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(Licensed under the Financial Services Act 2013 and regulated by Bank Negara Malaysia)
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QBE Machinery Breakdown Loss Of Profit Cover POLICY

QBE INSURANCE (MALAYSIA) BERHAD welcomes you as a Policyholder and we take this opportunity to recommend that you thoroughly examine this Document which sets out the limitations and benefits of the insurance. Please store it in a safe place.

Should you have any query, please contact your Registered Agent/Broker or our QBE office, especially if the insurance is not completely in accordance with your intentions.

MBDLOP0002-Q-0115 (NON-CONSUMER)



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A. THE COVER`

1. PREAMBLE

This Policy is issued in consideration of the payment of premium as specified in the Policy Schedule and pursuant to the answers given in Insured's Proposal Form (or when Insured applied for this insurance) and any other disclosures made by Insured between the time of submission of Insured's Proposal Form (or when Insured applied for this insurance) and the time this contract is entered into. The answers and any other disclosures given by Insured shall form part of this contract of insurance between Insured and QBE INSURANCE (Malaysia) BERHAD (hereinafter called "the Company"). In the event of any pre-contractual misrepresentation made in relation to Insured's answers or in any disclosures made by Insured, it may result in avoidance of Insured's contract of insurance, refusal or reduction of Insured's claim(s), change of terms or termination of Insured's contract of insurance.

This Policy reflects the terms and conditions of the contract of insurance as agreed between Insured and Company.

The Company hereby agree with the Insured that if during the period of insurance or any renewal thereof the business carried on by the Insured at the premises specified in the schedule is interrupted or interfered with in consequence of an accident (as hereinafter defined) of any machinery described in the list of machinery and plant insured, then the Company shall in respect of each subject matter insured indemnify the Insured against the amount of loss as hereinafter defined resulting from such interruption or interference

Provided that the liability of the Company in no case exceeds in respect of each subject matter insured in anyone year of insurance the sum expressed in the schedule to be insured thereon or in the whole the total sum insured hereby or such other sum or sums as may hereinafter be substituted therefor by endorsement signed by or on behalf of the Company.

B. GENERAL EXCLUSIONS

1. Fire And Extraneous Perils

loss or damage due to fire, direct lightning, chemical explosion, extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft or attempts thereat, collapse of buildings, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes;

2. Imposition Of Abnormal Conditions

loss or damage due to the imposition of abnormal conditions directly or indirectly resulting from testing, intentional overloading or experiments;

3. Responsibility Of Supplier, Contractor Or Repairer

loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract;

4. Existing Faults And Defects

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;

5. Wilful Act And Negligence

loss or damage arising out of the willful act or gross negligence of the Insured or his representatives;

6. War, Civil Commotion

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, a group of malicious persons or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation, commandeering, requisition or destruction of or damage to property by order of any government de jure or de facto or by any public authority;

7. Radioactivity

any consequence of nuclear reaction, nuclear radiation or radioactive contamination;

8. Specific Parts And Tools

loss of or damage to

- (a) foundations and masonry, unless specifically included and described in the list of machinery and plant insured;
- (b) exchangeable and replaceable parts such as bits, drills, knives, saw blades;
- (c) dies, moulds, patterns, blocks, stamps, punches, coatings or engravings on cylinders and rolls;
- (d) parts which by their use and/or nature suffer a high rate of wear or depreciation such as crushing surfaces, balls, hammers, screens and sieves, engraved soft metal cylinders, wear plates, elevator and conveyor belts or bands, chains, flexible pipes, jointing and packing materials, filter cloths, parts made of glass, rubber, textile or synthetics, grinding wheels, ropes, belts, straps, cables other than electrical conductors, brushes, batteries, tyres, refractory materials, grate bars, burner jets;
- (e) operating media such as fuels, chemicals, catalysts, filter substances, heat transfer media, cleansing agents, lubricants;

9. Wear And Tear

repair or replacement necessitated by direct damage due to wear and tear, corrosion, erosion, deposits of scale, sludge or other sediment, rust or scratching of painted or polished surfaces, or by any other direct consequences of progressive or continuous influences from working or atmospheric or chemical action, but the Company shall be liable for any loss resulting from interruption or interference caused by damage arising from such causes and otherwise insured by this Policy;

