

Engineering Plant Insurance Policy

Keeping you in business



Operative clauses

Subject to the payment of premium, We agree that if an Insured item described in the Plant Schedule suffers Insured Damage from any cause not hereinafter excluded which is sufficient to prevent the item of Plant from operating normally and necessitates repair or replacement before normal operation can continue, We will Insure You in respect of each occurrence up to the Limits of Liability detailed in the Policy and Plant Schedules subject to the provisions of this Policy and Schedules.

This Policy and Schedules shall be read together as one contract and any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedules shall bear that meaning wherever it may appear.

Engineering Plant Business Interruption Insurance Policy

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Policy definitions

For the purpose of this policy the following definitions apply:

You, Your means the Insured named in the Schedule.

We, Us, Our means the Insurer named in the Schedule.

Insured Damage means any sudden unforeseen physical loss or damage, which may include but is not limited to the actual breaking, seizing, deformation, burning out or explosion of any part of the Plant, sufficient to prevent the Plant undertaking its normal operation and necessitating repair or replacement before normal operation can be resumed, and which occurs during the Period of Insurance.

Plant means the apparatus/equipment/machinery whether or not functioning independently or as any component part of a collection of apparatus/equipment/machinery which generates, contains, controls, transmits, receives, transforms or utilises any form or source of energy or power, as described in the Plant Schedule.

Plant does not include computers, telecommunication transmitting and receiving equipment, electronic data processing equipment, lighting facilities, audio, visual amplification, surveillance equipment, research, diagnostic and electro medical equipment, lifts, escalators, office machines, coin/card operated machines, storage tanks and vats, stationary and mobile pressure vessels containing explosive gases, domestic type hot water systems/service, mobile plant, ducting, reticulating electrical wiring, water and gas piping, and any other Plant and equipment not owned by You or not installed or used at the situation. Unless specified in the Plant Schedule.

Electrical, Electronic and Mechanical Plant shall include all integral parts of the Plant specified in the Plant Schedule with the exception of Boilers and Unfired Pressure Plant and Pressure Pipe Systems.

Computers and Peripheral Equipment means electronic data processing equipment comprising a central processing unit with flexible programming ability, video display units, printers, hard disks, floppy disk drives, micro diskette drives including read/write heads, electro/mechanical motors and passive components specified in the Plant Schedule, but does not include software.

Boilers and Pressure Plant means those parts of the permanent structure of the Plant specified in the Plant Schedule which are subject to internal steam gas or fluid pressure (other than atmospheric pressure) including fittings and direct attachments which are connected to the permanent structure without intervening valve or cock. This definition also includes the supporting structures of the Plant (other than foundations, masonry and brickwork), such as furnace doors, access doors, external combustion chambers, smoke boxes and casings. This definition also includes the metal parts of pressure and water gauges and their connections to the permanent structure even if separated from the structure by valves or cocks and in the case of an air receiver shall include the pressure parts of the compressor or compressors supplying the air thereto, (but shall not in any event include rotating, reciprocating or electrical apparatus or any interconnecting pressure pipe systems).

Domestic Type Hot Water Systems/Service means heating or hot water systems of a kind used for domestic purpose not exceeding 500 litres and normally operating at a temperature not exceeding 99 Degrees Celsius.

Explosion means the sudden unforeseen and violent:

- (i) rending of any Boiler or Pressure Plant or Pressure Pipe Systems caused by the force of internal fluid pressure or pressure of ignited flue gases, but excluding any rending caused by the force of any other chemical action or reaction.
- (ii) bursting or disruption of turbines, compressors, engine cylinders, hydraulic cylinders, flywheels or other parts subject to centrifugal force, transformers, switches or oil immersed switch gear.

Collapse means the sudden distortion of the furnace or firebox of an internally fired Boiler or any part of a pressure vessel caused by bending or crushing of the permanent structure by force of steam, gas, fluid pressure or vacuum including damage caused by overheating resulting from a deficiency of water.

Pressure Pipe Systems means:

- (a) in respect of Boilers and Unfired Pressure Vessel Plant any pressure pipe systems with valves, fittings, traps and separators which contain steam condensate, gas or fluids under pressure (other than atmospheric pressure) and which is generated in whole or in part within the Plant specified in the Schedule, including any feed water piping between such Boiler and its feed pump or injector, but not including any such pipe systems which form part of any other vessel or apparatus;
- (b) in respect of refrigeration and air-conditioning Plant specified in the Plant Schedule the interconnecting coils and pipework containing transfer media.

