

ENGINEERING INSURANCE

Conditional upon the prior payment of premium by the Insured and the receipt thereof by or on behalf of C & G Underwriting Managers trading as a division of Guardrisk Insurance Company Ltd (hereinafter called the Company) the Company shall insure and agrees subject to the terms exceptions limits and conditions contained herein or endorsed hereon to indemnify the Insured against damage to the defined events under the within sections whilst at the premises mentioned therein occurring during the period of insurance

Any proposal declaration or statement made by or on behalf the Insured shall be the basis of the contract

This insurance contract is conditional upon and will come into effect only following payment of the premium by the Insured and the receipt thereof by or on behalf of the Company

GENERAL EXCEPTIONS

This Policy does not cover

- 1 (i) civil commotion labour disturbance riot strike lock-out or public disorder of any act or activity which is calculated or directed to bring about any of the above
- (ii) war invasion act of foreign enemy hostilities or warlike operations (whether war be declared or not) or civil war
- (iii) (a) mutiny military rising military or usurped power martial law or state of siege or any other event or cause which determines the proclamation or maintenance of martial law or state of siege
- (b) insurrection rebellion or revolution
- (iv) any act (whether on behalf of any organization body or person or group of persons) calculated or directed to overthrow or influence any state or government or any provincial local or tribal authority with force or by means of fear terrorism or violence
- (v) any act which is calculated or directed to bring about loss or damage in order to further political aim objective or cause or to bring about any social or economic change or in protest against any state or government or any provincial local or tribal authority or for the purpose of inspiring fear in the public or any section thereof
- (vi) any attempt to perform any act referred to in clause (iv) or (v) above
- (vii) the act of any lawfully established authority in controlling preventing suppressing or in any other way dealing with any occurrence referred to in clause (i)(ii)(iii)(iv)(v) or (vi) above

If the Company alleges that by reason of clauses (i)(ii)(iii)(iv)(v)(vi) or (vii) of this exception loss or damage or liability is not covered by this policy the burden of proving the contrary shall rest on the Insured

2. any occurrence for which a fund has been established in terms of the War Damage Insurance and Compensation Act 1976 (No. 85 of 1976) or any similar Act applicable to any of the territories to which this applies
3. nuclear weapons material ionising radiations or contamination by radio-activity from any nuclear waste from the combustion of nuclear fuel for the purposes of this exception on combustion shall Include any self-sustaining process of nuclear fission

4. Computer Losses

Notwithstanding any provision of this policy including any special exclusion or extension or other provision not included herein which would otherwise override a general exclusion this policy does not cover

- a) loss or destruction of or damage to any property whatsoever (including a computer) or any loss or expense whatsoever resulting or arising therefrom
- b) any legal liability of whatsoever nature
- c) any consequential loss

directly or indirectly caused by or contributed to by or consisting of or arising from incapacity or failure of any computer correctly or at all

- i) to treat any date as the correct date or true calendar date or correctly or appropriately to recognise manipulate interpret process store receive or to respond to any data or information or to carry out any command or instruction in regard to or in connection with any such date or to capture save retain or to process any information or code as a result of the operation of any command which has been programmed into any computer being a command that causes the loss of data or the inability to capture save retain or correctly process such data in regard to or in connection with any such date or
- ii) to capture save retain or process any information or code due to program errors incorrect entry or the inadvertent cancellation or corruption of data and or programs
- iii) to capture save retain or process any data as a result of the action of any computer virus or other corrupting harmful or otherwise unauthorised code or instruction including any trojan horse time or logic bomb or worm or any other destructive or disruptive code media or program or interference

A computer includes any computer data processing equipment microchip integrated circuit or similar device In computer or non-computer equipment or any computer software tools operating system or any computer hardware or peripherals and the information or data electronically or otherwise stored in or on any of the above whether your property or not

5. Sanctions

This policy does not provide cover and no insurer is liable to pay any claim or provide any benefit under this policy to the extent that:

- i) such cover, payment or benefit would expose the insurer;
- ii) any reinsurer is not obliged to or refuses to provide cover, make a payment or provide a benefit under a reinsurance policy reinsuring the obligations under this policy because the reinsurer is exposed

to any sanctions, prohibition, penalty or restriction imposed by the United Nations or any trade or economic or other sanctions, prohibition, penalty or restrictions, laws or regulations of the European Union, United Kingdom or United States of America or any other international body or country entitled to impose any such provision on the insurer or reinsurer.