10. State Of Raw Material And The Like

shortage, destruction, deterioration of or damage to raw materials, semi-finished or finished products or other materials required for proper operation, even if the consequence of material damage to an item indicated in the list of machinery and plant insured is involved;

11. Action Of Public Authority

any restrictions on reconstruction or operation imposed by any public authority;

12. Financial Constraints

the Insured not having at his disposal in good time sufficient capital for repairing or replacing destroyed or damaged machinery;

13. Loss To Uninsured Machinery And Plant

loss of or damage to machinery, mechanical installations and their additional installations or other items which are not listed in the list of machinery and plant insured, even if the consequence of material damage to an item indicated in the list of machinery and plant insured is involved;

14. Invalidity Of License, Lease Or Order

loss of business due to causes such as suspension, lapse or cancellation of a lease, license or order, etc. which occurs after the date when the machinery affected by an accident is again in operating condition and the business could have been resumed, if said lease, license or order, etc. had not lapsed or had not been suspended or cancelled.

15. Terrorism

Any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss, notwithstanding any provision to the contrary within this insurance or any endorsement thereto

For the purpose of this endorsement an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This endorsement also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

16. Electronic Data

For loss or damage as a result of, notwithstanding any provision to the contrary in the Policy or any endorsement thereto,

- (a) i) total or partial destruction, distortion, erasure, corruption, alteration, misinterpretation or misappropriation of ELECTRONIC DATA,
- ii) error in creating, amending, entering, deleting or using ELECTRONIC DATA, or
- iii) total or partial inability or failure to receive, send, access or use ELECTRONIC DATA - for any time or at all,

from any cause whatsoever, regardless of any other contributing cause or event whenever it may occur

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, display, distribution, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and Includes programmes, software and other coded instructions for such equipment.

- (b) However, in the event that a peril listed below (being a peril insured by this policy but for this exclusion) is caused by any of the matters described in paragraph (a) above, this Policy, subject to all its provisions, will insure:
 - i) physical loss of or damage or destruction to Property Insured directly caused by such listed peril, and/or
 - ii) consequential loss insured by this Policy.

Further, this exclusion does not apply in the event that a peril listed below (being a peril insured by this policy but for this exclusion) causes any of the matters described in paragraph (a) above:

Fire, Explosion, Lightning, Windstorm, Hail, Tornado, Cyclone, Hurricane, Earthquake, Volcano, Tsunami, Flood, Freezing, Weight of Snow, Impact by Aircraft or other aerial objects dropped therefrom, Impact by any Road Vehicle or Animal, Bursting Overflowing Discharging or Leaking of Water Tanks Apparatus or Pipes, or Theft of Electronic Data solely where such Theft is accompanied by Theft of the computer hardware, firmware, medium, microchip, integrated circuit or similar device containing such Electronic Data.

- (c) For the purposes of the Basis of Settlement provision in this Policy, computer systems records includes Electronic Data as defined in paragraph (a) above.

Any terrorism exclusion in this Policy or any endorsement thereto prevails over this endorsement.

C. BASIS OF INSURANCE

The cover provided under this Policy shall be limited to loss of gross profit due to reduction in turnover and increase in cost of working and the amount payable as indemnity hereunder shall be

- a) in respect of reduction in turnover: the sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period, in consequence of the accident, falls short of the standard turnover
- b) in respect of increase in cost of working: 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 accident, 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 and expenses of the business payable out of the gross profit as may cease or be reduced in consequence of the accident,

provided that if the sum insured hereunder is less than the sum produced by applying the rate of gross profit to the annual turnover, the amount payable is proportionately reduced.

D. DEFINITIONS

1. Gross Profit

The amount by which the sum of the value of the turnover and the value of the closing stock exceed the sum of the value of the opening stock and the amount of the specified working expenses. The values of the opening and closing stocks shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

2. Specified Working Expenses

The variable expenses of the business which are not insured by this Policy:

- i) turnover and purchase taxes
- ii) purchases (less discounts received)
- iii) carriage, packing and freight

3. Turnover

The money (less discounts allowed) paid or payable to the insured for goods sold and delivered and for services rendered in the course of the business at the premises.