Situation means the Situation/s specified in the Policy Schedule at which the insured Plant is located.

Deductible means the amount specified in the Plant Schedule which shall be deducted from the amount otherwise payable for a claim or for all claims arising out of the one original source or cause.

Limit of Liability means the amount specified in the Schedules being the maximum amount payable for any one claim and for all claims arising out of the one original source or cause.

Period of Insurance is the period referred to in the Schedules.

Schedule means the Schedule/s attached to this policy or any later Schedule issued on renewal or variation or by way of endorsement.

Basis of claims settlement

We will insure You against:

- (a) Insured Damage to the Plant whilst at the Situation,
- (b) Physical loss or damage to other property belonging to You or in Your custody or control and for loss or damage for which You are legally liable which results solely from impact from flying fragments of the Plant caused by Insured Damage to the Plant,

in accordance with the Basis of Settlement clauses set out below.

We will, at Our option, repair, rebuild or replace any item which has been damaged or pay for the cost of same up to the Limit of Liability.

We will not pay for the cost of any alterations, improvements or overhauls which are not part of the repair, rebuilding or replacement of the item.

We will not pay for any loss or damage to any item which is liable to be repaired or replaced under any maintenance agreement, or under any warranty issued by a manufacturer, supplier or maintenance organisation.

If the repairs are carried out by You either at the Situation or at a workshop owned by You We will pay the actual cost of materials and wages incurred for the purpose of carrying out the repairs plus reasonable overhead markup, provided the person carrying out the repairs is qualified to do so.

If it is necessary to replace parts which are unavailable or obsolete We will not pay more than the estimated cost of similar parts for similar type of plant currently available. If similar parts are found to be unprocurable We shall not pay more than the manufacturer's or supplier's latest price list.

The work of repairing, rebuilding or replacing must be commenced and carried out with reasonable despatch, failing which We shall not be liable to make any payment greater than the cost necessary to repair, rebuild or replace the item at the time that the Insured Damage occurred.

Where damage is confined to part of a machine or structure, We shall not pay more than the cost of repairing or replacing that part together with the cost of any necessary dismantling and erection. However, We shall not pay more than We could have been called upon to pay if the machine or structure had been totally destroyed.

Provided that Our total liability in respect of any one occurrence shall not exceed:

- (i) when the Plant is specified in the Plant Schedule as a separate item – the amount specified in the Plant Schedule against that item as the Limit of Liability less the Deductible;
- (ii) when the Plant is insured with other Plant collectively as a group – the amount specified in the Plant Schedule against the group as the Limit of Liability less the Deductible;
- (iii) when the item is other property referred to in paragraph (b) above, more than the amount specified in (i) or (ii) above (as the case may be) inclusive of the amount payable for the repair or replacement of the Plant.

Additional benefits

Additional repair costs

If Insured Damage occurs to the Plant in circumstances giving rise to indemnity under this Policy, We will also reimburse You for the reasonable cost of the following items, if necessarily incurred:

- (a) hiring of temporary Plant for use at the situation nominated in the Schedule;
- (b) effecting temporary repairs;
- (c) expediting of permanent repairs with respect to overtime work and the use of express or air freight;
- (d) consultants fees.

Provided that the total additional costs for any one occurrence does not exceed \$2,000, or 50% of the normal cost of the repair without these additional costs whichever is the greater, in respect to any one event. Our liability inclusive of this additional benefit shall not exceed the Limit of Liability specified in the Plant Schedule.

Provided also that Our approval for these additional costs has first been obtained.