MACHINERY BREAKDOWN – SECTION 1

INSURED EVENT

Sudden and unforeseen physical damage to the insured machinery described in the Machinery Breakdown Schedule from any cause not hereinafter excluded whilst

- (a) at work or at rest
 - (b) being dismantled, moved or re-erected for the purpose of cleaning, inspection, repair or installation in another position within the premises;
- resulting from any cause not hereinafter excepted.

SPECIAL EXCEPTIONS

This policy does not cover:-

1. damage due to fire direct lightning explosion extinguishing of a fire or subsequent demolition aircraft or other aerial devices or articles dropped therefrom thefts or attempts thereat collapse of buildings storm flood inundation hail snow escape of water from water-containing apparatus earthquake subsidence landslide avalanche hurricane cyclone volcanic eruption or similar natural catastrophe;
2. breakdown due to the imposition of abnormal conditions directly or indirectly resulting from testing intentional overloading or experiments;
3. damage for which a supplier contractor or repairer is legally responsible by contract or otherwise;
4. damage due to faults or defects known to the Insured or any of his responsible employees at the time the contract was arranged and not disclosed to the Company;
5. damage to
 - (i) foundations and masonry – unless specifically included in and described in the schedule of Machinery;
 - (ii) parts which by their use and/or nature suffer a high rate of wear or depreciation such as crushing grinding or hammering surfaces wear plates screens sieves flexible pipes jointing and packing materials filter cloths ropes belts straps elevator and conveyor belts or bands cables (other than electrical conductors) brushes batteries refractory materials heating elements fire bars burner jets exchangeable and replaceable parts such as bits drills knives saw blades dies moulds patterns blocks stamps punches coatings or engravings on cylinders or similar fragile materials but if as the results of other indemnifiable damage provided for by the policy the above items are damaged then the Company shall indemnify the Insured for any remaining residual value;
6. wasting wearing away or wearing out of any part of the machinery caused by or resulting from ordinary use or other gradual deterioration but a resultant insured event shall not be excluded;
7. consequential loss delay or interruption of the business or liability of any nature whatsoever other than losses specifically provided herein

BASIS OF INDEMNIFICATION

In the settlement of claims for damage covered under this Policy, the basis of indemnification are:

- (1) in the case of repairable damage – the cost of restoration to normal working order, comprising the value of replacement parts, labour charges at standard rates of wages, transport costs at ordinary rates (any additional charges resulting from the use of air freight are excluded) and the cost of dismantling and re-erection, customs dues and taxes. The value of damaged parts replaced, which can be used again in any way whatsoever, may be deducted. The liability of the Company is limited to the reinstatement of the item to its condition immediately prior to the Breakdown. If the value of an item or part thereof is increased by the repair, the liability of the Company shall be reduced by the amount of such increase.
- (2) in the case of total loss – the market value of the item immediately before the breakdown, together with the cost of dismantling the damaged machinery and the cost of delivering and erecting a replacement item, but less the value of any salvage.

An item will be deemed to be a “total loss” if the cost of repair, as defined in (a) above equals or Exceeds the market value immediately before the occurrence.

PROVISOS

- (a) The work of replacement or reinstatement (which may be carried out at other premises and in any manner suitable to the requirements of the Insured subject to the liability of the Company not being thereby increased) must be commenced and carried out with reasonable dispatch otherwise no payment beyond the amount which would have been payable if these reinstatement value conditions had not been incorporated herein shall be made
- (b) The Company reserves the option to repair replace or reinstate any damage indemnifiable by this Section of the policy or pay cash-in-lieu thereof
- (c) In either event (1) or (2) the amount claimable shall not exceed the amount specified in the Machinery Breakdown Schedule.

