

Engineering Plant Business Interruption Insurance Policy



Operative Clauses

Subject to the payment of premium, We agree that if during the Period of Insurance any Plant described in the Plant Schedule and used by You at the Premises for the purpose of The Business suffers Insured Damage and the Business carried on by You at the Premises is solely as a result of the Insured Damaged interrupted or interfered with, We will Indemnify You with respect to the amount of loss resulting from that interruption or interference in accordance with the provisions contained in this Policy and subject to the terms, conditions and exceptions which are set out. Provided that our liability shall not exceed the Limit of Indemnity set against each item in the Policy Schedule.

This Policy and Schedules shall be read together as one contract and any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedules shall bear that meaning wherever it may appear.

Engineering Plant Business Interruption

Insurance Policy

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Policy Definitions

For the purpose of this policy the following definitions apply:

You, Your means the Insured named in the Schedule.

We, Us, Our means the Insurer named in the Schedule.

Insured Damage means any sudden unforeseen physical loss or damage, which may include but is not limited to the actual breaking, seizing, deformation, burning out or explosion of any part of the Plant, sufficient to prevent the Plant undertaking its normal operation and necessitating repair or replacement before normal operation can be resumed and which occurs during the Period of Insurance, and which gives rise to a claim which is admitted under Your Engineering Plant Insurance Policy specified in the Policy Schedule, or would be admitted but for the application of any deductible.

Gross Profit is the amount by which:

- (a) the sum of the Turnover and the amount of the closing stock shall exceed
- (b) the sum of the amount of the opening stock and the amount of the Uninsured Working Expenses as specified in the Policy Schedule.

Note:

The amount of the opening and closing stock shall be arrived at in accordance with Your accounting procedures after making due allowances for depreciation.

Turnover is the money (less any discounts allowed) which is paid or payable to You for goods sold and delivered and for services rendered in the course of carrying on The Business at The Premises.

Payroll means the remuneration (including but not limited to payroll tax, fringe benefits tax, sick pay, accident compensation levies, bonuses, holiday pay, workers compensation insurance premiums, superannuation and pension fund contributions and the like) paid to or on behalf of all employees employed in The Business.

Rate of Gross Profit is the Rate of Gross Profit earned on the Turnover during the financial year immediately before the occurrence of the Insured Damage.

Annual Turnover is the Turnover during the twelve months immediately before the occurrence of the Insured Damage.

Standard Turnover is the Turnover during that period in the twelve months immediately before the occurrence of the Insured Damage which corresponds with the Indemnity Period.

Rate of Payroll is the Rate of Payroll to Turnover during the financial year immediately before the occurrence of the Insured Damage.

Note:

There shall be made adjustments to the Rate of Gross Profit, Annual Turnover, Standard Turnover and Rate of Payroll 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 occurrence of the Insured Damage or which would have affected The Business had the Insured Damage not occurred, so that the figures thus adjusted shall represent as nearly as may be practicable the results which but for the Insured Damage would have been obtained during the relevant period after that date.

Indemnity Period is the period beginning with the occurrence of Insured Damage and ending not later than the number of months specified in the Policy Schedule during which the results of The Business shall have been affected as a result solely and directly of the Insured Damage.

Time Deductible is the period beginning with the occurrence of the Insured Damage and ending not later than the period specified in The Policy Schedule. You are not insured for any loss arising out of an interruption during this period.

Dollar Deductible We will first subtract the deductible shown in the Policy Schedule from the amount we would otherwise pay. We will then pay to You the amount of loss or expense in excess of the deductible up to the applicable limit of loss.

Uninsured Working Expenses means:

- (1) all purchases (less any discounts received)
- (2) discounts allowed
- (3) bad debts
- (4) carriage, packing and freight
- (5) other Uninsured Working Expenses as specified in the Policy Schedule.

Situation means the Situation(s) specified in the Policy Schedule at which the Insured Plant is Located.

Period of Insurance is the period referred to in the Policy Schedule.

Schedule means the Schedule(s) attached to this policy or any later Schedule issued on renewal or variation or by way of endorsement.

The Business means The Business as specified in the Schedule carried on by You at the Premises at the commencement of the Period of Insurance.

Premises means the Situation specified in the Schedule.

Basis of Claims Settlement

Item No. 1 – Gross Profit

The Insurance provided by this Item is limited to the loss of Gross Profit due to (a) REDUCTION IN TURNOVER and (b) INCREASE IN COST OF WORKING and the amount payable 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 shall in consequence of the Insured Damage fall short of the Standard Turnover;
- (b) in respect of Increase in Cost of Working – the additional expenditure (subject to the provisions of memo 3) 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 Insured Damage, 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 Gross Profit as may cease or be reduced in consequence of the Insured Damage.

Provided that if the Limit of Indemnity provided by this item is less than the sum produced by applying the rate of Gross Profit to the Annual Turnover, (or its proportionately increased multiple thereof, where the Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced.

