

MachinePlan
Machine



With consequential loss



For the insurance of installed plant and machinery and consequential loss contingencies.

Please read this policy carefully and see that it meets your requirements

welcome to
MachinePlan
with consequential loss

This policy shall not be in force unless it has been initialled by an authorised official of the Company.

Initialled:



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Important notice

1. This policy contains a provision making it "subject to average" (the average condition).
2. In respect of section 1 - Physical damage, the average condition will have effect only if the machinery is underinsured at the time of loss in which case the following rules apply:
 - (a) if you suffer a total loss on an item of insured machinery, the provision will have no effect; or
 - (b) if you suffer a partial loss in respect of machinery the maximum amount that you may recover will be in the same proportion to your actual loss, based on the proportionate percentage difference between the amount for which the machinery is insured and the full value of the machinery.
3. In respect of section 2 - Consequential loss, the average condition will have effect where the sum insured advised is less than the necessary amount; it being a requirement on those items which are subject to average that the sum insured is calculated in accordance with the particular formulae incorporated therein.
4. Whatever your loss in no case will you be entitled to recover more than the amount of the sum insured shown for each item.

Example:

Your machinery is worth \$20,000. You insure it for \$10,000. You suffer a loss of \$5,000. If the policy is "subject to average", the maximum amount that you may recover is \$2,500.

Introduction

In consideration of the insured named in the policy schedule having paid or promised to pay the required premium, Vero Insurance New Zealand Limited (hereinafter referred to as "the Company") agrees subject to the terms, conditions and exclusions of the policy to indemnify the insured to the extent set out in the policy.

In issuing this policy, the Company relies upon the information contained in the proposal and any statements or representations made by the insured or anyone acting on behalf of the insured.

The policy and the policy schedule 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 policy schedule shall bear such meaning wherever it may appear.

The cover provided by this policy only attaches to those items shown in the attached policy schedule against which a sum insured has been shown.

Where an item is not shown in the policy schedule or there is no sum insured, or the number "0", or the word "Nil" is shown, there shall be no cover unless specifically endorsed on to the policy schedule or policy.

Definitions

Words or expressions defined in this policy shall have the same meaning wherever they appear throughout this policy. Wherever used, the singular shall include the plural and vice versa.

Machinery and/or Plant

Those items described as being insured in the policy schedule including all integral parts thereof, other than those parts and/or items specifically excluded.

Situation

As shown in the policy schedule shall be the premises owned, leased, occupied or used by the insured at which the *machinery* is used for the purpose of the *business*.

Business

The business activities described in the proposal, and any subsequent changes to those activities details of which have been provided to the Company.

Section 1 – physical damage

Definitions applicable to this section

Damage

Physical *damage* - unintended and unforeseen by the insured which necessitates immediate repair or replacement of the *machinery* before it can resume normal working, provided always that such loss or *damage* is not otherwise excluded.

Excess

The first portion of each and every claim occurrence which shall be deducted by the Company in any settlement. The *excess* is shown as a monetary amount.

The Company's liability

Subject to the "Reinstatement of Amount of Insurance" provision of this policy, the Company's liability will not exceed the sum insured; and where more than one item is insured, will not exceed in respect of each item the sum insured applicable to that item.

Basis of cover

If, during the period of insurance, *damage* occurs to the insured *machinery* described in the policy schedule, or costs are incurred for which this policy expressly provides indemnity; then, subject to the terms, conditions and exclusions of this section, and the general conditions and general exclusions of this policy, the Company will indemnify the insured for the *damage*, and costs to the extent that they are insured.

The insurance will only provide indemnity whilst the insured *machinery* is working or at rest, or whilst it is being dismantled, moved, reassembled, or reinstalled for the purpose of cleaning, inspection, adjustment, repair, overhaul or relocation within the precincts of the premises, and will only commence after the completion of a successful initial commissioning of the *machinery* at the premises.

