

## ENGG. INSURANCE

**TYPES OF POLICIES:** The various policies can be classified in to two broad groups

### **I. PROJECT INSURANCE or CONSTRUCTION PHASE or TIME POLICIES**

- 1. Contractor's All Risk(CAR),
- 2.Erection All Risk (EAR) also known as Storage cum Erection (SCE),
- 3. Marine-Cum-Erection(MCE),
- 4. Contractor's Plant & Machinery(CPM),
- 5. Advance Loss of Profit (ALOP) or Delay in Start up (DSU).

### **II. INSTALLED MACHINERY or OPERATIONAL PHASE or ANNUAL POLICIES**

- 1.Machinery insurance (MI) or Machinery Breakdown (MB) Insurance,
- 2. Boiler & pressure plant (BPP),
- 3. Electronic equipment insurance (EEI),
- 4. Deterioration of stock(other than potatoes)-DOS(OTP),
- 5. Deterioration of stock (potatoes)-DOS(P),
- 6. Machinery loss of profit (MLOP).
- 7. Civil Engineering Completed Risks Insurance (CECR)

#### **TIME POLICIES:**

#### **1. CONTRACTOR'S ALL RISK INSURANCE (CAR)**

CAR policy provides "All Risk" cover, **unless it is specifically excluded**. The policy can be extended to cover third party liability and other exposures.

**RISKS COVERED:** All risks namely fire, lightning, riot, strike, malicious, bad workmanship, burglary/theft accidental external means etc. **Civil construction should be more than 50%.**

**PROJECTS COVERED:** Civil Engineering projects for residences, factories, warehouses, bridges, roads, canals, dams, hospitals, schools etc.

#### **GENERAL EXCLUSIONS -**

- a) War and kindred risks and nuclear risks
- b) Willful act or willful negligence of the Insured or of his responsible representative;
- c) Cessation of work whether total or partial.

#### **GENERAL CONDITIONS-**

- a) The Insured shall at his own expense take all reasonable precautions and comply with recommendations of the Company to prevent loss, damage or liability and comply with statutory requirements and manufacturers' recommendations.
- b) Notification of any material change in the risk and payment of additional premium
- c) Notice of claim within 14 days of occurrence. Notice to police if loss is due to theft. Upon notification being given to the Company under this condition the Insured may carry out the repair or replacement of any minor damage not exceeding Rs. 2,500/-.
- d) Subrogation
- e) Contribution
- f) Arbitration
- g) Cancellation
- h) If the claim is fraudulent all benefit under the policy are forfeited

The coverage under CAR is under two sections: **Material Damage** and **Third Party Liability**.

#### **Sec – I. MATERIAL DAMAGE:**

This section covers loss or damage to the property described in the schedule by covered perils subject to item wise SI. The cost of clearance and removal of debris (**Only of the insured property**) is reimbursed, **if the claim is admissible**, subject to SI for the item.

#### **EXCLUSIONS TO SECTION - I**

The Company, shall not, however, be liable for –

- a) The amount of the loss shown as Excess in the Schedule;
- b) loss discovered only at the time of taking an inventory;
- c) normal wear and tear, rust, scratching of painted or polished surfaces or breakage of glass;
- d) loss or damage due to faulty design;

- e) the cost of replacement, repair or rectification of defective material and/or workmanship, but this exclusion shall be limited to the items immediately affected and shall not be deemed to exclude loss of or damage to correctly executed items resulting from an accident due to such defective material and/ or workmanship;
- f) the cost necessary for rectification or correction of any error during construction unless resulting in physical loss or damage;
- g) loss of or damage to files, drawings, accounts, bills, currency, stamps, deeds, evidence of debt, notes, securities, cheques, packing materials such as cases, boxes, crates;
- h) any damage or penalties on account of the Insured's non-fulfillment of the terms of delivery or completion under his Contract of construction or of any obligations assumed there under or lack of performance including consequential loss of any kind or description or for any aesthetic defects or operational deficiencies;
- i) Loss of or damage to vehicles licensed for general road use or water borne vessels or Machinery / Equipment mounted or operated or fixed on floating vessels/craft/barges or aircraft.
- j) Packing materials;

#### **PROVISIONS APPLYING TO SECTION - I**

**Memo 1 - SUM INSURED:** Sum insured is the completely erected value of the property inclusive of freights, custom duty, erection cost. The insured undertakes to increase or decrease the SI in the event of any material fluctuation in the level of wages or prices. Under Insurance applicable.

**Memo 2 - PREMIUM ADJUSTMENT:** Sum Insured is adjustable at the end of policy period based on the actual value for variable charges like freight, handling charges, custom duties, construction cost. Difference of premium (Actual vs. Provisional charged) is refunded to insured.