Automatic temporary cover for additional plant

We will indemnify You for Insured Damage occurring to additional Plant which is installed or brought into use at the Situation after the commencement of the Period of Insurance for a period of 90 days after its installation or bringing into use (whichever is the earlier) provided that:

- (a) You must give Us notice in writing within that 90 day period and pay to Us any additional premium which We may require calculated from the date of installation or bringing into use;
- (b) the additional Plant must be free from known defects and must comply with all statutory requirements;
- (c) this temporary cover shall not commence until the additional Plant has worked satisfactorily for 8 hours and has been handed over after commissioning;

- (d) this temporary cover shall only apply to Plant which is of a similar kind to the Plant which is insured under this Policy;
- (e) We shall have the right within 3 business days of receiving notice from You to give You 7 days' notice that the additional Plant is unacceptable to Us for insurance and upon the expiry of that notice the additional Plant shall no longer be covered;
- (f) the Limit of Liability and Deductible in respect of the additional Plant shall be determined by Us in accordance with Our then current underwriting practice.

Policy exclusions

Other than where specifically provided for in the Schedules of this Policy:

1. You are not insured for the cost of repair or:
 - replacement of expendable items, such as electrical and electronic glass bulbs, tubes, x-ray tubes, contacts, fuses, heating elements, batteries, wear plates, cutting edges, tools, dies, moulds, patterns, impression rollers, engraving cylinders, shear pins, tyres, tracks, conveyor belts, ropes, glass and ceramic components or any other parts that require periodic or frequent replacement or have a limited life.
2. Except where the repair or replacement is made necessary by Insured Damage to other parts of the Plant:
 - (a) We will not pay for the repair or replacement of joints, gaskets or seams, drive belts, filters, chains, brickwork, foundations or refractories, seals, shaft seals, flexible drives or flexible pipes, soft rollers, replacement of refrigerant, brine or any transfer media.
 - (b) repair of any crack, fracture, blister, lamination, flaw or grooving which has not penetrated completely through the entire thickness of the material of the Plant, even though repair or renewal of the part affected may be necessary either immediately or at some future time.
3. You are not insured for the costs incurred in repairing wear and tear or gradual deterioration including:
 - (a) the wearing or wearing out of the Plant due to its normal operation;
 - (b) the wearing or wasting away of material caused by normal operation or resulting from atmospheric conditions, rust, erosion or oxidation;
 - (c) damage to a safety or protective device caused by its own operation;
 - (d) the chipping or scratching of painted or polished surfaces;
 - (e) slowly developing deformation or distortion.
4. We will not pay for the cost of the carrying out of normal maintenance, such as the tightening of loose parts, recalibration or adjustments.
5. You are not insured against loss or damage to any item of Plant which was known to be defective before the loss or damage occurred.
6. You are not insured against loss of use or consequential loss of any kind.
7. You are not insured against loss or damage caused directly or indirectly by:
 - (a) fire, smoke or soot, extinguishing of a fire or subsequent demolition, lightning, hail, wind, rain, storm, flood, impact by aircraft or other aerial devices or pressure waves created by their travelling at sonic or supersonic speed, theft or attempted theft, malicious damage, earthquake, subsidence, landslip earth movement, subterranean fire, volcanic eruption, impact by landborne vehicles or waterborne craft.
 - (b) Explosion other than as defined.
 - (c) the application of any tool or process to the Plant in the course of maintenance, inspection, repair, alteration, modification or overhaul.
 - (d) or occurring during installation or erection other than dismantlement, movement and re-erection at the situation for the purpose of cleaning, inspection or repair.
 - (e) loss or damage arising out of:
 - (i) the Plant being subjected to tests involving abnormal stresses or arising out of the Plant being intentionally overloaded;
 - (ii) any raising or lowering operation in which a single load is shared between more than one item of Plant, whether such item is insured under this Policy or not.
 - (f) Your deliberate act or an omission or neglect on Your part.
 - (g)
 - (i) War, invasion, act of foreign enemy hostilities or warlike operation (whether war be declared or not) civil war or acts of terrorism;
 - (ii) civil war, rebellion, revolution, insurrection, military or usurped power, riot, strike, lockout or civil commotion.

(h) or contributed to by or arising out of nuclear risks, directly or indirectly caused by or contributed to by ionising radiation or contamination by radioactivity from nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. For the purpose of this exclusion only combustion shall include any self-sustaining process of nuclear fission.

8. In the event of loss or damage to the Plant giving rise to a claim under this Policy We will not be liable for any costs associated with altering or modifying the Plant to enable it to operate with a more ozone friendly refrigerant gas as required by the UNEP.

For the purpose of the clause the following definition applies.

UNEP Montreal protocol with respect to substances which deplete the ozone layer.