Basis of indemnity

The indemnity provided to the insured will be payment or, at the Company's option, by repair or by replacement of the damaged machinery and by payment of any insured costs.

1. Where *damage* to an insured item can be repaired, the Company will pay all expenses necessarily incurred to restore the damaged item to its state of serviceability immediately before the occurrence of *damage*. If the repairs are executed at premises owned by the insured, the Company will pay the cost of materials and wages incurred for the purpose of the repairs, plus a reasonable allowance to cover overhead charges. No deduction shall be made for depreciation in respect of parts replaced, but the value of any salvage will be taken into account.

If any parts are found to be unprocurable the Company's liability for these parts shall be limited to the manufacturer's or supplier's latest list price.

2. Where an insured item is totally destroyed the Company will at its own option either:
 - a) pay the actual value of the item immediately before the occurrence of *damage*, such actual value to be calculated by deducting reasonable depreciation from the new replacement value of the item; or
 - b) supply an equivalent replacement item similar in type, capacity and condition to the insured item immediately before the occurrence of *damage* and pay any costs for ordinary freight and installation.

Any item will be deemed to be totally destroyed if the cost of repairs permitted by paragraph 1 above equals or exceeds the actual value of the insured item immediately before the occurrence of *damage*.

Sum insured

The sum insured for each item at the commencement of this insurance or any subsequent renewal thereof must not be less than the new replacement value, which shall mean the cost of replacement of the insured item by a new item of the same kind and capacity including packing, freight, customs duties and dues if any and installation charges.

Average

If in respect of any item the sum insured declared is less than the correct amount, then the amount recoverable by the insured under this section of the policy shall be reduced in such proportion as the sum insured bears to the new replacement value.

memorandum

Refrigerant gas

Notwithstanding exclusion 1(e), section 1 of this policy covers addition to, or replacement of refrigerant gas up to \$10,000, which is necessitated by damage for which indemnity is provided under this policy.

However, the Company will not be liable for:

- (a) the additional cost of altering or modifying any part of any refrigeration or air conditioning plant, to enable the plant to operate with a more ozone friendly refrigerant, pursuant to the Ozone Layer Protection Act 1990, or any statutory amendment to or re-enactment of that Act; or
- (b) loss or damage to any part of any refrigeration or air conditioning plant, where the loss or damage is attributable to any alteration or modification made to enable the plant to operate with a more ozone friendly refrigerant, pursuant to the Ozone Layer Protection Act 1990 or any statutory amendment to or re-enactment of that Act.

Part (b) above will not apply to any plant in respect of which the alteration or modification has been notified to the Company, provided that the Company has agreed in writing to continue the insurance, notwithstanding that alteration or modification.

This memorandum is not subject to average.

Exclusions

1. This policy does not insure:

- (a) foundations and masonry;
- (b) exchangeable and replaceable parts including but not limited to shear pins, bits, drills, knives, saw blades;
- (c) dies, moulds, patterns, blocks, stamps, punches, coatings or engravings on cylinders and rolls, parts made of glass, rubber, textiles or synthetics;
- (d) parts which by their use or nature suffer a high rate of wear or depreciation including but not limited to crushing surfaces, balls, hammers, screens and sieves, wear plates, elevator and conveyor belts or bands, chains, flexible pipes, jointing and packing materials, filter cloths, grinding wheels, ropes, belts, straps, cables other than electrical conductors, fuses, brushes, batteries, tyres, refractory material, grate bars, burner jets;
- (e) operating media such as fuels, chemicals, catalysts, filter substances, heat transfer media, cleansing agents, lubricants;
- (f) consequential loss of any kind or description except as insured under section 2 of this policy;
- (g) *damage* caused by any faults or defects existing at the time of commencement of this insurance or any subsequent renewal thereof and known to the insured or his representatives and not disclosed to the Company;
- (h) *damage* resulting from experiments or overload or similar tests requiring the imposition of abnormal conditions;
- (i) *damage* resulting from the direct application of any tool or process in the course of maintenance, inspection, repair, alteration, modification or overhaul; or
- (j) the *excess* stated in the schedule to be borne by the insured in any one occurrence. If more than one item is damaged in one occurrence insured under this section, the insured shall not however be called upon to bear more than the highest single excess applicable to such items.