Any increase or decrease in the **Prime cost of materials shall not be the subject matter of premium adjustment.**

**Memo 3 - REINSTATEMENT OF SUM INSURED:** The Insured undertakes to pay a pro-rata additional premium on the full amount of each claim for the loss or damage from the date of such loss to the expiry of the period of Insurance.

#### **Memo 4 - BASIS OF LOSS SETTLEMENT:**

- a) In the case of damage which can be repaired, the cost of repairs necessary to restore the property to their condition immediately before the occurrence of the damage less salvage,  
OR

- b) in the case of a total loss - the actual value of the property immediately before the occurrence of the loss less salvage;

If the cost of repairing any damage equals or exceeds the value of the property immediately before the occurrence of the damage, the settlement shall be made on total loss basis.

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

The cost of any alterations, additions and/or improvements shall not be recoverable under this Policy.

#### **Memo 5 – PERIOD OF COVER & EXTENSION OF COVER:**

Period of Insurance commences from the commencement of work at site **or** from unloading of the materials at the site (Whichever is earlier) and will expire on successful commissioning of the Project or the date specified in the policy (Whichever is earlier). If project is not completed, **policy can be extended** before expiry by payment of additional premium.

The maintenance period and extra maintenance period can be covered by payment of extra premium.

Any extra charges incurred for overtime, work on holidays, express freight (excluding air freight) are not covered by this insurance unless agreed upon at an additional premium to be prescribed by the Company.

#### **Memo 6 - CONSTRUCTION PLANT AND MACHINERY:**

This has to be insured as a separate item. It covers:

Loss of or damage to Construction Plant and Machinery and **excludes** loss or damage directly caused by its own explosion or its own mechanical or electrical breakdown or derangement. Pro-rata average applies.

#### **Memo 7 - SURROUNDING PROPERTY:**

Loss of or damage to property located on or adjacent to the site and belonging to or held in care custody or control of the Principal (s) or the Contractor(s) shall only be covered if occurring directly due to the

construction of the items insured under Section I and happening during the period of cover, and provided that a separate Sum therefore has been entered in the Schedule under Section I, for Principal's surrounding specified property. This cover does not apply to construction/erection machinery, plants and equipment (This is an optional cover).

**Memo 8 - MAJOR PERILS/AOG PERILS:** The major peril/Acts of God perils mentioned in the policy are-

Earthquake - Fire & Shock, Landslide/Rockslide/Subsidence, Flood/Inundation, Storm/ Tempest/ Hurricane/Typhoon/Cyclone/Lightning or other atmospheric disturbances, Collapse, Water damage for 'wet' risks i.e. contract involving works in rivers, canals, lakes or sea.

**Sec – II. THIRD PARTY LIABILITY:** This cover is at the option of the insured. This covers

- a) Legal liability of the insured to pay compensation for accidental loss or damage caused to property of other persons including property held in trust by or under custody of the Insured excluding any such property used in connection with construction thereon.
- b) Legal liability for fatal or non-fatal injury to any persons subject to the limits of Indemnity specified in the Schedule
- c) In addition, all costs and expenses of litigation recovered by any claimant and all costs and expenses incurred by the insured are payable subject to written consent of the insurer.

#### **EXCLUSIONS TO SECTION- II**

- a) The Excess stated in the Schedule
- b) Liability for bodily injury to or illness of employees or workmen of the Contractor(s) or the Principal(s) or any other firm connected with the project or members of their families;
- c) Liability for Loss of or damage to property belonging to or held in care custody or control of the Contractor(s), the Principal(s) or any other firm connected with the project, or of an employee or workman of one of the aforesaid;
- d) Liability following an accident caused by vehicles licensed for general road use or by waterborne vessels or aircraft;
- e) Liability assumed by special agreement.

**EXCESS OR DEDUCTIBLE:** Applies separately for each and every claim. The Insured can opt higher amount of excess and earn discount in premium.

#### **2. ERECTION ALL RISK (EAR) OR STORAGE CUM ERECTION (SCE)**

Insures THE PROJECTS where the Erection of Plant & machinery and equipments & structures are the major part of the project & Project have insignificant civil works.

**VARIOUS STAGES COVERED:** storage/erection/cold & hot testing of all kinds of machinery / maintenance

#### **COVERAGE:**

Material Damage cover, Third Party Cover and exclusion are same as CAR, except the following:

**EAR policy excludes loss or damage due to faulty design, but provides that the exclusion shall be limited to the item affected and shall not exclude other insured items resulting from excluded perils.**

Sum Insured, Premium Adjustment (Reference in this clause is made to prime cost of Plant & Equipment), Basis of loss settlement, Reinstatement of SI and Optional Covers are same as CAR policy.