4. Indemnity Period And Time Excess

The period not exceeding the indemnity period limit stated in the list of machinery and plant insured commencing with the occurrence of the accident during which the results of the business are affected in consequence of such accident, provided always that the Company are not liable for the amount of loss arising during the time excess, such time excess to commence as from the beginning of the interruption of or interference with the business resulting in a claim under this Policy.

5. Rate Off Gross Profit

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

6. Standard Turnover

The turnover during that period in the twelve months immediately before the date of the accident which corresponds to the indemnity period

to which such adjustments above (rate of gross profit and standard turnover) are made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the accident or which would have affected the business had the accident not occurred, so that the figures thus adjusted represent as nearly as may be reasonably practicable the results which but for the accident would have been obtained during the relative period after the accident.

7. Annual Turnover

The turnover which the Insured would have been able to obtain but for the accident during the twelve months immediately before either the date when the business is no longer affected or when the indemnity period ends, whichever occurs first.

8. Accident

Unforeseen and sudden physical loss or damage occurring to the insured machinery and necessitating its immediate repair or replacement due to causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, malice, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm, or any other cause not specifically excluded hereinafter whilst such machinery is

- i) working or at rest,
- ii) being dismantled, moved or re-erected for the purpose of cleaning, inspection, repair or installation at another location within the premises, provided such machinery has successfully completed its performance acceptance tests.



E. PROVISIONS

Memo 1 - Benefits From Other Premises

If during the indemnity period goods are sold or services are rendered elsewhere than at the premises for the benefit of the business either by the Insured or by others acting on his behalf, the money paid or payable in respect of such sales or services shall be taken into account in arriving at the turnover during the indemnity period.

Memo 2 - Return Of Premium

If the Insured declares at the latest six months after the expiry of any policy year that the gross profit earned during the accounting period of twelve months most nearly concurrent with any period of insurance, as certified by the Company's auditors, was less than the sum insured thereon, a pro rata return of premium not exceeding one third of the premium paid on such sum insured for such period of insurance shall be made in respect of the difference.

If any accident has occurred giving rise to a claim under this Policy, such return shall be made in respect only of so much of said difference as is not due to such accident.

Memo 3 - Relative Importance

The term "relative importance" referred to in the list of machinery and plant insured shall be the percentage effect which a breakdown of a particular machine will have on the total gross profit, disregarding any loss-minimizing measures. If in the event of an accident affecting an insured item of machinery the percentage of relative importance stated in the list of machinery and plant insured for this item is lower than the actual percentage of relative importance subsequently arrived at for the period of interruption, the Company shall only be liable to indemnify the proportion which the percentage of relative importance stated in the list of machinery and plant insured bears to the actual percentage.

Memo 4 - Overhauls

In calculating the loss, due allowance shall be made for the time spent on any overhauls, inspections or modifications carried out during any period of interruption.

Memo 5- Benefits After Recommissioning

If during a period of six months immediately following the recommissioning of insured machinery after an accident, the Insured derives benefits from deferred sales or from increased production and/or profits as a consequence of an interruption, such benefits shall be taken into account in determining the indemnity payable under this Policy.

Memo 6 - Reinstatement Of Sum Insured

For the period following the occurrence of an accident up to the end of the policy period the sum insured shall be reinstated by payment of an additional premium on a pro rata basis, such premium to be calculated from that part of the sum insured which corresponds to the indemnity paid; the agreed sum insured shall remain unaltered.

Memo 7 - Material Damage Cover For Machinery Insured

The machinery described in the list of machinery and plant insured shall be covered against machinery breakdown during the currency of this Policy.

F. GENERAL CONDITIONS

1. Duty of Disclosure

Where Insured have applied for this Insurance wholly for purposes related to Insured's trade, business or profession, Insured had a duty to disclose any matter that Insured know to be relevant to Insured and Company decision in accepting the risks and determining the rates and terms to be applied and any matter a reasonable person in the circumstances could be expected to know to be relevant otherwise it may result in avoidance of Insured's contract of insurance, refusal or reduction of Insured's claim(s), change of terms or termination of Insured's contract of insurance.

