss, the Insured will immediately refund the difference between the amount of adjusted loss and the aggregate of payments actually made.

3 Refrigerant gas

Notwithstanding exclusion 1(e) this Policy covers addition to or replacement of refrigerant gas necessitated by damage indemnified by this Policy.

Conditions

1 Observance of terms and conditions

The due observance and fulfilment of the terms and conditions of this Policy by the Insured insofar as they relate to anything to be done or complied with by the Insured, and the truth of statements made in writing, are conditions precedent to any liability of the company to provide any indemnity under this Policy.

2 Misdescription

This Policy is voidable in the event of any misrepresentation, misdescription or non-disclosure of any material fact. However, the insurance will not be prejudiced by:

- (a) any innocent alteration or inadvertent misdescription of machinery;
- (b) any act whereby the risk of damage to machinery is increased without the authority or knowledge of the Insured.

Provided that notice is given to the company immediately the Insured's insurance manager (or equivalent) becomes aware of any of the above happenings. The Insured agrees to pay an appropriate additional premium if required.

3 Cancellation

- (a) By the Insured

This Policy may be cancelled by the Insured at any time, and with immediate effect by written notice delivered to the company. In the event of such cancellation, the company will be entitled to a pro-rata proportion of the premium (subject to any adjustment required by the terms of this Policy) for the time during which the Policy has been in force.

- (b) By the company

This Policy may be cancelled by the company at any time by giving written notice to the Insured. The notice may be delivered personally or posted by registered mail to the Insured's last known postal address. The cancellation will take effect at 4 p.m. on the 30th day after the notice has been delivered or posted. In the event of such cancellation, the company will refund to the Insured a pro-rata proportion of the premium, subject to any adjustment required by the terms of this Policy.

4 Change of risk

Upon the Insured becoming aware of any change in the use of machinery, or other circumstances material to the risk of damage, this Insurance will cease in respect of the affected machinery until and unless the change is admitted by the company in writing.

Provided that the Insured agrees to pay a reasonable additional premium for the increased risk if so required by the company.

5 Claims

Upon becoming aware of any event giving rise, or likely to give rise, to a claim under this Policy, the Insured must:

- (a) take prompt steps to minimise the damage;
- (b) take reasonable steps to protect the machinery from further damage;
- (c) immediately notify the company;
- (d) if a criminal act is suspected, inform the Police;
- (e) within thirty days or as soon as practicable thereafter, submit full particulars of the claim in writing to the company;
- (f) at the Insured's expense, provide the company with any reasonably required proof and information in respect of the claim.

6 Salvage

Where machinery insured by this Policy is damaged, the company may:

- (a) enter any premises where the damage has occurred and take and keep possession of the damaged machinery;
- (b) deal with the salvage in any reasonable manner.

Provided that the Insured is not entitled to abandon any machinery to the company.

7 Subrogation

Where, upon accepting liability for a claim under this Policy, the company is entitled to become subrogated to the Insured's right of recovery or indemnity from any other person or corporation, the Insured must, at the company's expense, do and concur in doing and permit to be done anything reasonably required by the company for the purpose of enforcing that right. The Insured must comply with this condition when required, whether before or after having been indemnified by the company.

8 Deductible

The deductible stated in the Schedule is to be borne by the Insured in any one occurrence. If more than one item is damaged in one occurrence the Insured shall not however be called upon to bear more than the highest single deductible applicable to such items.

9 Other insurance

If, at the time of any claim arising under this Policy, there is any other valid and collectable insurance covering all or part of the same loss, this Policy will apply only to the amount of any loss in excess of that recoverable under the other insurance.

10 Fraud

If any claim is in any respect fraudulent or if any false declaration is made or used in support thereof or if any fraudulent means or devices are used by the Insured or anyone acting on behalf of the Insured to obtain any benefit under this Policy in respect of the claim, all benefit under this Policy in respect of that claim will be forfeited. For the purpose of this condition, and if the Insured comprises more than one person or corporation, each of the Insured will be treated as having been issued with a separate policy.

11 Words defined in the schedule

Where any words are given special meaning in the Schedule of this Policy, those words will, unless the context otherwise requires, have that same meaning wherever they may appear in the Policy.

12 Inspection of machinery

The Insured shall allow authorised representatives of the company to inspect the Insured Machinery at any reasonable time and shall provide such information as may reasonably be required. If at the time of inspection, any new facts of a nature likely to increase the risk of damage are observed, the Insured shall at the request of the company restore the risk to normal in the least possible time, failing which the company reserves the right to suspend the insurance in respect of the machines concerned, making a proportionate return of premium.

13 Obligations of the insured

The Insured shall make reasonable endeavours to ensure that the Insured Machinery is maintained in good working order and that statutory or other regulations relating to the operation of the machinery are observed.

14 Reinstatement of the amount of insurance

In the event of damage for which a claim is payable under this Policy, and in the absence of written notice by the company or the Insured to the contrary, the amount of insurance cancelled by damage will be automatically reinstated from the date of damage. The Insured undertakes to pay such premium as may be required for the reinstatement.