2. This policy does not insure:

- (a) any hired plant;
- (b) mobile plant such as forklift trucks, mobile cranes, and the like;
- (c) laboratory test equipment including instruments; or
- (d) any electronic data processing equipment (other than that forming an integral part of a production machine) which is used for office or accounting purposes;
unless any such *plant* or equipment is individually specified and included in the policy schedule.

3. This policy does not insure any *damage* directly or indirectly caused by or resulting from:

- (a) war, invasion, act of foreign enemy, war like operations (whether war is declared or not), civil war, mutiny, rebellion, revolution, insurrection, military or usurped power;
- (b) confiscation, requisition or destruction of or *damage* to *machinery* by order of Government or Local Authority;
- (c) nuclear weapons material;
- (d) 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, combustion includes any self-sustaining process of nuclear fission);
- (e) earthquake, hydrothermal activity, volcanic eruption, tsunami, landslip, and subsidence or erosion of the land;

- (f) fire, smoke, soot, chemical or dust explosion of any kind, lightning;
- (g) wind, storm, flood, hail, snow, frost, ice, water, accidental leakage or spillage of gas, vapour or liquid;
- (h) aircraft or other aerial devices or articles dropped therefrom;
- (i) impact by animals, landborne vehicles, or waterborne craft;
- (j) riot, civil commotion, strike, locked-out workers, vandalism, malicious acts; or
- (k) burglary and theft, or attempts thereat.

4. In respect of the *machinery* or part immediately affected, this policy does not insure;

- (a) scratching of painted or polished surfaces;
 - (b) wasting or wearing away or wearing out of any part caused by or naturally resulting from ordinary use or working;
 - (c) gradual deterioration, erosion or corrosion; or
 - (d) direct consequences of progressive or continuous influences of atmospheric or chemical action;
- But the Company shall be liable for other *damage* insured by this policy and resulting from such causes.

5. This policy will not pay the costs of any:

- (a) alterations, additions, improvements, overhauls, or maintenance;
- (b) provisional repairs unless such repairs constitute part of the final repairs and do not increase the total repair cost; or
- (c) extra charges incurred for overtime work or work performed on public holidays, express freight, or airfreight, unless otherwise agreed to by endorsement.

Section 2 – consequential loss

Definitions applicable to this section

Damage

Physical *damage* - unintended and unforeseen by the insured for which indemnity is provided under section 1 of this policy, or would be provided but for the application of any *excess*. However:

1. exclusion 1(f) in Section 1 of the policy shall not apply except to the extent of exclusion 1 in this section of the policy;
2. explosion of boilers and economisers is not covered in accordance with exclusion 2 in this section of the policy.

Indemnity period

The period commencing after application of the *time exclusion* specified in the policy schedule and terminating not later than the number of months thereafter specified in the policy schedule, during which the results of the *business* shall be affected in consequence of the damage. However if instead of a *time exclusion* an *excess* is shown in the policy schedule, the indemnity period shall commence immediately following the occurrence of *damage*.

Excess

The first portion of each and every claim occurrence which shall be deducted by the Company in any settlement. The *excess* may be shown as:

- (a) a monetary amount; and/or
- (b) a percentage of the claim.

Time exclusion

The number of time excluded hours specified in the policy schedule following the occurrence of *damage* after which the *indemnity period* shall commence.

Turnover

The money paid or payable to the insured for goods sold and delivered and for services rendered in the course of the *business* at the premises.

Basis of cover

If, during the period of insurance, the *business* carried on by the insured is interrupted or interfered with as a consequence of *damage* to any item or insured *machinery* described in the policy schedule, then subject to the terms, conditions and exclusions of this section, and the general conditions and general exclusions of this policy, the Company will indemnify the insured for the amount of the loss resulting from such interruption or interference, provided that the Company's liability does not exceed the sum insured; and

If more than one item is shown in the policy schedule, will not exceed the sum insured shown on each item.