CLAUSES

1. ADDITIONAL COSTS

- (a) **Expediting**
The costs of express delivery (including air freight charges) overtime work night work or work on public holidays subject to a limit of 50% (fifty percent) of the amount which the repair replacement or reinstatement would have cost had such additional expenses not been incurred
- (b) **Refrigerant**
The cost of the renewal refrigerant of the same type necessitated by an insured event is included on refrigeration plant
- (c) **Transformer/Switchgear oil**
the cost of the renewal of oil necessitated by an insured event is included on transformers and or switchgear

2. **ADDITIONAL NEWLY ACQUIRED MACHINERY**

The Policy will extend to provide indemnity at the Insured's premises for newly acquired machinery of a similar nature to that specified on the Machinery Breakdown Insurance Schedule provided that

- (a) installation and successful commissioning to acceptable operating standards has been achieved
- (b) the sums insured for such additional machinery in total does not exceed 25% of the total sum Insured on the existing Machinery Breakdown Insurance Schedule
- (c) the Insured advises the Company of such additional machinery as soon as practicable but Not exceeding 3 months from the date of its installation or at the policy renewal whichever occurs first
- (d) the Insured agrees to pay additional premium effective from the date of its acquisition subject always to all terms exceptions and conditions of the Policy

MACHINERY CONSEQUENTIAL LOSS – SECTION 2

GROSS PROFIT-ADDITIONS BASIS/ DIFFERENCE BASIS

INSURED EVENT

If the business is interrupted or interfered with in consequence of damage (as defined) the Company will indemnify the Insured in terms of this section

SPECIAL EXCEPTIONS

The Company shall not be liable for interruption of or interference with the business

- (a) arising from alterations additions improvements or overhauls being carried out following an insured event and the indemnity period shall be exclusive of the time required for such work
- (b) due to the non-availability for immediate use of any item of machinery which is specified as a standby for another item

INDEMNITY

The amount payable is limited to loss of gross profit due to

- (a) **reduction in turnover**

being the sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall in consequence of the insured event fall short of the standard turnover

- (b) **increase cost of working**

Being the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the insured event but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided less any sum saved during the indemnity period in respect of such of the charges or expenses of the business payable out of gross profit as may cease or be reduced in consequence of the insured event if the sum insured in respect of gross profit be less than the sum produced by applying the rate of Gross profit to the annual turnover (or a proportionately increased multiple thereof when the indemnity Period exceeds 12 months) the amount payable shall be proportionally reduced

DEFINITIONS

DAMAGE

Damage shall mean as defined in the Machinery Breakdown Section occurring during the period of insurance to the machinery described in the Machinery Consequential Loss of Profits schedule in respect of which the Company has admitted liability for such damage but for the application of the deductible

TURNOVER

The money paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the business at the premises

GROSS PROFIT (Additions Basis)

The sum produced by adding to the net profit the amount of the insured standing charges or if there be no net profit the amount of the insured standing charges less such proportion of any net trading loss as the amount of the insured standing charges bears to all the standing charges of the business

GROSS PROFIT (Difference Basis)

The amount by which (a) the sum of turnover closing stock and work in progress exceeds (b) the sum of opening stock and specified working expenses

Memo

The amount of opening and closing stock and work in progress shall be arrived at in accordance with the Company's normal accounting methods due provision being made for depreciation

NET PROFIT

The net profit (exclusive of all capital receipts and all outlay property chargeable to capital) resulting from the business of the Insured at the premises after due provision for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits

INSURED STANDING CHARGES (Additions Basis)

As stated on the policy schedule

INSURED SPECIFIED WORKING EXPENSES (Difference Basis)

As stated on the policy schedule

INDEMNITY PERIOD

The period during which the results of the business shall be affected in consequence of the damage not exceeding the indemnity period stated in the Machinery Consequential loss schedule commencing with the occurrence of the damage. Provided always that the Company are not liable for the amount of loss arising during the stated time excess which commences with the occurrence of the damage

