

MACHINERY BREAKDOWN INSURANCE POLICY No. 502/5503/2004/2

Whereas the Insured named in the Schedule hereto has made to the TAKAFUL INTERNATIONAL CO. (hereinafter called "the Company") a written proposal by completing a Questionnaire which together with any other statements made in writing by the Insured for the purpose of this Policy is deemed to be incorporated herein.

Now this Policy witnesses that in respect of events occurring during the period of insurance and in consideration of the Insured having paid to the company the premium mentioned in the schedule the company will indemnify the Insured in the manner and to the extent hereinafter set forth.

Provided always that the due observance and fulfilment of the terms, conditions and exceptions 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 proposal(s) shall be conditions precedent to the right of the Insured to recover hereunder.

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.

1. Insured Machinery and Plant

1.1 Insured are

- 1.1.1 All machinery and plant specified in the schedule.
- 1.1.2 Machinery is insured when ready for commercial operation; in the case of newly installed plant once it has been commissioned and the testing period has been completed successfully.
- 1.1.3 This insurance applies whether the insured property is at work or at rest, or dismantled for the purpose of cleaning, overhauling, or of being shifted within the premises, or in course of subsequent re-erection.
- 1.1.4 The insured property is covered as long as it remains on the premises specified in the schedule.

1.2 Not Insured are

- 1.2.1 Exchangeable tools of all kinds, such as drills, crushes, patterns for casting, knives, saw blades, stones, stamps.
- 1.2.2 Conveyor belts, sieves and hoses, rubber, textile and plastic linings and bands, brushes and tires, ropes, chains and belts, parts made of glass, porcelain or ceramics.

- 1.2.3 Foundation blocks, brick lining of furnaces, ovens and containers, firing grids, burner nozzles.
- 1.2.4 Fuels, filter fillings, cooling media, cleaning products, lubricants, oil fillings.
- 1.2.5 Catalysts, chemicals, contact agents.
- 1.2.6 Excess amounts to be borne by the Insured. (If several items are affected by the same accident the highest excess only will be applied)

2. Insured Perils

- 2.1. The company indemnifies sudden and unforeseen physical loss or damage, necessitating its repair or replacement and resulting form.
 - 2.1.1. Fortuitous working accidents such as maladjustment, loosening of parts, failures or faults in protective devices, entry of foreign bodies.
 - 2.1.2. Tearing apart due to centrifugal forces.
 - 2.1.3. Shortage of water in steam boilers or pressure vessels.
 - 2.1.4. Over-pressure, except when caused by occurrences excluded under para. 3.1.3., or implosion.
 - 2.1.5. Short circuit, over-voltage or over-current, except when caused by occurrences excluded under para 3.1.3.
 - 2.1.6. Defects or faults in design, material or manufacturing and faults in erection.
 - 2.1.7. Faulty operation, lack of skill, carelessness, malevolence of employees.
 - 2.1.8. Storm.
 - 2.1.9. Any other accident not hereinafter excluded.

3. Excluded Perils

- 3.1 The company shall not be liable for loss or damage due to:
 - 3.1.1 Corrosion, erosion, wasting or wearing of any part of machinery caused by ordinary use of working and any other continuous chemical or atmospheric influence, undue deposits of rust, mud, boiler scale or other deposits.
 - 3.1.2 Breakdown caused by test, intentional overloading or experiments involving the imposition of abnormal conditions.

- 3.1.3 Fire, explosion, lightning, whether direct or indirect, extinguishing of fire, subsequent demolition, dismantling and clearance of debris.
- 3.1.4 Earthquake, seaquake, tsunami, subsidence, landslide, rockfall, flood, inundation, hurricane, typhoon, cyclone, volcanic eruption.
- 3.1.5 Theft, burglary.
- 3.1.6 Damage arising out of wilful act, wilful negligence by the Insured or its management.
- 3.1.7 Any faults or defects existing at the time of commencement of the present insurance within the knowledge of the insured or its management.
- 3.1.8 Loss or damage for which the manufacturer or supplier of the property is responsible either by law or under contractual obligations.
- 3.1.9 Consequential loss, damage or liability of any nature.
- 3.1.10 War, invasion, acts of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war, mutiny, insurrection, rebellion, revolution, conspiracy, military or usurped power, martial law, riot and civil commotion, malicious damage, sabotage and terrorism, strike, lock-out, confiscation, commandeering requisition or destruction of or damage to property by order of any government de jure or de facto of any public municipal or local authority.
- 3.1.11 i) Loss destruction or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss
 - ii) any legal liability of whatsoever nature

directly or indirectly caused by or contributed to by or arising from ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel. For the purpose of this exclusion only combustion shall include any self-sustaining process of nuclear fission.
- 3.1.12 Any loss, destruction, damage or legal liability directly or indirectly caused by or contributed to by or arising from nuclear weapons material.

4. Sum Insured

- 4.1. It is a requirement of this insurance that the sum insured shall be equal to the cost of replacement of the insured machinery and plant by new machinery of the same specifications and same capacity including all freight costs to site, erection costs and customs duties and other dues.
- 4.2. If on the date of the accident the sum insured of the damaged item of machinery is less than its cost of replacement (as defined under para 4.1.) the company will pay the claim only in such proportion as the sum insured for the damaged item, as shown in the schedule, bears to its replacement cost.