The item(s) on which insurance may apply – subject to the item(s) being included in the policy schedule are shown below:

1. Gross profit

The insurance provided by this item is limited to loss of *gross profit* due to:

- (a) reduction in *turnover* and
- (b) increase in cost of working

and the amount payable as indemnity thereunder shall be:

- (i) 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 *damage*, fall short of the *standard turnover*;

- (ii) 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 *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 *damage*.

This item is subject to average and if the sum insured by this item is less than the amount of the annual *gross profit* (or to a proportionately increased multiple thereof where the maximum *indemnity period* exceeds twelve months) the amount payable shall in the event of a loss be proportionately reduced.

Definitions

Gross profit

The amount by which:

1. the sum of the *turnover* and the amount of the closing stock shall exceed;
2. the sum of the amount of the opening stock and the amount of the *uninsured working expenses*.

Notes

1. the amounts of the opening and closing stocks shall be arrived at in accordance with the insured's normal accounting methods, due provision being made for depreciation; and
2. the words and expressions used shall have the meaning usually attached to them in the insured's books and accounts including *uninsured working expenses*.

Uninsured working expenses

Those expenses not insured by this policy.

Rate of Gross Profit

The rate of *gross profit* earned on the *turnover* during the financial year immediately before the date of the *damage*.

Annual turnover

The *turnover* during the twelve months immediately before the date of the *damage*.

Standard turnover

The *turnover* during the period in the twelve months immediately before the date of the *damage* which corresponds when the *indemnity period* exceeds 12 months.

to which such adjustments shall be 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 *damage*, or which would have affected the *business* had the *damage* not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the *damage* would have been obtained during the relative period after the *damage*.

memorandum

If any charges and expenses of the *business* are not insured by this 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 all such uninsured charges and expenses.

2. Payroll

The insurance under this item is limited to loss in respect of *payroll* and the amount payable as indemnity hereunder shall be:

(a) in respect of reduction in turnover:

the sum produced by applying the rate of *payroll* to the *shortage in turnover* during the *indemnity period*; and

(b) in respect of increase of working:

so much of the additional expenditure described in clause (b) of the *gross profit* item 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 provision of clause (a) of this item, had such expenditure not been incurred.

This item is subject to average and if the sum insured by this item is less than the sum produced by applying the rate of *payroll* to the *annual turnover* (or to a proportionately increased multiple thereof where the maximum *indemnity period* exceeds 12 months), the amount payable under this item shall be proportionately reduced.

Definitions

Payroll

The gross salaries and wages (including a due proportion of bonuses, holiday pay, accident compensation levies) and other charges pertaining to *payroll* basis for all employees engaged in the activities of the *business*.

Rate of payroll

The rate of *payroll* to *turnover* during the financial year immediately before the date of the *damage* to which such adjustments shall be made as may be necessary to provide for the trend of the *business* and for variations in, or other circumstances affecting the *business* either before or after the *damage*, or which would have affected the *business* had the *damage* not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonable practicable the results which but for the *damage* would have been obtained during the relative period after the *damage*.

Shortage in turnover

The amount by which the *turnover* during a period shall, in consequence of the *damage*, fall short of the part of the *standard turnover* which relates to that period.

3. Wages

The insurance under this item is limited to loss in respect of *wages* and the amount payable as indemnity thereunder shall be:

(a) in respect of reduction in turnover:

the sum produced by applying the rate of *wages* to the *shortage in turnover* during the *indemnity period*; and

(b) in respect of increase in cost of working:

so much of the additional expenditure described in clause (b) of the *gross profit* item 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 provision of clause (a) of this item, had not such expenditure not been incurred.