Item No. 2 – Fees

The Insurance provided by this item is to cover such reasonable professional fees as may be payable by You and such other reasonable expenses necessarily incurred by You, for preparation of claims under this Policy.

Item No. 3 – Payroll (Dual Basis)

The Insurance under this Item is limited to loss in respect of Payroll and the amount payable as Indemnity shall be

- (a) In respect of Reduction of Turnover
 - (i) during the portion of the Indemnity Period beginning with the occurrence of the Insured Damage and ending not later than the number of weeks thereafter specified in the Policy Schedule, the sum produced by applying the Rate of Payroll to the Shortage in Turnover during that portion of the Indemnity Period less any saving during the said portion of the Indemnity Period through reduction in the amount of Payroll paid in consequence of the Insured Damage.
 - (ii) during the remaining portion of the Indemnity Period the sum produced by applying the Rate of Payroll to the Shortage in Turnover during that remaining portion of the Indemnity Period less any saving during that period through reduction in the amount of Payroll paid but not exceeding the sum produced by applying the percentage of the Rate of Payroll specified in the Policy Schedule to the Shortage in Turnover during the said remaining portion of the Indemnity Period, increased by such amount as is deducted for savings under the terms of Clause (i).

NOTE: CONSOLIDATION

At Your option the number of weeks referred to in Clause (a) (i) above may be increased to the number of weeks specified in the Policy Schedule under the heading Consolidation Period provided that the amount arrived at under the provisions of Clause (a) (ii) shall not exceed such amount as is deducted under Clause (a) (i) for savings effected during the said increased number of weeks.

- (b) In respect of Increase Cost of Working

so much of the additional expenditure described in Clause (b) of Item 1 as exceeds the amount payable thereunder but not more than the additional amount which would have been payable in respect of Reduction in Turnover under the provisions of Clauses (a) (i) and (ii) of this Item had such expenditure not been incurred.

Provided that if the Limit of Indemnity by this item is less than the sum produced by applying the Rate of Payroll to the Annual Turnover, (or its proportionately increased multiple thereof, where the Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced.

Item No. 4 – Payroll (Period Basis)

The Insurance under this Item is limited to loss in respect of Payroll for the period beginning with the occurrence of the Insured Damage and ending not later than the number of weeks thereafter specified in the Policy Schedule.

The Indemnity under this Item shall be the actual amount which You shall pay as Payroll for such period to employees whose services cannot in consequence of the Insured Damage be utilised by You at all and an equitable part of the Payroll paid for such period to employees whose services cannot in consequence of the Insured Damage be utilised by You to the full.

Provided that if the Limit of Indemnity by this item be less than the aggregate amount of the Payroll that would have been paid during the same number of weeks (specified in the Policy Schedule) immediately following the occurrence of the Insured Damage had the Insured Damage not occurred, the amount payable shall be proportionately reduced.

Item No. 5 – Additional Expenditure

The Insurance under this Item is limited to such further additional expenditure beyond that recoverable under Clause (b) of Item Nos. 1 and 3 as You shall necessarily and reasonably incur during the Indemnity Period in consequence of the Insured Damage for the purpose of avoiding or diminishing the reduction in turnover and/or resuming or maintaining the Business.

Policy Provisions

Memo 1 – Benefits from Other Premises

If during the Indemnity Period goods shall be sold or services shall be rendered elsewhere than at The Premises for the benefit of The Business either by You or by others on Your behalf the money paid or payable in respect of such sales or services shall be brought into the account in arriving at the Turnover during the Indemnity Period.

Memo 2 – Return Premium

In the event of the Gross Profit earned (or a proportionately increased multiple thereof where the maximum Indemnity Period exceeds twelve months) during the financial year most nearly concurrent with any Period of Insurance as certified by Your auditors being less than the Limit of Indemnity thereon a pro rata return of premium not exceeding fifty per cent (50%) of the premium paid on such Limit of Indemnity for such Period of Insurance will be made in respect of the difference. If any Insured Damage shall have occurred, giving rise to a claim under this Policy, such return shall be made in respect only of so much of the said difference as is not due to such Insured Damage.

Memo 3 – Uninsured Working Expenses

If any fixed costs and expenses of The Business be not insured by the Policy (having been deducted in arriving at the Gross Profit as defined herein) then in computing the amount recoverable hereunder as Increase in Cost of Working that proportion only of the additional expenditure shall be brought into account which the Gross Profit bears to the sum of the Gross Profit and the Uninsured fixed costs and expenses.

Memo 4 – Reinstatement of Sum Insured

In the event of any claim having occurred under this Policy and in the absence of written notice by the Insured to the contrary, the amount of insurance cancelled by such claim is to be automatically reinstated as and from the date of the damage, the insured undertaking to pay the appropriate additional premium as may be required for such reinstatement from that date.

Memo 5 – 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.