**RISKS COVERED:** all risks insurance policy and mainly covers the following named risks:

- Location risk: fire, lightning, theft and burglary.
- Operation risks: leakage of electricity, insulation failures, short circuit, explosion, etc.
- Human risks like carelessness, negligence, faults in erection, riot/strike/malicious damage (RSMD).
- Natural calamities like Flood, storm, cyclone, landslide, subsidence, etc.
- Accidental external means like accidental falling of objects, impact and thereby the resultant damage of property.

**EXTENSION OF EAR POLICY:** Mostly same as CAR

To cover extra risks at extra premium (along with the basic cover at basic premium)

The policy can be extended to cover the following

- Third party liability risks
- Increase in policy period
- Removal of debris

- Surrounding property damage
- Earthquake risks & terrorism risks.
- Construction plant and machinery like cranes, dumpers, earth excavators etc.
- Extra charges for overtime, express freight etc.
- Increased replacement value (**Escalation benefit, Max. – 50%**)

**PERIOD OF COVER:**

Insurance cover under ear commences after unloading of first consignment at site. The policy period continues the entire period of storage, erection, testing (until testing operations have completed and the project is declared as successfully commissioned) and maintenance (either limited maintenance or extended maintenance)

In case of second- hand / used property, the insurance shall cease immediately on the commencement of the test.

**SUM INSURED:** Equal to replacement cost of project. Sum insured is the landed cost of items at project site plus freight, cost of erection, etc.

**PAYMENT OF PREMIUM:**

- Premium installment facility is given in all project policy with period of insurance more than 12 months
- Frequency of installment is either quarterly or half-yearly – but client always prefers qtly as outgo is less.
- the first installment premium must be paid, on or before the commencement of cover and this first installment premium will be calculated & collected at being 5 % (of total premium) higher than the all other equal installments .
- Last installment premium should be paid at-least 6 months prior to the expiry of policy period.

**TESTING PERIOD:** Testing operations can be divided in to two categories, **Cold and Hot Testing**

**Cold Testing** (Functional Testing): Checking of parts and elements of insured property by mechanical, electrical, hydrostatic or other form of testing under ‘no load’ condition and excludes the operation of furnaces or the application of any direct and indirect heat, the use of feedstock or other materials for processing.

**Hot Testing** (Operational & Commissioning Testing): The checking of parts, elements &/or production lines of insured property under full or partial load and normal or stimulated operating condition including the use of feedstock or other material for normal processing or other media for load stimulation.

**EXCESS:** Applies separately for each and every type of claim like Testing claim, Maintenance Claim and storage & erection claim. The Insured can opt higher amount of excess and earn discount in premium.

<b>3. MARINE-CUM-ERECTION (MCE)</b>
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It is a composite cover. MCE = Marine Transit + EAR OR CAR. Marine/inland transit & erection –both are combined in one policy.

**PERIOD OF INSURANCE:**

Cover starts from 1<sup>st</sup> material meant for project when dispatched by supplier and continues for the entire period of transit/storage at site/being erected and terminates on completion of testing.

**SUM INSURED:**

Contract price + duties + taxes + freights, Marine (imports), Marine (Indigenous), Erection cost & Permanent Civil Engg works

**ADDITIONAL COVERS:** Construction Plant & Machinery, Additional Customs Duty, Express Freight (repairs), Overtime (repairs), Clearance & Removal of Debris, Civil Works, Surrounding Property, Escalation, Air Freight

Maintenance Cover

- Limited Contract
- Extended Visits

Third Party Liability: - **Cross Liability**

**Premium Rates, Terms, Policy Wordings would depend on:**

Project size, Special characteristics, Comprehensive details of the project, Assessment of exposures, Period of Project

**EXCLUSION:**

Faulty Design, Defective Material/ Castings, Bad Workmanship, Rectification of Defects, Manufacturer's Guarantee, Wilful Act, Wilful Negligence, Consequential Loss, Penalties, Delay, Lack of Performance, Loss of Contract

**4. CONTRACTOR'S PLANT & MACHINERY (CPM)**

**ITEMS COVERED:** Cranes, Bumpers, Excavators, and Tunnel Boring Machines etc. which are used for the erection/construction of projects.

This CPM Policy is issued as an extension of the mother project policy (i.e. MCE/EAR or SCE/CAR Policy) if S.I. of CPM items is less than 5% of the S.I. of the mother project policy or up to the value of Rs. 25 Lacs for these machines. But if value exceeds limit of 5% of project policy or Rs 25 Lacs in a particular project site then a separate CPM Policy has to be issued.

This Policy is given to contractors who may be using plant and machinery at different projects during the policy period **on a separate annual policy** with appropriate earthquake loading considering the sites falling in the earthquake zones.

This is an all risks Policy with specified exclusions printed on the policy.

**SUM INSURED:**

On New (Current) Replacement value Basis.

Escalation maximum to the tune of ~~20%~~, 25% can be opted by the insured.

