

Policy handbook
**Machinery
Insurance**



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Whereas the Insured by a Proposal and Declaration which shall be the basis of this contract and is deemed to be incorporated herein has applied to the Insurer (hereinafter called "the Company") for the Insurance hereinafter contained and has paid or agreed to pay the Premium as consideration for such insurance in respect of loss or damage occurring during the Period of Insurance.

Now this Policy of Insurance witnesses that, subject to the Insured having paid to the Company the premium mentioned in the Schedule and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon,

The Company hereby agree with the Insured that if at any time during the period of insurance stated in the Schedule or during any subsequent period for which the Insured pays and the Company may accept the premium for the renewal of this Policy, the items (or any part thereof) entered in the Schedule, whilst on the premises mentioned therein, suffer any unforeseen and sudden physical loss or damage from causes such as defects in casting and material,

faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm, or from any other cause not specifically excluded hereinafter, in a manner necessitating repair or replacement,

the Company will indemnify the Insured in respect of such loss or damage, as hereinafter provided, by payment in cash, replacement or repair (at the Insurer's option) up to an amount not exceeding in any one year of insurance in respect of each of the items specified in the Schedule the sum set opposite thereto and not exceeding in all the total sum expressed in the Schedule as Insured hereby.

This Policy shall apply to the insured items after successful completion of their performance acceptance tests whether they are at work or at rest, or being dismantled for the purpose of cleaning or overhauling, or in the course of the aforesaid operations themselves, or when being shifted within the premises, or during subsequent re-erection.

1 Exclusions

The Company shall not be liable for

1. The deductible stated in the Schedule to be borne by the Insured in any one occurrence; if more than one item is lost or damaged in one occurrence, the Insured shall not, however, be called upon to bear more than the highest single deductible applicable to such items;
 2. Loss of or damage to exchangeable tools, eg dies, moulds, engraved cylinders, parts which by their use and/or nature suffer a high rate of wear or depreciation, eg refractory linings, crushing hammers, objects made of glass, belts, ropes, wires, rubber tyres, operating media, eg lubricants, fuels, catalysts;
 3. Loss or damage due to fire, direct lightning, chemical explosion (except flue gas explosions in boilers), extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft, burglary or attempts thereat, collapse of buildings, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes;
 4. Loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract;
 5. Loss or damage caused by any faults or defects existing at the time of commencement of this Policy within the knowledge of the Insured or his representatives, whether such faults or defects were known to the Company or not;
 6. Loss or damage arising out of the wilful act or gross negligence of the Insured or his representatives;
 7. Any consequence of war, invasion, act of foreign enemy, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, acts of a group of malicious persons or persons acting on behalf of or
- in connection with any political organization, conspiracy, confiscation, commandeering, requisition or destruction or damage to property by order of any government de jure or de facto or by any public authority;
8. Any consequence of nuclear reaction, nuclear radiation or radioactive contamination;
 9. Loss or damage as a direct consequence of the continual influence of operation (eg wear and tear, cavitation, erosion, corrosion, rust, boiler scale);
 10. Consequential loss or liability of any kind or description, any payments over and above the indemnity for material damage as provided herein.
- In any action, suit or other proceeding where the Company allege that, by reason of the provision of Exclusion 7 above, any loss or damage is not covered by this Policy, the burden of proving that such loss or damage is covered shall be upon the Insured.

2 Provisions

Memo 1 – Sum Insured

It shall be a requirement of this Policy that the sum insured is equal to the cost of replacement of the insured machinery by new machinery of the same kind and capacity, which means its cost of replacement including, eg, freight, customs duties and dues, if any, and cost of erection. If the sum insured is less than the amount required to be insured, the Company shall 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.

Memo 2 – Basis of Indemnity

a) In cases where damage to an insured item can be repaired, the Company shall pay expenses 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, customs 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 the Insured, the Company shall 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, but the value of any salvage shall be taken into account.

If the costs of repairs as detailed hereinabove equal or exceed the actual value of the machinery insured immediately before the occurrence of the damage, the item shall be regarded as destroyed and settlement shall be made on the basis provided for in (b) below.

b) In cases where an insured item is destroyed, the Company shall pay the actual value of the item immediately before the occurrence of the loss, including charges for ordinary freight, cost of 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 shall also pay any normal charges for the dismantling of the machinery destroyed, but the salvage shall be taken into account.

Any extra charges incurred for overtime, night work, work on public holidays and express freight shall be covered by this Policy only if especially agreed in writing.

The costs of any alterations, additions, improvements or overhauls shall not be recoverable under this Policy.

The costs of any provisional repairs shall be borne by the Company if such repairs constitute part of the final repairs and do not increase the total cost of repair.