This item is subject to average and if the sum insured by this item is less than the sum produced by applying the rate of *wages* to the *annual turnover* (or to a proportionately increased multiple thereof where the maximum *indemnity period* exceeds 12 months), the amount payable under this item shall be proportionately reduced.

Definitions

Wages

The remuneration (including a due proportion of bonuses, holiday pay, accident compensation levies and other charges pertaining to *wages*) of all employees other than those whose remuneration is treated as salaries in the insured's books of account.

Rate of wages

The *rate of wages* to *turnover* during the financial year immediately before the date of the *damage* to which such adjustments shall be made as may be necessary to provide for the trend of the *business* and for variations in, or other circumstances affecting the *business* either before or after the *damage*, or which would have affected the *business* had the *damage* not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the *damage* would have been obtained during the relative period after the *damage*.

Shortage in turnover

The amount by which the *turnover* during a period shall, in consequence of the *damage*, fall short of the part of the *standard turnover* which relates to that period.

4. Wages - Dual basis

The insurance under this item is limited to loss in respect to *wages* and the amount payable as indemnity thereunder shall be:

(a) in respect of reduction in turnover:

(i) during the *initial* period:

the sum produced by applying the *rate of wages* to the *shortage in turnover* during such period, less any saving during such period through reduction (in consequence of the *damage*) in the amount of *wages* paid; and

(ii) during the remaining portion of the *indemnity period*:

the sum produced by applying the *rate of wages* to the *shortage in turnover* during such period, less any saving during such period through reduction (in consequence of the *damage*) in the amount of *wages* paid, but not exceeding the sum produced by applying the remainder percentage of the *rate of wages* 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) above; and

(b) in respect of increase in cost of working:

so much of the additional expenditure described in clause (b) of the *gross profit item* 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 in part (a), clauses (i) and (ii) above had such expenditure not been incurred.

This item is subject to average and if the sum insured by this item is less than the sum produced by applying the *rate of wages* to the *annual turnover* (or to a proportionately increased multiple thereof where the maximum *indemnity period* exceeds 12 months), the amount payable under this item shall be proportionately reduced.

Note: At the insured's option:

the *initial period* may be substituted by the *alternative period*, provided that the amount arrived at under the provisions in (a) of this item, clause (ii) shall not exceed such amount as is deducted under clause (i) for savings effected during the *alternative period*.

Definitions

Wages

The remuneration (including a due proportion of bonuses, holiday pay, accident compensation levies and other charges pertaining to *wages*) of all employees other than those whose remuneration is treated as salaries in the insured's books of account.

Rate of wages

The *rate of wages* to *turnover* during the financial year immediately before the date of the *damage* to which such adjustment shall be made as may be necessary to provide for the trend of the business and for variations in, or other circumstances affecting the *business* either before or after the *damage*, or which would have affected the *business* had the *damage* not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the *damage* would have been obtained during the relative period after the *damage*.

Shortage in turnover

The amount by which the *turnover* during a period shall, in consequence of the *damage*, fall short of the part of the *standard turnover* which relates to that period.

Initial period

The portion of the *indemnity period* beginning after the commencement of the *indemnity period* and ending not later than the number of weeks thereafter specified in the *schedule*.

Alternative period

The portion of the *indemnity period* beginning after the commencement of the *indemnity period* and ending not later than the number of weeks thereafter specified in the *schedule*.

5. Additional increase in cost of working

The insurance under this item is limited to the additional expenditure beyond that recoverable under clause (b) in Items 1-4 of this section, reasonably incurred by the insured during the *indemnity period*, in consequence of the *damage*, for any of the following purposes:

- (a) avoiding or diminishing a reduction in *turnover*; or
- (b) resuming or maintaining normal *business* operations.

However the insurance under this item does not apply to:

- (i) such of the additionally expenditure as may be recoverable (or would be recoverable but for the inadequacy of a sum insured) under any other item insured by this section; and
- (ii) any costs incurred in the reinstatement of physically damaged *property*.