GROSS PROFIT

RATE OF GROSS PROFIT

The rate of gross profit earned on the turnover during the financial year immediately before the date of the insured event

ANNUAL TURNOVER

The turnover during the twelve months immediately before the date if the insured event

STANDARD TURNOVER

The turnover during that period in the twelve months immediately before the date of the insured event which corresponds with the indemnity period to which such adjustments shall be made as by be necessary to provide for the trend of the business and for variations in or other circumstances affecting the business either before or after the insured event or which would have affected the business had the insured event not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for he insured event would have been obtained during the relative period after the insured event

CLAUSES

1. **AUDITORS**

The Insured's auditors certify from the Insured's books of account or other business books any detail required by the Company in connection with an insured event and their certificate shall be accepted as prima facie evidence of such detail

2. **ACCUMALATED STOCK**

In adjusting a loss an equitable allowance shall be made if any shortage in turnover due to an insured event is postponed by reason of the turnover being temporarily maintained from accumulated stock

3. **DEPARTMENT/BRANCHES**

If the business be conducted in departments/branches the independent trading results of which are ascertainable the provisions of the statement of indemnity shall apply separately to each department/branch affected by the insured event except that if the sum insured be less than the aggregate of the sums produced by applying the rate of gross profit (whether affected by the insured event or not) to its relative annual turnover (or to a proportionately increased multiple thereof where the indemnity period exceeds twelve months) the amount payable shall be proportionately reduced

4. **OUTPUT ALTERNATIVE**

Output which is defined as the sale or transfer value of goods manufactured or processed by the Insured in the course of the business at the premises may be substituted at the Insured's option for The word "turnover" wherever it appears (other than in the definition of gross profit) provided that

(a) only one such meaning shall be operative following an insured event

(b) if output is adopted the accumulated stock clause is deemed to be cancelled

5) **UNINSURED STANDING CHARGES**

If any standing charges of the business are not insured by this policy (having been deducted in arriving at the gross profit as defined herein) then in computing the amount recoverable as increase in cost of working that proportion only of any additional expenditure shall be brought into account which the gross profit bears to the sum of the gross profit and the uninsured standing charges

6) **ALTERNATIVE TRADING CLAUSE**

In arriving at the turnover during the indemnity period account must be taken of goods sold and services rendered by the Insured or anyone acting on his behalf elsewhere than at the premises for the benefit of the business

GENERAL CONDITIONS

1. **CLAIMS PREPARATION COSTS**

The Insurance by each section of this Policy is extended to include all costs and expenses reasonably incurred by the Insured producing and certifying any particulars or details required by the Company in connection with an indemnifiable event but excluding costs incurred in proving or attempting to prove damage as indemnifiable by this policy but limited to the Sum Insured specified in the schedules for each section of this policy. Should no Sum Insured be shown then this extension of cover does not apply

2. **THE DEDUCTIBLE**

Unless specifically provided to the contrary the amount payable under any section is reduced by the amount of any deductible applicable to an insured event under that section

3. **PAYMENTS ON ACCOUNT**

Payment on account may be made to the Insured at the discretion of the Company if the payment of the amount recoverable from the Company is delayed pending finalisation of a claim

4. **COLLECTIVE POLICIES**

Where more than one Insurance Company or Insurer is stated in the schedule as participating in this insurance the word “Insurers” is deemed to be substituted for “Company” wherever it appears in the policy except in the conditions where “the Company” shall mean the leading office on behalf of the Insurers

The participation of each insurer shall be for the percentage set against its name in the schedule and the liability of each individually shall be limited to that percentage

5. **INTERPRETATION**

The schedule and any endorsement thereto and the policy wording shall be read together and any word or expression to which a specific meaning has been given in any part thereof shall bear such meaning wherever it may appear

6. **PREMIUM PAYMENT**

Premium is payable on or before the inception date or renewal date as the case may be The Company shall not be obliged to accept premium tendered to it after inception date or renewal date as the case may be but may do so upon such terms as it at its sole discretion may determine

7. **SCHEDULE SUMS INSURED BLANK**

If in a schedule of this policy the sum insured limit of indemnity or compensation is

- (i) left blank or has no monetary amount stipulated against it
- (ii) reflected as nil or not applicable or not covered or no indemnity extended

This means the defined event or circumstance shown in the schedule is not insured by this policy

8. **MISDISCRIPTION**

This policy shall be voidable in the event of misdescription, misrepresentation or non disclosure of any material particular.