Insured also have a duty to tell Company immediately if at any time after Insured's contract of insurance has been entered into, varied or renewed with Company any of the information given in the Proposal Form (or when Insured applied for this insurance) is inaccurate or has changed.

2. Identification

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. Compliance

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. Material Alteration

- (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 by telegram and 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, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly.
- (c) Dismantling and reassembling in connection with any examinations shall be carried out by the Insured on such date or dates as the Company and the Insured mutually agree upon or the making of such examinations.

No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the cover provided under this Policy is confirmed in writing by the Company.

5. Complete Records

The Insured shall be obliged to keep complete records. All records, e.g. inventories, production and balance sheets, for the three preceding years shall be held in safe keeping or, as a precaution against their being simultaneously destroyed, the Insured shall keep separate sets of such records.

6. Claims Notification

In the event of any occurrence which gives rise or is likely to give rise to a claim under this Policy, the Insured shall

- (a) immediately notify the Company by telephone or telegram and send them written confirmation thereof within forty-eight hours of the occurrence;
- (b) do and concur in doing and permit to be done all such things as may be reasonably practicable to minimise or establish the extent of any interruption of or interference with the business or to avoid or diminish the loss resulting therefrom;
- (c) as far as may be reasonably practicable, without causing any increase in the period of interruption or interference, take precautions to preserve any things which might prove necessary or useful by way of evidence in connection with any claim;
- (d) discontinue the use of any damaged machinery unless the Company authorise otherwise, and the Company shall not be liable in respect of any further interruption or interference arising out of the continued use of any damaged machinery without their having given their consent to such use until said machinery has been repaired to the satisfaction of the Company.

7. Claims Documentation

In the event of a claim being made under this Policy not later than thirty days after the expiry of the indemnity period or within such further times as the Company may allow in writing, the Insured shall at his own expense deliver to the Company a written statement setting forth particulars of his claim together with details of all other policies covering the accident or any part of it or consequential loss of any kind resulting therefrom, and the Insured shall at his own expense also produce and furnish to the Company such books of account and other business books, e. g. Invoices, balance sheets and other documents, proofs, information, explanation and other evidence as may reasonably be required by the Company for the purpose of investigating or verifying the claim, together with, if required, a statutory declaration of the truth of the claim and of any matters connected therewith.

8. Insurer's Right To Take Over Repairs And Replacements

In the event of an accident to any insured machinery likely to give rise to a claim hereunder the Company shall have the right to take over and control all necessary repairs or replacements.

9. Insurer's Right To Keep Possession

In the event of any occurrence in respect of which a claim is or may be made under this Policy the Company and every person authorised by the Company may, without thereby incurring any liability and without diminishing the right of the Company to rely upon any condition of this Policy, enter any building where the loss has happened and may take possession of or require that any of the machinery be rendered to them and may keep possession of and deal with such machinery for all reasonable purposes and in any reasonable manner. This condition shall be evidence of the leave and licence of the Insured to the Company so to do. If the Insured or anyone acting on his behalf does not comply with the requirements of the Company or hinders or obstructs the Company during any of the abovementioned acts, then all benefit under this Policy shall be forfeited.



10. Subrogation

The Insured shall at the expense of the Company do and concur in doing and permit to be one all such acts and things as may be necessary or required by the Company in the interest of any right 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 would be subrogated to them on 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.

11. Arbitration

If any difference arises as to the amount of any loss or damage such difference shall independently of all other questions 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 disinterested persons as Arbitrators, of whom one shall be appointed in writing by each of the parties within two (2) calendar month after having been required so to do in writing by the other party.

In case either party shall refuse or fail to appoint an Arbitrator within two (2) calendar month after receipt of notice in writing requiring an appointment, the other party shall be at liberty to appoint a sole Arbitrator; and in case of disagreement between the Arbitrators, the difference shall be referred to the decision of an Umpire who shall have been appointed by them in writing before entering on the reference, and who shall sit with the Arbitrators and preside at their meetings.