**COVER:**

The cover is operative for machines when they are at work or being dismantled or cleaning or overhauling or reassembling thereafter. Also covers the equipments lying at contractors own premises and shifting from one point to another point at the same project. However **transit risk** from one project to another project is not covered. This may be covered **separately under a marine policy**.

**ADDITIONAL COVERS:**

Express Freight (repairs), Overtime (repairs), and Clearance & Removal of Debris, Surrounding Property, and Third Party Liability

**EXCLUSIONS:** Loss or damage due to

- War and war like operations and Nuclear perils
- electrical or mechanical breakdown
- Consumables parts like knives, ropes, belts, chains etc.
- wear and tear
- Loss of or damage to plant and/or machinery working underground popularly known as exclusion 'K'. **Not applicable to machineries used in tunneling work.**
- Loss or damage whilst in transit
- Compulsory Excess
- Wilful Act and wilful Negligence
- Total or partial immersion in tidal water
- Consequential Loss

**5. ADVANCE LOSS OF PROFIT (ALOP) OR DELAY IN START- UP (DSU)**

Advance consequential loss insurance or loss of profit policy is issued only to the principals/ owner of the project, in advance of the actual commencement of business for delay in commencement of the project.

This ALOP policy covers financial loss due to delay in start of project (because of loss/damage to the project arising out of the insured peril of the project policy during transit /storage/erection/ commissioning phase of the project).

ALOP policy is issued only in conjunction with a Material Damage CAR / EAR policy. Claims in this policy are paid when material damage losses are admissible in terms of project insurance policies like EAR or MCE or CAR.

**SCOPE OF COVER/ BASIS OF INDEMNITY – (INSURED: PRINCIPAL/OWNER ONLY)**

**Loss of gross profit** (also covers any loss minimizing expenses up to the costs thereby avoided) due to delay in project commissioning and **Increase in cost of working** (subject to limit of savings in profit)

**NARRATION OF SCOPE OF COVER:**

This cover shall indemnify the insured (Principal or Owner of the project, but financier may be Additional Insured) in respect of loss of standing charges [Debt service (Principal and Interest) + Fixed cost] & net



profit actually sustained due to the actual turnover falling short of the targeted turnover which would have been achieved had the delay in project commissioning not occurred – subject to MD proviso.

#### **ADD-ON COVERS:**

- Third party legal liability including **Cross liability**
- Extended maintenance cover
- Design defect cover
- Escalation clause
- Supplier's premises
- Accidental failure of public electricity supply.

#### **DEFINITION:**

**TURN OVER:** Money received or receivable for goods sold and services rendered in the course of the **business at the premises.**

**ANNUAL TURN OVER:** The turnover which would have been achieved, had the accident not occurred, during the 12 months after the planned date of completion of the insured works.

**ANNUAL GROSS PROFIT:** The amount by which the turnover exceeds the amount of specified working expenses (Variable Cost). In other words it is Net Profit + Standing Charges.

**RATE OF GROSS PROFIT:** The rate which would have been earned, had the accident not occurred, on turnover during the indemnity period.

#### **PERIOD OF INSURANCE:**

Period of Insurance commences from the commencement of work at site **or** from unloading of the materials at the site (Whichever is earlier) and will expire on successful commissioning of the Project or the date specified in the policy (Whichever is earlier)

#### **INDEMNITY PERIOD:**

Period begins with the date upon which the Insured works / full operational testing of the insured work would have been completed (not before the planned date of completion stated in the schedule) and ends with the actual date of completion of Insured works / full operational testing of the insured work.

#### **DEDUCTIBLE PERIOD (Time excess):**

It is the period within the period of delay for which the loss is borne by the insured. It starts with indemnity period. The TE period depends upon type of plant, equipment, replacement time, the location of site and other underwriting factors.

#### **Policy suggested with voluntary deductibles**

#### **EXCLUSION:**

- Loss or damage covered under MD section
- EQ, Volcanic eruption, tsunami unless specifically agreed.
- Loss or damage to surrounding property.
- Loss or damage to operating media or feed stock, Shortage, deterioration or damage to any materials
- Any restriction imposed by public authority & Non-availability of funds for repair or replacement of damaged items.
- Alterations, additions, improvements, rectifications to eliminate the deficiencies
- Loss due to fines & damages for breach of contract for late or non- completion of orders.
- Deductible stated in the schedule

#### **EXTENSION OF PERIOD:**

Any extension of the period of insurance under the EAR section the policy shall not automatically lead to an extension of the period of insurance of the ALOP policy.

#### **NOTE:**

If “start up” date is delayed due to un- insured peril, the next claim (insured peril) will start from the delayed date and not the original date.