9. **AVERAGE**

If on the occurrence of an insured event the sum insured against an item is less than the installed new replacement value thereof then the Insured shall be considered his own insurer for the difference and shall bear a rateable proportion of the loss. Each item shall be separately subject to this condition

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PREVENTION OF LOSS OR DAMAGE

The Insured shall in all circumstance take all reasonable precautions for the maintenance and safety of the Insured Property and for the prevention of Loss or Damage and that all building works plant and machinery are substantial and sound and in proper order and fit for the purpose for which they are used and that all Acts of Parliament and by-laws and directions made by Statutory or Local Authority are duly observed and complied with. If any defects or conditions of working which render the risk more than usually hazardous be discovered the Insured shall immediately notify the Company and take steps to remedy the said defects or conditions and shall in the meantime cause such precautions to be taken as circumstances require

11.

CLAIMS

- (a) On the happening of any event giving rise or likely to give rise to a claim under this Policy coming to the knowledge of the Insured the Insured shall
 - (i) give notice thereof to the Company or its nearest representative as soon as possible
 - (ii) take precautions to prevent any further loss or damage. The Company shall not be liable in respect of any further damage arising out of the continued use of damaged Machinery until such Machinery shall have been repaired to the satisfaction of the Company
 - (iii) take precautions to preserve any thing which might prove necessary or useful by way of evidence in connection with any claim and so far as may be reasonably practicable no alteration or repair shall without the consent of the Company be made after the event until the Company shall have had an opportunity of inspection
 - (iv) when called upon to do so deliver to the Company or its representative a Statement in writing of all particulars and details of the Machinery affected and the value thereof and the damage thereto and furnish all such vouchers Proofs explanations and other evidence as may be reasonably required by the Company together with a statutory declaration if required in verification of the Statement
 - (v) the Insured shall at the expense of the Company do or permit to be done all such acts and thing as may be necessary or reasonably required by the Company for the purpose of enforcing any rights or remedies or obtaining relief or indemnity from other parties to which the Company shall be or would become entitled or subrogated upon its paying for or making good any loss under this Policy whether such acts and things shall be or become necessary or required before or after indemnification by the Company

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PRESCRIPTION

- (i) The Company shall not be liable for any loss of or damage to the insured property after the expiration of twelve months or such further time as the Company may allow from the happening of such loss or damage unless the claim is the subject of a pending court action or arbitration.
- (ii) If any claim is made under this policy and rejected and an action or suit not be commenced by the insured within twelve months after such rejection all benefits under this policy in respect of such claim shall be forfeited.

13. **THE COMPANY'S RIGHTS**

On the occurrence of an insured event the Company or its representative may without incurring any liability or in any way diminishing its rights

- (i) take enter or keep possession of any damaged insured property and deal with it in any reasonable manner but this conditions does not grant the Insured licence to abandon any property to the Company whether already in its possession or not
- (ii) take legal action in the name of the Insured in respect of any recovery of or contribution to a claim
- (iii) take over and conduct in the name of the Insured the defence and settlement of any claim
- (iv) discharge its obligations at any time under any section providing indemnity for liability to third parties by paying to the Insured the limit of liability or such lesser sum for which the claim can be settled which shall be inclusive of legal fees and other expenses agreed by the Company and incurred prior to the date of payment

14. **OTHER INSURANCES**

The Company shall not be liable

- (i) to contribute more than its rateable proportion where there is another policy in force covering partially or fully an insured event also insured by this policy and
- (ii) when such policy contains any provision excluding it from ranking concurrent with or contributing rateably to this policy for more than such proportion of the loss or damage as the sum insured hereby bears to the value of the insured property and if such other policy is subject to a condition of average this policy of not already subject to such conditions shall also be subject to average