6. Increase in cost of working

The insurance under this item is limited to the additional expenditure necessarily and reasonably incurred during the *indemnity period* in consequence of the *damage* for the sole purpose of avoiding or diminishing a loss, which but for that expenditure would have taken place;

less any sum saved in respect of such of the charges and expenses of the *business* as may cease or be reduced in consequence of the *damage*.

However, the insurance under this item does not apply to any costs incurred in the reinstatement of the physically damaged property.

7. Claims preparation costs

The insurance provided by this item is limited to such reasonable fees as may be payable by the insured to the Accountant referred to in condition 1 of this section for the preparation of claims which are insured by this policy, and the Company will indemnify the insured for such reasonable fees up to but not exceeding the sum insured by the said item.

memoranda applicable to section 2

1. Turnover earned elsewhere

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 the insured or by others on his behalf, the money paid or payable in respect of such sales or services shall be brought into account arriving at the *turnover* during the *indemnity period*.

2. Alternative index

It is agreed that in the event of a claim under this policy adjustment may be based on "*turnover or output*" whichever affords the more equitable result and except in the definition of *turnover*, the word "*turnover*" wherever used in the policy shall be read as "*turnover*" or "*output*".

3. Departments

If the *business* be conducted in departments the independent trading results of which are ascertainable, the provision of clauses (a) and (b) in items 1-4 of this section of the policy shall apply separately to each department affected by the *damage*, except that if the sum insured by the said item is less than the aggregate of the sums produced by applying the *rate of gross profit* for each department of the *business* (whether affected by the *damage* or not) to the relative *annual turnover* thereof, the amount payable shall be proportionately reduced.

exclusions

1. The Company shall not be liable for any loss due to fines or damages for breach of contract; for late or non completion of orders, or for any penalties of whatever nature.
2. This section of the policy does not cover any loss resulting from explosion of any boiler or economiser. Explosion shall mean the sudden and violent rendering of the insured item by force of internal fluid pressure or ignited flue or furnace gases causing bodily displacement of any part of the item together with forcible ejection of the contents.

conditions

1. Statement of claim

If required the insured shall deliver to the Company a statement in writing of the claim certified by the Accountant with all particulars and details reasonably practicable and produce and furnish all books of account and other business books, invoices, vouchers and other documents, proofs, information, explanations and other evidence and facilities as may be reasonably required for investigation and verification of the claim;

Accountant - The term "Accountant" under this condition shall mean an Accountant or Adjuster whose qualifications are acceptable to both the Company and the insured and is appointed by both the Company and the insured.

2. Average

If at the time of *damage* the sum insured declared on those terms which are subject to average is less than the correct amount, then the amount recoverable by the insured under this policy shall be reduced in such proportion as the sum insured declared differs from the necessary amount.

General Conditions – applicable to all sections

1. Observance of terms and conditions

The due observance and fulfilment of the terms and conditions of this policy by the insured in so far as they relate to anything to be done or complied with by the insured, and the correctness of any statements made to the Company (whether made by the insured or not), are conditions precedent to any liability of the Company to provide any indemnity under this policy.

2. Misdescription

This policy is voidable in the event of any misrepresentation, misdescription, or non-disclosure of any material fact. However, the insurance will not be prejudiced by:

- (a) any innocent alteration or inadvertent misdescription of *machinery*; or
- (b) any act whereby the risk of damage to *machinery* is increased without the authority or knowledge of the insured;

provided that notice is given to the Company immediately the insured's insurance manager (or equivalent) becomes aware of any of the above happenings. The insured agrees to pay an appropriate additional premium if required.

3. Cancellation

(a) By the insured

This policy may be cancelled by the insured at any time, and with immediate effect, by written notice delivered to the Company. In the event of such cancellation, the Company will be entitled to a pro-rata proportion of the premium (subject to any adjustment required by the terms of this policy) for the time during which the policy has been in force.