#### **ANNUAL POLICIES:**

##### **In almost all Annual policies:**

MID-TERM INCREASE IN SUM INSURED -

If the Sum Insured is increased during the currency of the policy:

a) Short period scale of rates shall apply to increased amounts.

b) If the policy is renewed thereafter for 12 months for an amount not less than the increased sum insured, the difference of premium between short period scale of rate and pro-rata rate may be refunded.

#### **MID-TERM DECREASE IN SUM INSURED -**

If the Sum Insured is decreased during the currency of the policy, short period scale of rates shall apply on the reduced Sum Insured.

### **1. MACHINERY INSURANCE (MI) OR MACHINERY BREAKDOWN (MB) INSURANCE**

**PROPERTY COVERED:** All electrical and non electrical (mechanical & chemical) items like electric motors, transformers, diesel generator sets, air compressors, boilers, blowers, etc. situated within India.

**No Machinery Insurance Policy should be issued to cover** Electronic Equipments such as Computers, Medical and Biomedical Equipments, Microprocessors, Audio/Visual Equipments. These equipments are to be covered only under Electronic Equipments Insurance (EEI) Policy.

#### **SCOPE OF COVER:**

Losses from unforeseen and sudden physical damage to machinery from following causes:

- Faulty material, design, construction, erection;
- Vibration, mal-alignment, maladjustment, falling, impact, collision and the like, obstruction or entry of foreign bodies, etc;
- Defective lubrication, loosening of parts, stress, explosion due to centrifugal force, or internal pressure;
- Failure of insulation, failure of operation of safety device and electrical breakdown.
- Human failures like lack of skill, lack of knowledge & mere negligence.

The cover applies within the insured's premises specified in the policy, while the insured plant is covered under the following situations:

- When it is at work or at rest.
- While being dismantled for cleaning or overhauling.
- During cleaning and overhauling operation.
- When being shifted within the premises.
- During subsequent erection.

**POLICY EXCESS:** 1% of sum insured of each item of machinery subject to minimum of Rs.2,500/-

#### **ADDITIONAL COVERS:**

- Separate value Cost of civil foundation & oil in transformer & for switchgear.
- Limits of indemnity for Express Delivery, Overtime, Holiday rates, surrounding property and Third Party Liability

#### **EXCLUSIONS:**

- Fire and allied perils (Internal fire due to electrical faults in electrical equipment is covered. Explosion due to centrifugal force & internal pressure is covered).
- War & warlike perils
- Nuclear risks
- Experiments or overload or similar tests
- Gradually developing flaws, defects, cracks
- Normal wear and tear
- Wilful negligence
- Consequential loss
- Defect in existence before insurance
- Excess
- Damage due to faults/defects for which manufacturer is responsible
- Exchangeable parts, non metallic parts (except electrical insulation), operating media, coating of metal parts

#### **SUM INSURED/ AVERAGE:**

The SI of each individual item must represent its new replacement value (current replacement value) including transportation cost to site, custom duty, insurance premium, other erection & installation cost.

**Condition of average is applicable for underinsurance.**

#### **Optional items:**

Cost of civil foundation & oil in transformer & for switchgear.

**PREMIUM:**

- Minimum premium: Rs. 100/-
- Provision for special rating
- Short period rates: As per short period rates for motor insurance.
- Escalation to the tune of 25% may be obtained by the insured

**BASIS OF INDEMNIFICATION:****Repair basis:**

- No deduction for depreciation for parts with unlimited life.
- Necessary bills and documents for repairs to be submitted.
- The value of salvage, under-insurance and excess is deducted from loss.
- Any extra charges towards repair such as Express Delivery, Overtime and Holiday rates are payable if covered under policy at an additional premium.

**Total loss basis:**

- Actual value of item after applying depreciation from the replacement value of item plus cost of removing the damage machinery less the value of salvage and excess.
- **Total loss means if the repair cost is equal or exceeds the value of the item.**

**2. BOILER & PRESSURE PLANT (BPP)**

**ITEMS COVERED:** Boilers and other pressure vessels (which generate pressure during their normal operations) situated within India.

**SCOPE OF COVER:**

- Explosion and collapse damage to the boiler &/or other pressure plant (other than by fire).
- Damage to surrounding property of the Insured (other than by fire) for selected limits of indemnity, on first loss basis (Without under insurance).
- Legal liability for death, bodily injuries or property of third party (Excluding Employees) for selected limits of indemnity, on first loss basis (Without under insurance).

**SUM INSURED:**

- The boiler and pressure plants are covered for their present day new replacement value (Inclusive of freight, Customs Duty and Erection cost) with a view to avoid under-insurance.
- Boiler and Pressure Plant Insurance Policy **cannot** be issued on **agreed value basis**.
- **Escalation benefit** shall not be allowed under a Boiler and Pressure Plant Policy.