Policy Exclusions

This Policy does not cover loss resulting directly or indirectly from:

1. war and riot risks, including any consequence whether direct or indirect of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power, riot, strike, lock-out or civil commotion, looting, sacking or pillaging following the same or resulting from confiscation, nationalisation, requisition or damage to property by or under the order of any Government or Public or Local Authority;
2. nuclear risks, being loss or destruction of or damage to any property or any legal liability of any nature directly or indirectly caused by or contributed to by or arising from ionising radiation or contamination by radioactivity from any nuclear fuel, nuclear weapons material or from any nuclear waste from the combustion of nuclear fuel. For the purpose of this Exception only, combustion shall include any self-sustaining process of nuclear fission;
3. any restrictions on reconstruction or operation imposed by any public authority;
4. the Insured not having at his disposal in good time sufficient capital for repairing or replacing destroyed or damaged machinery;
5. 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 loss or damage is in consequence of Insured Damage to an item specified in the Plant Schedule;
6. loss of Business due to causes such as suspension, lapse or cancellation of a lease, licence or order, etc. which occurs after the date when the machinery affected by an Insured Damage is again in operating condition and the Business could have been resumed, if said lease, licence or order, etc. had not lapsed or had not been suspended or cancelled.

General Policy Conditions

1. Plant Insurance

No cover is granted under this Policy unless at the time of the occurrence of the Insured Damage You shall have in force Insurance covering damage to the Plant and payment shall have been made or liability admitted under that Insurance.

2. Alterations to the Business

All cover under this Policy will terminate if:

- (a) the Business is wound up or carried on by a liquidator or receiver or permanently discontinued, or
- (b) Your interest in The Business ceases otherwise than by Your death, or
- (c) any alteration is made in The Business or in the Premises or the property contained in the Premises which increases the risk of Insured Damage occurring

unless We agree otherwise in writing.

3. Claims

On the happening of any event which might give rise to a claim under this Policy:

- (a) You shall forthwith give notice in writing to Us;
- (b) You shall with due diligence do and agree to do and allow to be done all things which may be reasonably practicable to minimise or arrest any interruption or interference with The Business, or to avoid or lessen the loss;
- (c) in the event of a claim being made under this Policy You shall not later than thirty days after the expiry of The Indemnity Period or within such further time as We may allow in writing and at Your expense deliver to Us a statement setting forth particulars of Your claim together with details of all other insurances covering the Insured Damage or any part of it or any other loss of any kind resulting from that damage.

4. Proof of Loss

You shall at Your own expense produce and furnish to Us such books of account and other business books, vouchers, invoices, balance sheets and other documents, proofs, information, explanation and other evidence as We may reasonably require to allow Us to investigate or verify any claim and if required by Us verified on oath.

5. Subrogation

Any person claiming under this Policy shall at Our request and expense do and agree to do and allow to be done all such acts and things as may be necessary or reasonably required by Us for the purpose of enforcing any rights and remedies, or of obtaining relief or indemnity from other parties to which We shall be or would become entitled or subrogated upon Our paying for or making good any loss under this Policy.

6. Cancellation

This Policy may be cancelled at any time at Your request in which case We will retain the customary short-period rate for the time this Policy has been in force. We may cancel this Policy on any of the grounds set out in Section 60 of the Insurance Contracts Act 1984 by giving written notice of the proposed cancellation to You either personally or by post to Your last known address. Such notice of cancellation will take effect at the earlier of the following times:

- (a) the time when another contract of Insurance between You and Us or some other insurer, being a contract that is intended by You to replace this Policy, is entered into, or
- (b) 4.00 pm on the third business day after the day on which notice was given to You.

In the event that We cancel this Policy, We will repay a rateable proportion of the premium for the unexpired Period of Insurance from the date of cancellation.

7. Examinations

You shall permit Us and Our authorised representatives to inspect the Plant at all reasonable times during the Period of Insurance. You shall have the Plant properly prepared at Your own expense for such inspection. An inspection by Us shall not warrant or represent that the item of Plant is safe or conforms to any statutory requirement or standard.

8. Business Discontinued

No moneys will be payable under this Policy from the time You determine not to continue The Business or from the time You conduct Yourself whether by act or omission in such a manner as to be incompatible with an intention to continue The Business.

9. Progress Payments

Provided that liability has been admitted, progress payments on account of any claim may be made to The Insured at such intervals and for such amounts as We may determine. Any such payments shall be deducted from the amount finally payable upon adjustment of the claim.

10. Fraud

If any claim is in any respect fraudulent or if any fraudulent means or devices are used by You or anyone acting on Your behalf to obtain any benefit under this Policy, or if any loss, destruction or damage is occasioned by Your wilful act or connivance, We shall without prejudice to any other right that We may have under this Policy be entitled to refuse to pay the claim.

Policy Schedules

See inside back cover for attached documents:

▼ Policy Schedules.

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