



# Contactor's Plant and Machinery Policy Wording Brokers Guide

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## Introduction

To cater to the evolving needs of customers within the sector, Bryte has launched an update to the amended Contractor's Plant and Machinery and Liability to Third Parties policy (previously known as the Plant All Risk policy). Major changes and improvements to the Policy include wider cover and clarity around the basis of the indemnity and the ability to determine indemnity and settle claims. The Policy wording has, in the main, remained the same with the exception of Section III: Liability to Third Parties, which has been included. This is a notable shift from current market practice which for some time has excluded liability cover from the Contractor's Plant and Machinery Policy on the understanding that the item is operating under the performance of a Contractor Works Policy (with a Third Party / Public Liability Section) and should therefore benefit under the cover.

**Following is a summary of the major changes** (Please refer to the Policy wording for a detailed and complete description of the policy terms and conditions).

### 1. Structure

The product is packaged on a stand-alone basis. The document now includes an introduction and general definitions as well as the associated standard conditions, extensions, exclusions, defined events and basis of loss settlement. The structure is as follows:

- Important Introduction: Our Contract of Insurance with You, and Your duties
- General Definitions
- General Conditions
- General Extensions
- General Memoranda
- General Exclusions
- Section I: Material Damage – Own Plant (own use or hire out)
- Section II: Hired-in Plant and Machinery (if stated in the Schedule)
- Section III: Liability to Third Parties (if stated against an item in the Schedule)

### 2. Introduction

The Policy wording begins with an important introduction, set out in a language that is in alignment with TCF principles and discusses the contract of insurance, duties and disclosure requirements between the parties. It further includes an important Financial Services Board Cautionary for the Hire-Out of Plant and Machinery which cautions that, "*no person may carry on any kind of short-term insurance business unless that person is registered and is authorised to carry on the kind of short term insurance business concerned under the Act*".

### 3. Definitions

The Policy now includes General definitions applicable to the terms used in the policy document.

#### 4. Basis of Indemnification

Descriptions of the different Basis of Indemnity (including sum insured values) have been included in the General definitions for Market Value, New Replacement Value and Declared Value. Brokers need to discuss with their Insured's the requirements/criteria as defined herein in order to determine what the appropriate basis of indemnity would be for a particular portfolio and/or plant item.

#### 5. New Replacement Value (for items insured under Section I only and if stated against an item in the Schedule)

For brand new Plant and Machinery, the item may be insured on a New Replacement Value (NRV) basis of indemnification, **provided that** the Plant and Machinery item is **bought new first** by the Insured since original manufacture and **not older than 12 (twelve) months** from first registration as determined at the commencement or renewal for any subsequent period or extension of the Policy.

The default basis of indemnification for **pre-owned** Plant and Machinery; and Plant and Machinery **older than 12 (twelve) months** from first registration as determined at the time of loss or damage, is **Market Value** immediately before the loss or damage.

The Sum Insured shown against each item listed in the most recent Schedule shall be equivalent to the current NRV (including freight, customs dues, taxes and installation costs for the applicable location) of such item.

#### 6. Market Value

The estimated amount for which property should exchange in the local South African market on the date of valuation immediately prior to the:

- commencement or renewal for any subsequent period or extension of the Policy or
- loss or damage (for claims purposes)

between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The Sum Insured shown against each item listed in the most recent Schedule shall include freight, customs dues, taxes and installation costs for the applicable location of such item.

*The default basis of sum insured/indemnity of the Policy is Market Value unless otherwise stated.*

#### 7. Declared Value (for items insured under Section I only and if stated against an item in the Schedule)

**Declared Value** (for items insured under Section I only and if stated against an item in the Schedule)

A Plant and Machinery item, example

- vintage
- classic
- older than 15 years since original manufacture
- rebuilt
- modified
- non-standard
- no longer produced or not actively-traded items

may be insured at a **fixed Sum Insured** which is only allowed for Plant and Machinery **without a Market Value**, **provided** that the Declared Value is:

- (i) applicable to items insured under Section I only;
- (ii) substantiated by and supplemented with a valid **Valuation document**;
- (iii) elected and presented by the Insured to the Company prior to the commencement or renewal for any subsequent period or extension of the Policy in writing and stated in the most recent Schedule as the Sum Insured and the Basis of Sum Insured (BOSI).

In respect of items where a **Valuation document** is not valid the default basis of indemnification is **Market Value** and the maximum indemnity the Company shall pay is 40% (forty percent) of the Sum Insured as stated against an item in the Schedule, otherwise subject to the terms, conditions, exclusions, extensions, provisions and memoranda contained in the Policy or endorsed thereon.

**Note:**

The primary intention of the DV basis of indemnity is to offer cover to old, rare, unique or non-standard plant items without a market value and due to its specialized nature. **It is not intended or designed to replace/substitute the MV basis.** Brokers are kindly requested to review the client's plant portfolio beforehand to ensure that the item characteristics and BOSI matches the above criteria.