**EXTENSIONS OF BPP POLICY:** By payment of additional premium, following risks can be covered:

- Express freight (air freight excluded), holiday and overtime rates of wages
- Air freight only
- Additional Custom Duty
- Surrounding property damage
- Damage to third party property, death / bodily injuries

**WARRANTIES:**

BPP comes under statutory regulations. Following conditions specifically apply to BPP:

- The insured boiler should be certified by boiler inspector for use. Otherwise the premium rates to be loaded by 50% for the current session only.
- Boilers being operated by persons holding valid certificates.
- Permission to use the boiler from the authority (by the boiler inspector).

**BASIS OF INDEMNIFICATION:** Same as MB policy.

**POLICY CONDITION:** Special Conditions to this policy are:

- a) The pressure or load on safety valves of the plant shall not exceed the maximum specified in the schedule or mentioned on the last inspection report, whichever is lower.
- b) Any alteration of fuel used for the plant must be notified to the Company and additional premium paid if required.
- c) The insured shall comply with manufacturer's instructions and all statutory and municipal regulations.
- d) The Company has a right to inspect the insured plant.

**EXCLUSIONS:**

- Fire and allied risks of standard fire policy,



- Damage by chemical explosion except in recovery boilers and waste heat boiler.
- Wear and tear, wasting of boiler materials.
- Failure of individual tubes
- Other exclusions of MB insurance

**COMPULSORY EXCESS:**

5% of claim amount subject to a minimum of Rs 10,000/- for basic policy and also for all the extensions

### **3. ELECTRONIC EQUIPMENT INSURANCE (EEI)**

**OBJECTS COVERED:** Computers, Bio-medical equipments, x-ray equipments, audio / video equipments, EPBAX, various medical / equipments like scanners, ECG etc. of owner, lessor or hirer.

**SCOPE OF COVER:** This policy comprise of three sections:

**Section-1 (Equipments):**

This is an all risks policy and covers namely the following risks whilst located at the specified premises:

- Damage due to carelessness, negligence of employees
- Fire and other allied perils like lightning, explosion, flood , storm ,earthquake etc
- Damage due to moisture and humidity.
- Riot, strike, malicious damage
- Burglary, housebreaking or theft.
- Electrical, mechanical breakdown.

Covers material damage to equipments only i.e. Physical/tangible part of machines with auxiliaries like CPU, VDU (monitors), printers, key-board, speakers, external modems – even the items which provide the computer environment like room air-conditioners, UPS, voltage stabilizers –all such items are insured against above risks.

The cover applies to any unforeseen and sudden physical loss or damage from any causes (other than those specifically excluded) in a manner specifically excluded), in a manner necessitating repair or replacement.

**EXCLUSIONS:** Loss /damage due to

- Excess stated in the schedule
- Pre-existing faults
- Failure or interruption of any gas, water or electric supply
- Wear and tear
- Defects for which manufacturer is responsible
- Loss or damage to hired or rented equipments for which owner is responsible
- Loss or damage to bulbs, valves, tubes etc or any operating media like lubricating oil etc..
- Aesthetic defects like scratches on polished or painted surface
- Consequential loss of any kind

**Note:** Dish antenna, portable equipment like laptop and sonography are excluded from scope of cover

**SUM INSURED/ AVERAGE:**

The SI must represent its new replacement value (current replacement value) including transportation cost to site, custom duty, insurance premium, other erection & installation cost. **Underinsurance is applicable.**

**BASIS OF INDEMNIFICATION:** Same as MB policy

Indemnity is cost of repairs plus the cost of dismantling and re-erection. No deduction for depreciation for parts with unlimited life in case of repairs (i.e. for partial loss). The cost of any alterations, improvements or overhauls shall not be recoverable under the policy.

**EXCESS DEDUCTIBLE:**

- For sum insured of individual machine value up to Rs. 1 lac:-  
5% of the claim amount subject to minimum of Rs.2,500/- for normal claims.  
10% of the claim amount subject to minimum of Rs.2,500/- for winchester drive & hard disk claims.
- For sum insured of individual machine value above Rs. 1 lac:-  
5% of the claim amount subject to minimum of Rs 2,500/- for normal claims.  
25% of the claim amount subject to minimum of Rs 10,000/- for winchester drive & hard disk claims.

**Section-2 (External Data Media for floppies and discs etc.): (Optional Cover)**

Cover material damage to external data media inclusive of the information stored by perils covered under section I of the policy, while the insured data media are kept on premises.

The sum insured shall be the amount required for replacing lost or damaged data media by new material and for reproducing lost information only for back-up data but not for master data.

Indemnity is for all expenses within a period of 12 months from the date of loss. Expenses incurred will be for restoring the insured external data media to a pre loss condition. As from the date of loss, Sum Insured gets reduced by the claim amount for remaining period and should be reinstated by paying the premium.