The Company shall make payments only after being satisfied by production of the necessary bills and documents that the repairs have been effected or replacement has taken place, as the case may be.

3 Conditions

1. The due observance and fulfillment of the terms of this Policy, in so far as they relate to anything to be done or complied with by the Insured, and the truth of the statements and answers in the questionnaire and proposal made by the Insured shall be a condition precedent to any liability of the Company.
2. The Schedule shall be deemed to be incorporated in and form part of this Policy and the expression “this Policy”, wherever used in this contract, shall be read as including the Schedule. Any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such meaning wherever it may appear.
3. The Insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Company to prevent loss or damage and comply with statutory requirements and manufacturers’ recommendations.
4. a) Representatives of the Company shall at any reasonable time have the right to inspect and examine the risk and the Insured shall provide the representatives of the Company with all details and information necessary for the assessment of the risk.
b) The Insured shall immediately notify the Company either by teletype (telex, telefax, telegram) or by telephone confirmed in writing of any material change in the risk and cause at his own expense such additional precautions to be taken as circumstances may require to ensure safe operation of the insured items, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly. No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the insurance is confirmed in writing by the Company.
5. In the event of any occurrence which might give rise to a claim under this Policy, the Insured shall
 - a) Immediately notify the Company by teletype (telex, telefax, telegram) or by telephone confirmed in writing, giving an indication as to the nature and extent of loss or damage;
 - b) Take all steps within his power to minimize the extent of the loss or damage;
 - c) Preserve the parts affected and make them available for inspection by a representative or surveyor of the Company;
 - d) Furnish all such information and documentary evidence as the Company may require.The Company shall not in any case be liable for loss or damage of which no notice has

been received by the Company within 14 days of its occurrence. Upon notification being given to the Company under this condition, the Insured may carry out the repairs of any minor damage or replace items which have sustained any minor damage; in all other cases a representative of the Company shall have the opportunity of inspecting the loss or damage before any repairs or alterations are effected. If a representative of the Company does not carry out the inspection within a period of time which could be considered adequate under the circumstances, the Insured is entitled to proceed with the repairs or replacement.

The liability of the Company under this Policy in respect of any insured item shall cease if said item is kept in operation after a claim without being repaired to the satisfaction of the Company, or if temporary repairs are carried out without the Company's consent.

6. The Insured shall at

the expense of the Company do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Company in the interest of any rights or remedies, or of obtaining relief or indemnity from parties (other than those insured under this Policy) to which the Company are or would become entitled or which is or would be subrogated to them upon their paying for or making good any loss or damage under this Policy, whether such acts and things are or become necessary or required before or after the Insured's indemnification by the Company.

7. If any difference arises out of this Policy the Company shall immediately notify the Insured in writing of his right to refer the difference to arbitration. Such difference shall be referred to the decision of an Arbitrator to be appointed in writing by the parties in difference or if they cannot agree upon a single Arbitrator to the decision of two Arbitrators one to be

appointed in writing by each of the parties within one calendar month after having been required in writing so to do by either of the parties or in case the Arbitrators do not agree of an Umpire appointed in writing by the Arbitrators before entering upon the reference. The Umpire shall sit with the Arbitrators and preside at their meetings and the making of an Award shall be a condition precedent to any right of action against the Company if the Company shall disclaim liability for any claim hereunder and such claim shall not within twenty four calendar months from the date of such disclaimer have been referred to arbitration under the provisions herein contained then the claim shall for all purposes be deemed to have been abandoned and shall not thereafter be recoverable hereunder.

8. The Company shall be entitled to withhold indemnification

a) If there are doubts regarding the

Insured's right to receive the indemnity, pending receipt by the Company of the necessary proof;

b) If in connection with the claim an examination by the police or an inquiry under criminal law has been instituted against the Insured, pending completion of such examination or inquiry.

9. a) If the proposal or declaration of the Insured is untrue in any material respect, or if any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and the Company shall not be liable to make any payment hereunder;

(b) In the event of the Company disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaimer

or (in the case of arbitration taking place in pursuance of Condition 7 of this Policy) within three months after the arbitrators or umpire have made their award, all benefit under this Policy in respect of such claim shall be forfeited.

10. If at the time any claim arises under this Policy there is any other insurance covering the same loss or damage, the Company shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.

11. This Policy may be terminated at any time at the request of the Insured in writing in which case the Company will retain the customary short period rate for the time the Policy has been in force. This Policy may also be terminated at any time at the option of the Company, on thirty days notice to that effect being given to the Insured, in which case the Company shall be liable to repay on demand a rateable proportion of

the Premium for the unexpired term from the date of the cancellation.

12. The Company shall not be liable to pay interest other than interest for default.



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Gulf Insurance Group (Gulf) B.S.C. (c)

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