(b) By the Company

This policy may be cancelled by the Company at any time by sending a letter to the insured at the insured's last recorded postal address on the Company's records. The cancellation will take effect at 4 p.m. on the 30th day after the letter has been sent. In the event of such cancellation, the Company will refund to the Insured a pro-rata proportion of the premium, subject to any adjustment required by the terms of this policy.

4. Alteration of risk

If any change occurs involving a material alteration in the risk accepted by the Company, the insured shall as soon as possible give notice in writing to the Company. The insured shall at their own expense take prudent precautions to minimise the risk of any claim arising under the policy because of the alteration of risk and shall comply with any reasonable directions or requirements of the Company. The terms and premium for this insurance may be increased by the Company due to the alteration in risk.

5. Diligence

The insured shall make reasonable endeavours to ensure that:

- (a) the *machinery* is in good working order;
- (b) statutory or other regulations relating to the business and the operation of *machinery* are observed;
- (c) any monitoring devices installed to detect temperature changes are maintained and in good order; and
- (d) all things reasonably practicable are done to minimise or to avoid or diminish any circumstances which may result in a loss.

If the Company is prejudiced by the insured not complying with this condition, the Company shall have the right to decline the claim.

6. Claims

Upon becoming aware of any event giving rise, or likely to give rise, to a claim under this policy, the insured must:

- (a) take prompt steps to minimise the *damage*;
- (b) take reasonable steps to protect the *machinery* from further loss or *damage*;
- (c) immediately notify the Company;
- (d) if a criminal act is suspected, inform the Police;
- (e) within 30 days or as soon as practicable thereafter, submit full particulars of the claim in writing to the Company; and
- (f) at the insured's expense, provide the Company with any reasonably required proof and information in respect of the claim.

7. Reinstatement of amount of insurance

In the event of *damage* for which a claim is payable under any section of this policy, and in the absence of written notice by the Company or the insured to the contrary, the amount of insurance cancelled by such *damage* will be automatically reinstated from the date of occurrence. The insured undertakes to pay such pro rata premium at the applicable rate as may be required following such reinstatement of any of the sums insured.

8. Salvage

Where *machinery* insured by this policy is *damaged*, the Company may:

- (a) enter any premises where the *damage* has occurred and take and keep possession of the damaged *machinery*; and
 - (b) deal with the salvage in any reasonable manner;
- provided that the insured is not entitled to abandon any *machinery* to the Company.

9. Inspection

The insured shall allow authorised representatives of the Company to inspect the insured *machinery* at any reasonable time and shall provide such information as may reasonably be required. If at the time of inspection, any new facts of a nature likely to increase the risk of *damage* are observed, the Insured shall at the request of the Company restore the risk to normal in the least possible time, failing which the Company reserves the right to suspend the insurance in respect of the property concerned, making a proportionate return of premium.

10. Subrogation

Where, upon accepting liability for a claim under this policy, the Company is entitled to become subrogated to the insured's right of recovery or indemnity from any other person or corporation, the insured must, at the Company's expense do and concur in doing and permit to be done anything reasonably required by the Company for the purpose of enforcing that right. The insured must comply with this condition when required, whether before or after having been indemnified by the Company.

11. Other insurance

If, at the time of any claim arising under this policy, there is any other valid and collectable insurance covering all or part of the same loss, this policy will apply only to the amount of any loss in excess of that recoverable under the other insurance.

12. Fraud

If any 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 behalf of the insured to obtain any benefit under this policy in respect of the claim all benefit under this policy in respect of that claim will be forfeited.

13. Words defined

Where any words are given special meaning in the schedule of this policy, those words will, unless the context otherwise requires, have that same meaning wherever they may appear in the policy.

14. Goods and Services Tax

Provided that Goods and Services Tax (GST) is recoverable by the Company, the sum or sums insured are exclusive of GST to the extent that in the event of a claim the Company will indemnify the insured to the maximum of the sum insured or limit of liability under each item plus additional GST to a maximum of the current rate of GST applied to such amount.

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