#### 8. Valuation document

A document for determining and proving the estimated fair value of an insured/uninsured Plant and Machinery item as declaration for insurance purposes. The document is established by the Insured from a professional valuator (Original Equipment Manufacturer, Plant & Equipment specialist or a suitably qualified vendor) or derived from a detailed, current and accurate cost breakdown of the Plant and Machinery item. The document shall, where applicable, include information on the make, model, serial number, year of manufacture, hours of operation, description, major parts/components, condition, road/mechanical/operational/safety worthiness and supported by photographic, purchase, cost, service, maintenance, repair, accessory, attachment, modification, etc. records to substantiate the valuation.

The value so determined must be inclusive of freight, customs dues, taxes and installation costs for the applicable location of such item.

The document qualifies as a **valid Valuation document** only if:

- (i) the age of the document, as determined at the time of commencement or renewal for any subsequent period or extension of the Policy, is not older than 3 (three) years from the date the document was issued; and
- (ii) the document is provided by the Insured to the Company prior to the commencement or renewal for any subsequent period or extension of the Policy,

unless otherwise agreed to by endorsement.

#### 9. Basis of Loss Settlement

A detailed explanation and breakdown of how the loss amount will be computed and settled is now included.

#### 10. Defined events (Section I)

The clause has been revised to more clearly define the scope of cover – “occurring at or about the Insured's premises, any contract site or movement between the Insured's premises and contract site whether under its own power or being transported by road within the Territorial limits and being Plant and Machinery items owned by the Insured for own use or hired out”.

#### 11. Exclusions

Given the increased 'theft' exposure presently facing hiring companies, the following exclusions have been introduced:

**Abscension** - Loss or damage to any item of Plant and Machinery due to abscension of persons to whom the insured plant has been hired.

**Theft by false pretences** - Loss or damage to any item of Plant and Machinery due to theft by false pretences by persons to whom the insured plant has been hired or any third parties.

#### 12. Average

We have deleted the condition of Average from the Policy. The Insured's "saving" is that his potential claim under the new wording is no longer subject to Average which is a major concession.

#### 13. Hiring of Substitute Plant and Machinery following indemnifiable loss / damage

This option has been deleted. However, similar cover in consequence of indemnifiable loss or damage under Section I: Material damage (Own plant) is now available on a needs basis by endorsement.

Alternately, cover for hired-in plant and machinery or continuing hire charges continues to be offered under Section II: Hired-in Plant.

#### 14. Limit on Removal and Recovery costs

A combined limit on the removal and recovery costs has been introduced: R250,000 or 25% of the sum insured whichever is the lesser. This limit of indemnity shall apply separately to each item affected by the damage.

#### 15. Currency Fluctuation

A Currency Fluctuation buffer for an increase in Sums Insured up to a maximum of 20% (twenty percent) is now included at no extra premium. This would apply if such increase to the Sums Insured occurred during the period between the inception date of the Policy and the loss incident and within the three month period immediately before the loss incident.

Brokers and Insureds are reminded to ensure that Market Values, New Replacement Values and Declared Values are kept up to date during the policy period because the Currency Fluctuation clause does not cover the influences of supply and demand on the fluctuation of these values.

#### 16. Adjustment of Premium clause

This clause has been added for the purposes of recalculating the premium at expiry of each period of insurance specifically for policies based on estimate figures. Any differences shall be paid by or to the Insured as the case may be:

- (i) if the estimated figure is less than the actual figure, the Insured shall pay the difference in premium at the agreed premium rates applied at the applicable policy period.
- (ii) if the estimated figure is greater than the actual figure, the premium shall be appropriately adjusted to the Company retaining a minimum of 75% (seventy five percent) of the estimate premium, but subject to a 100% (one hundred percent) retention where the estimate premium is R10,000 or less.

#### 17. Theft/Hijacking of entire plant item

The application of the double excess for theft/hijacking applies only in the event of any theft/hijacking of the **entire** plant and machinery item. It will only be waived if the plant and machinery item is fitted with an approved and operational tracking device within the tracking range of the tracking company.

18. Section III: Liability to Third Parties

This new section is now included in the Policy wording. Cover is limited to the territorial limits of South Africa only. However, should there be in force a Contractor's/Erection All Risks/Contract/Erection Works Public Liability Policy with a Cross liability clause covering the same performance of the work where the Plant and Machinery item is used, the Liability to Third Party cover is limited to any difference in excess.

19. Specific Terms and Conditions for providing cover to Insured Property being used temporarily outside the borders of South Africa (if endorsed)

This endorsement on request provides indemnification on the basis that all premiums and claims are paid in South Africa in ZAR currency; South African jurisdiction shall apply and no Public Liability cover is given outside the borders of South Africa.

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