5. Basis of Indemnity

- 5.1. In case where damage to an insured item can be repaired the company will pay expenses necessarily incurred to restore the damaged machine to the operating conditions in which it was before the occurrence of the damage. If the value of one item or a part thereof is increased by the repair, the liability of the company shall be reduced by the amount of such increase.

The company will also pay dismantling and re-erection charges incurred for the purpose of effecting the repairs as well as ordinary freight charges, customs duties and dues, if any. If the repairs are executed at a workshop owned by the Insured, the company will pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges. The value of any salvaged material shall be deducted.

- 5.2. In cases where an insured item is destroyed or if the cost of repairs equals or exceeds the actual value of the machinery insured immediately before the occurrence of the damage, the settlement shall be made as follows:

The company will pay the actual value of the item immediately before the occurrence of the loss, including costs for ordinary freight, erection and customs duties, if any, such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The company will also pay any normal charges for the dismantling of the machinery destroyed, but the value of any material salvaged will be deducted.

- 5.3. The cost of any alterations, additions, improvements or overhauls carried out at the time of repairs shall not be recoverable.
- 5.4. The costs 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 costs.
- 5.5. The company may at its own option repair, reinstate or replace any property lost or damaged or pay in cash the amount payable hereunder.
- 5.6. The liability of the company for any item of machinery shall not exceed in the aggregate in any annual period of insurance the sum set against such item in the schedule.
- 5.7. Unless otherwise specifically provided for in the policy any extra charges incurred in connection with a claim covered by this policy, for overtime, night-work, work on public holidays, express and air freight, shall not be reimbursed.

General Conditions

- 6.1. The Insured shall take all reasonable steps to maintain the insured property in efficient working order and to ensure that no item is habitually or intentionally overloaded. The Insured shall fully observe the manufacturers' instructions for operating, inspection and

overhaul, as well as government, statutory, municipal and all other binding regulations in force concerning the operation and maintenance of the insured plant and machinery.

6.2. The company's officials shall at all reasonable times have the right to inspect and examine any property insured hereunder and the Insured shall provide the officials of the company with all details and information necessary for the assessment of the risk. The Company shall provide the Insured with a copy of the inspecting official's report, which shall however be treated as strictly confidential, both by the Insured and the Company.

6.3. In the event of any

6.3.1. material change in the original risk.

6.3.2. alteration, modification or addition to an insured item.

6.3.3. Departure from prescribed operating conditions, whereby the risk of loss or damage increases.

6.3.4. Changes in the Insured's interest (such as discontinuation or liquidation of the business or being placed in receivership)

Taking place, the policy shall be avoided unless its continuance be agreed by endorsement signed by the company.

6.4. In the event of any occurrence which might give rise to a claim under the policy, the Insured shall:

6.4.1. immediately notify the company by telephone or telegram as well as in writing and supply all such particulars and proofs of claim as may be required by the company.

6.4.2. take all steps within his power to minimise the extent of the loss or damage.

6.4.3. Preserve the damaged property and make it available for inspection by a representative or surveyor of the company.

The company shall not in any case be liable for loss, damage or liability of which no notice has been received by the company within 14 days of its occurrence.

The liability of the company under this policy in respect of any item of property sustaining damage, for which indemnity is provided, shall cease thereafter if the said item continues to be in operation without being repaired to the satisfaction of the company.

Upon notification of a claim being given to the company, the Insured may carry out repairs or replacement of any minor damage, but in all other cases a representative of the company shall have the opportunity of inspecting the damage before any repairs or alterations are effected. Nothing contained herein shall prevent the Insured from taking such steps as are absolutely necessary for the security and continuation of the operations.

The Insured shall not be entitled to abandon any property to the company whether taken possession of by the company or not.

- 6.5. 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 shall be or would become entitled or subrogated upon their paying for or making good any loss or damage under this policy, whether such acts and things shall be or become necessary or required before or after the Insured's indemnification by the company.
- 6.6. All differences arising out of this policy 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 to be appointed in writing by the Arbitrators before entering upon the reference. The Umpire shall sit with the Arbitrators and preside at their meetings. The making of an award shall be a condition precedent to any right of action against the company.
- 6.7. If a claim is in any respect fraudulent, or if any false declaration is made or used in support thereof, or if any fraudulent means or devices are used by the Insured or anyone acting on his behalf to obtain any benefit under the Policy, or if a claim is made and rejected and no action, suit, or reference to arbitration is commenced within three months after such rejection or, in case of arbitration taking place as provided herein, within three months after the arbitrator or Arbitrators or Umpire have made their award, all benefit under this policy shall be forfeited.
- 6.8. This insurance may be terminated at the request of the Insured at any time, in which case the company will retain the customary short period rate for the time the policy has been in force. This insurance may equally be terminated at the option of the company by ten days notice to that effect being given to the Insured in which case the company shall be liable to repay a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the company may have incurred.
- 6.9. This insurance is not to be called upon in contribution and is only to pay any loss hereon if and so far as not recoverable under any other insurance.

For TAKAFUL INTERNATIONAL