**EXCLUSIONS:** Loss /damage due to

- Excess stated in the schedule
- Any cost arising from false programming, punching or inadvertent canceling of information etc.
- Consequential loss of any kind

### **Section-3 (Increased Cost of Working): (Optional Cover)**

Covers increased cost of working, following breakdown of equipments as covered under section-I. The additional cost may be to ensure continued data processing on substitute equipment. The company will reimburse the insured for **personal expenses** and **cost of transportation of materials**. The Company will indemnify the additional expenditure following admissible loss in Section – I of the policy. This may be in terms of hiring additional machines or for using new premises to carry out the work at higher cost.

### **INDEMNITY PERIOD:**

The period in weeks or days as per the choice of insured and commences with putting into use the substitute equipments.

### **SUM INSURED:**

The indemnity limit per hour has to be declared by the insured. The limit multiplied by the indemnity period is the maximum SI per occurrence. The total SI shall represent the aggregate limit for all occurrences during the policy period. **Under insurance is applicable.**

**TIME EXCESS:** The excess is specified in terms of days.

### **EXCLUSIONS:**

- Cost incurred during 'Time Excess' stated in the schedule
- Cost for replacement of data media
- Cost arising out of lack of funds causing delay in repair / replacement.
- Consequential loss of any kind e.g. loss of market

**GENERAL EXCLUSION (For all 3 Sections):** Loss /damage due to

- War, invasion and allied risks and Nuclear risks
- Willful act / negligence of insured.
- Which falling under maintenance agreement
- Which occasioned by pressure wave caused by aircraft

**TECHNICAL SURVEY:** is conducted of all electronic equipments and computer installations. This insurance cover is given only for those equipments which have completed at least 3 months trouble free operations.

### **DISCOUNTS FOR DELETING FIRE AND ALLIED PERILS:**

In case of equipments covered under EEI Policy as also Fire Policy, if the insured desire to delete Fire and Allied perils, the discount @ 20%, 15% and 10% of EEI rate is permitted depending upon Fire and Allied risk covered.

### **LOADING FOR WAIVER OF WARRANTY RELATING TO MAINTENANCE AGREEMENT:**

The Warranty relating to 'Maintenance Agreement' under the policy can be waived by charging the following loadings –

- a) Equipments\* with Sum Insured up to Rs. 1 Lakh- 25 % loading on guide Rates
- b) Equipments\* with Sum Insured above Rs. 1 lakh 50 % loading on guide Rates

\* In case of computers, the term equipment shall include the entire computer system comprising of CPU , Key boards, Monitors, Printers, Stabilisers, UPS etc.

**NOTE:**

- i) The maintenance agreement warranty with regards to 'personal computers' with a sum insured up to Rs. 1.0 Lakh can be waived.
- ii) Wherever, the competent 'In-House' maintenance facility is available the warranty relating to 'Maintenance Agreement' with the manufacturers of the equipments' can be deleted for all electronic equipments except 'Medical equipment' covered under 'Electronic Equipment Insurance'
- iii) There is facility for loading and discounts for claims experience and discount for opting higher excess.

### **ELECTRONIC EQUIPMENT INSURANCE POLICY – FLOATER BASIS**

Issuance of Floater policy covering electronic equipments anywhere in India, subject to the following:

- 1) To restrict the Floater to named locations only;
- 2) EEI policy shall not be extended to cover Transit risks from one location to another;
- 3) Floater extra of 10% to be charged.

### **4. DETERIORATION OF STOCK (OTHER THAN POTATOES) – DOS (OTP)**

This is also known as Stock spoilage insurance Policy.

This Policy is a consequential loss cover granted in the Engineering Department and covers the risk of deterioration/contamination following breakdown of refrigeration plant and machinery.

Precondition for this DOS insurance is, first there should be Machinery Insurance cover **with same insurer** for refrigeration plant and machinery of the cold storage.

There are two kinds of deterioration insurances:-

1. Insures stocks of fish, meat, prawn, frog-legs, various fruits (like apples/ oranges etc.), cheese, Dairy products, pharmaceuticals and Drugs. This is known as **DOS (OTP)**.
2. Insures stocks of potatoes in cold storage. This is also called **DOS (P)** Policy.

Although basic cover is the same in both the cases two different forms of insurance protection are provided.

#### **SCOPE OF COVER:**

Loss or damage by Contamination, Putrefaction and/or deterioration of the contents of Cold Storages caused by:-

1. Rise or fall in temperature at the cold storage chamber resulting from breakdown of refrigerating machinery.
2. Damage to any cold storage machinery by accidental means subject to admissibility of the claim under M.I. Policy covering the cold storage machines.

It is definitely a C.L. Policy to M.I. Policy issued to Cold Storage machineries.

#### **EXTENTION:** Failure of electrical supply (FOES)

- At terminal end due to machinery breakdown
- At local supply place (excluding rationing, fuel shortage etc.).