15. **ADJUSTMENT OF PREMIUM**

When the premium for any section or any part thereof is subject to adjustment on declaration such adjustment shall be made at the expiry of each twelve consecutive months of insurance (calculated from the inception of this policy) and the Insured shall at all times keep adequate records of the particulars relative to the declaration required and shall make such records available to the Company at the intervals provided for in the section or on request

16. **REINSTATEMENT OF SUM INSURED**

In consideration of the sum insured in a section not being reduced by the amount of any valid claim the Insured shall (if required) pay a pro-rate premium calculated on the amount of the valid claim from the date of reinstatement or replacement (which ever is the later) to the expiry of the period of insurance

17. **FRAUD**

If any claim be in any respect fraudulent or if any fraudulent means or devices be used by the Insured or anyone acting on his behalf to obtain any benefit under this Policy or if any Breakdown be occasioned with the connivance of the Insured all benefit under this Policy shall be forfeited

18. **JURISDICTION**

This Policy is subject to the laws of the Republic of South Africa whose courts shall have sole jurisdiction to the exclusion of the courts of any other country

Where payment is to be made to or by the Company it shall be made in the currency of The Republic of South Africa at the Company's head office unless the Company allows otherwise

19. **MONTHLY QUARTERLY AND HALF-YEARLY POLICIES**
When the premiums are stated to be made payable “monthly” “quarterly” of “half yearly” they must be received by the Company within thirty days from the commencement of the period of insurance to which they relate failing which the policy shall be deemed to be cancelled from the expiry of the preceding period of insurance unless the Insured can prove that failure to make payment was an error on the part of his banker or other paying agent
20. **TERMINATION OF COVER**
This policy may be cancelled
- (a) by the Insured at any time and the Company will be entitled to retain the customary short term premium or minimum premium
 - (b) by the Company by thirty days notice given in writing and the Company will retain a pro-rata premium
- Provided that if the premium is payable by bank debit order
- If any premium is not paid on the date that it was due to be paid
- (i) as a result of payment having been stopped by the Insured this Policy will be cancelled from the date that the premium was due to be paid
 - (ii) for any reason other than as described in (i) above the Company will re-debit in the following month and should the outstanding premium not be paid when re-debited, the Policy will be cancelled from the date that the first unpaid premium was due to be paid.
21. **COMPANY’S RIGHT OF SUSPENSION**
If any insured property be discovered in a condition which in the opinion of the Company is unsafe or worsens the risk, the Company reserves the right to suspend the insurance in respect of such insured property by verbal or written notice to the insured.

DETERIORATION OF STOCK EXTENSION – SECTION 3

INSURED EVENT

The machinery breakdown section is extended to include damage by deterioration or contamination of stock owned by or for which the Insured is responsible whilst contained within refrigerators cold rooms or a temperature controlled environment as a direct consequence of

- 1) an indemnifiable event as defined to machinery described in the Machinery Breakdown Insurance Schedule
- 2) the loss of refrigerant following an indemnifiable event as defined to machinery described in the Machinery Breakdown Insurance Schedule

INDEMNITY

The amount payable shall be the replacement cost price less any amount realized from the sale of the damaged insured stock and such charges or expenses of the business as shall cease or be reduced and additional reasonable charges incurred by the Insured for

- (i) the cost of disposal
- (ii) the cost of packaging damaged as a result of an Insured event

But not exceeding the sum insured stated the Machinery Breakdown Insurance Schedule

AVERAGE

The sum insured stated represents the maximum replacement cost price that shall be stored (inclusive of additional charges indemnifiable) at any time but if on the occurrence of damage as insured by this extension the value of the insured stock is greater than the sum insured thereon then the Insured shall be considered his own insurer for the difference and shall bear a rateable proportion of the loss

SPECIAL EXCEPTIONS

This section does not cover loss or damage due to

- (i) the deliberate act of the Insured
- (ii) faulty packing or storage inherent defect or disease
- (iii) contamination by refrigerant unless caused by an indemnifiable event as defined to machinery as defined in the Machinery Breakdown Schedule