The death of any party shall not revoke or affect the authority or powers of the Arbitrator, Arbitrators or Umpire respectively; and in the event of the death of an Arbitrator or Umpire, another shall in each case be appointed in his stead by the party or Arbitrators (as the case may be) by whom the Arbitrator or Umpire so dying was appointed.

The costs of the reference and of the award shall be in the discretion of the Arbitrator, Arbitrators or Umpire making the award. And it is hereby expressly stipulated and declared that it shall be a condition precedent to any right of action or suit upon this policy that the award by such Arbitrator, Arbitrators or Umpire of the amount of the loss or damage if disputed shall be first obtained.

12. Fraudulent Claim And Repudiation

- (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 (3) months after such disclaimer or (in the case of arbitration taking place in pursuance of Condition 11 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.

13. Sanction Limitation and Exclusion

The (re)insurer shall not provide cover nor be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose the insurer or any member of the insurer's group to any sanction, prohibition or restriction under United Nations resolutions, Australian autonomous sanctions, or the trade or economic sanctions, laws or regulations of any country.

14. Other Insurance

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.

The Company shall not be liable to pay for or contribute to any loss which but for the existence of this Policy is or would be Insured by any Loss of Profits policy covering Marine risks or Fire and/or Explosion risks.

15. Determination Of Minimum Amount Of Liability

The indemnity shall fall due two weeks after its final determination. If after the expiry of one month since the beginning of an interruption of or interference with the business and after the expiry of each further month it is possible to determine the minimum amount which the Company are liable to pay for the elapsed period of interruption, the Insured shall be entitled to demand that such amount be paid to him as an installment of the total indemnity.

The Company shall be entitled to postpone payment

- (a) if there is any doubt as to the Insured's right to receive payment, until the necessary proof is furnished;
- (b) if, as a result of any physical loss or damage or any interruption of or interference with the business, police or penal investigations have been initiated against the Insured, until the completion of such investigations.

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

16. Avoidance Of Policy

Should at anytime after the commencement of this Policy

- (a) the business be wound up or carried on by a liquidator or receiver or be permanently discontinued,
- (b) the insured's interest cease otherwise than-by death,
- (c) any alteration be made whereby the risk of accident is increased,
- (d) the retention of standby or spare machinery or any other loss-minimizing factors in existence when the insurance was effected be reduced or discontinued, or such standby or spare machinery be not maintained in an efficient working condition and available for immediate use,

then this Policy shall be avoided unless its continuance is admitted by a special written statement signed by or on behalf of the Company.



17. Termination

This Policy may be terminated at the request of the Insured at any time, in which case the Company shall retain the customary short-period rate for the time this Policy has been in force. This Policy may equally be terminated at the option of the Company by seven (7) 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 cancellation less any reasonable inspection charges the Company may have incurred.

18. Premium Warranty

It is a fundamental and absolute special condition of this contract of insurance that the premium due must be paid and received by the Company within sixty (60) days from the inception date of this policy/endorsement/renewal certificate.

If this condition is not complied with then this contract is automatically cancelled and the Company shall be entitled to the pro rata premium for the period they have been on risk.

Where the premium payable pursuant to this warranty is received by an authorised agent of the Company, the payment shall be deemed to be received by the Company for the purposes of this warranty and the onus of proving that the premium payable was received by a person, including an Insurance agent, who was not authorised to receive such premium shall lie on the Company.

G. IMPORTANT NOTICE:

The following are channels available for complaints on insurance related matters. You can contact our Complaint Unit for assistance at 03-7861 8400 or the following authorised bodies

FINANCIAL MEDIATION BUREAU (FMB)

LEVEL 25, DATARAN KEWANGAN DARUL TAKAFUL
NO. 4 JALAN SULTAN SULAIMAN
50000 KUALA LUMPUR
TEL: 03-2272 2811
FAX: 03-2274 5752

DIRECTOR

LAMAN INFORMASI NASIHAT DAN KHIDMAT (LINK)
TINGKAT BAWAH, BLOK C
BANK NEGARA MALAYSIA
TINGKAT 14B PETI SURAT 10922,
50929 KUALA LUMPUR
TEL: 03-2698 8044 FAX: 03-2693 6919