#### **EXCLUSION:** Loss /damage due to

- War, invasion and allied risks and Nuclear risks
- Riot and Strike.
- Fire and allied perils
- Extinguishing of fire or subsequent dismantling, collapse of building and theft
- Consequential loss
- Shrinkage, inherent defects or disease
- Improper storage, damage to packing material,
- Insufficient circulation of air,
- Willful act on part of insured or his representative;
- Excess or Deductible Franchise as stipulated in the policy

#### **SUM INSURED & AVERAGE:**

SI should represent maximum value of stocks in the cold storage at any one time. Underinsurance is applicable.

#### **BASIS OF INDEMNITY:**

- Limited to market value of the stocks at the time of loss.

- Claim is paid if followed by breakdown of refrigeration plant and machinery
- Certificates from Government Authority required confirming that the stocks are inedible.

**EXCESSES APPLICABLE:** Compulsory excess in two slabs:

- Without FOES extension – 10% of claim amount, minimum Rs. 20,000/-
- With FOES extension – 20% of claim amount, minimum Rs. 20,000/-

**SPECIAL UNDERWRITING CONSIDERATIONS:**

- Pre acceptance inspection by co. Engineer for the concurrent machinery insurance policy as well as for DOS insurance.
- Careful underwriting in view of huge loss potential
- Mid- term inspection if DOS claim occurs.
- Maintenance contract in respect of plant and equipment to be kept in force.
- Owner of cold storage to maintain log book for critical machines – at least for compressors with records of temperature & humidity in different floors in prescribed form.
- Stock register- declaration of stocks levels periodically.

#### **5. DETERIORATION OF STOCK (POTATOES) – DOS (P)**

All most same as DOS (OTP), except the following:

**SUM INSURED & AVERAGE:**

SI should represent value of stocks obtained by multiplying the full storage capacity of the cold store. Underinsurance is applicable.

**There is facility for arranging a policy on declaration basis.**

**BASIS OF INDEMNITY:**

Value is mutually agreed at the time of insurance. In the event of a claim, the insured value or the market price whichever is lower forms the basis of settlement subject to deduction for rottage, shrinkage, underinsurance, salvage, if any, and the excess applicable.

#### **6. MACHINERY LOSS OF PROFIT (MLOP)**

**More or less same as FLOP**

This policy covers loss of gross profits (consequential losses) following breakdown of machine/s due to accidental

Like FLOP, for claim to be paid under MLOP, firstly the claim should be admitted in the concurrent Machinery insurance policy (and/or Boiler insurance) for breakdown **(as per the material damage proviso of MLOP policy)**

**SELECTION OF ITEMS: (Different from FLOP)**

The Insured is allowed to select those key items of the plant, where stoppage would seriously interrupt the business, e.g. Steam Boiler, Turbo Alternator, Transformers etc.

**PERIOD OF INDEMNITY:** Same as FLOP, But **(To be opted by the Insured not more than 12 months)**

**COMPULSORY DEDUCTIBLES:**

- Up to SI 2500 crore per location (MD + BI): 14 days of Standard Gross Profit
- SI more than 2500 crore per location (MD + BI): 21 days of Standard Gross Profit

#### **7. CIVIL ENGINEERING COMPLETED RISKS INSURANCE (CECR)**

**OBJECTS COVERED:** Suitable for Owners and operators of Civil Engineering Structures. Structures suitable for CECR are mainly Roads, Runways, Bridges, Tunnels, Harbours, Dry Docks, Pipelines and Reservoirs etc.

**SCOPE OF COVER:**

1. Fire, Lightning, Explosion/Implosion.
2. Riot, Strike and Malicious Damage.

3. Impact by any Rail/Road or water borne vehicle or animal.
4. Storm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood and Inundation, Wave action of water.
5. Subsidence and Landslide (Including Rockslide) damage.
6. Earthquake Fire and Shock (Including flood due to earthquake), Tsunami
7. Frost, avalanche, ice, snow.

**EXCLUSIONS:** This insurance does not cover -

1. Shown as excess in Schedule.
2. Riot, Strike and Civil commotion (**Optional Cover**).
3. Willful act or willful negligence of the insured or his responsible representative.
4. War and Nuclear risks.
5. Consequential loss or damage of any kind or description.
6. Loss or damage arising out of inherent defects, wear and tear, gradual deterioration, expansion or contraction of insured items due to changes of temperature.
7. Loss or damage caused by failure of the insured to keep and maintain the insured items in a thorough state of repair.
8. Removal of Debris (**Optional Cover**)

**SUM INSURED & AVERAGE:**

On New (Current) Replacement value inclusive of materials, wages and freight etc. **Under insurance is applicable.** For covering cost of removal of debris, specific amount should be indicated in the policy.

**BASIS OF INDEMNIFICATION:** Same as MB policy