General policy conditions

1. Precautions

You shall take all responsible measures to maintain the Plant in sound condition to prevent Insured Damage occurring within or to the Plant and to comply with all statutory obligations and by-laws or regulations made by any public authority in relation to the operation, maintenance, repair or inspection of the Plant and:

- (a) You will maintain each item in good working order
- (b) where certificates of inspection are required by any statute or regulation, such Plant shall be so certified, and
- (c) where Boilers and Unfired Pressure Plant are not inspected by a Statutory Authority the Plant must be inspected and conform with Australian Standard AS3788 and all other relevant Australian Standards and codes
- (d) the load on the safety valve or safety valves upon any item of Plant shall not be in excess of that permitted by the certificate issued in accordance with any statute or regulation applicable to such item, and
- (e) no safety valve limiting the pressure shall be removed or rendered inoperative.

2. Alteration of working conditions

You shall notify Us immediately in writing of any proposed alteration of, or any change to, circumstances materially affecting the working conditions of the Plant.

3. Examinations

You shall permit Us and Our authorised representatives to inspect the Plant at all reasonable times during the Period of Insurance. You shall have the Plant properly prepared at Your own expense for such inspection. An inspection by us shall not warrant or represent that the item of Plant is safe or conforms to any statutory requirement or standard.

4. Minimisation of loss

In the event of circumstances arising which may give rise to a claim under the Policy, You will do all things necessary and reasonable to reduce the amount of any loss, damage or liability.

5. Notification of damage and repairs

On the happening of any event which might give rise to a claim under this Policy:

- (a) You must give Us notice as soon as possible by telephone with confirmation in writing, telex or facsimile, including full particulars of the damage which has occurred.
- (b) We may at Our option obtain alternative quotations for the repair work.
- (c) Upon notification You may proceed with the repair of any minor damage provided that the carrying out of such repair does not prejudice Us in any way. Any damaged parts must be kept by You for inspection by Us.

6. Control of claims

You must not make any offer, promise, payment or admission of liability to any third parties without Our written consent. We shall be entitled to take over and conduct in Your name the defence or settlement of any claim or to prosecute in Your name for Our benefit any claim for liability or damages or otherwise, and We shall have full discretion in the conduct of any proceedings or in the settlement of any claim. You shall give Us all such information and assistance as We may require.

We may at any time pay to You in respect of a claim made against You arising directly or indirectly from the one occurrence the Limit of Liability (after deduction of any sum or sums already paid as compensation) or any lesser sum for which the claim or claims can be settled. Upon such payment, We shall be under no further liability under this Policy in connection with that claims or claims except for costs, charges and expenses recoverable from You or incurred by us or by You with Our consent prior to the date of such payment.

7. Transfer of interest

No transfer of interest in any Plant shall affect or be binding on Us unless written notice has been given by You to Us and Our written consent is provided to You.

8. Other insurance

- (a) If at the time of any claim there is any other existing insurance or insurances, whether effected by You or by any other person or persons covering any of the risks insured by this Policy, or any insurance covering more specifically any property or any occurrence which occasioned the loss, then You shall notify us of the details of the other insurance.
- (b) This policy does not cover any claim to the extent that You are entitled to indemnity in respect of that claim under any Industrial Special Risks policy specified in the Schedule.

9. Notices

Any notice or notification required to be given in writing may be given by facsimile or telex transmission.

10. Cancellation

This policy may be cancelled at any time at Your request, in which case We will retain the customary short-period rate for the time this Policy has been in force. We may cancel the Policy on any of the grounds set out in Section 60 of the Insurance Contracts Act 1984 by giving written notice of the proposed cancellation to You either personally or by post to Your last known address. Such notice of cancellation will take effect at the earlier of the following times:

- (a) the time when another contract of insurance between You and us or some other insurer, being a contract that is intended by You to replace this Policy is entered into; or
- (b) 4 pm on the third business day after the day on which notice was given to You.

In the event that We cancel this Policy, We will repay a rateable proportion of the premium for the unexpired Period of Insurance calculated from the date of cancellation.

Policy schedules and extensions

See inside back cover for attached documents:

- ▼ Policy Schedules
- ▼ Plant Schedules
- ▼ Policy Extensions.

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