

MACHINERY ALL RISKS INSURANCE POLICY

WHEREAS the Insured by a proposal and declaration which is the basis of and is deemed to be incorporated within this contract has applied to HL ASSURANCE PTE LTD (hereinafter called "the Insurer") for insurance contained in this Policy and has paid or agreed to pay the premium as consideration for such insurance.

NOW THIS POLICY OF INSURANCE WITNESSETH that, subject to the Insured having paid to the Insurer the premium mentioned in the Schedule and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon.

THE INSURER HEREBY AGREES with the Insured that if at any time during the period of insurance stated in the Schedule or during any subsequent period for which the Insured pays and the Insurer may accept the premium for the renewal of this Policy, the items (or any parts thereof) stated in the Schedule, whilst on the premises mentioned therein, suffer any unforeseen and sudden physical loss or damage from causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm, or from any other cause not specifically excluded hereinafter, in a manner necessitating repair or replacement.

THE INSURER WILL INDEMNIFY the Insured in respect of such loss or damage, as hereinafter provided, by payment in cash, replacement or repair (at the Insurer's option) up to an amount not exceeding in any one year of insurance in respect of each of the items specified in the Schedule the sum set opposite thereto and not exceeding in all the total sum expressed in the Schedule as insured hereby.

This Policy shall apply to the items stated in the Schedule after successful completion of their performance acceptance tests whether they are at work or at rest, or being dismantled for the purpose of cleaning or overhauling, or in the course of the aforesaid operations themselves, or when being shifted within the premises, or during subsequent re-erection.

APPLICABLE LAW

This contract of insurance is governed by and is to be construed in accordance with the laws of the Republic of Singapore. The court of competent jurisdiction in the Republic of Singapore shall have the exclusive jurisdiction over all matters relating to the construction, validity and performance of this contract of insurance.

JURISDICTION

Notwithstanding anything stated herein to the contrary, the indemnity provided by this Policy shall not apply in respect of judgments which are not in the first instance delivered by or obtained from a court of competent jurisdiction within the Republic of Singapore, Malaysia and Brunei nor to orders obtained in the said court for the enforcement of judgments made outside the Republic of Singapore, Malaysia and Brunei whether by way of reciprocal agreements or otherwise.

EXCLUSIONS

The Insurer shall not be liable for

1. The deductible stated in the Schedule to be borne by the Insured in any one occurrence; if more than one item is lost or damaged in one occurrence, the Insured shall not, however, be called upon to bear more than the highest single deductible applicable to such items
2. loss or damage due to
 - (a) testing involving the imposition of abnormal conditions overloading or experiments
 - (b) 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 Insurer or not
 - (c) any process of heat treatment welding grinding cutting drilling shaping or the application of tools to the items stated in the Schedule other than for the purpose of lifting or moving it
3. loss or damage to exchangeable tools, e.g. dies, moulds, engraved cylinders, parts which by their use and/or nature suffer a high rate of wear or depreciation, e.g. refractory linings, crushing hammers, objects made of glass, belts, ropes, wires, rubber tyres, operating media, e.g. lubricants, fuels, catalysts
- * 4. loss or damage due to fire, direct lightning, chemical explosion (except fuel gas explosions in boilers), extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft, burglary or attempts thereat, collapse of buildings, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes
5. 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 Insurer or not
6. loss or damage caused by loss or damage arising out of the wilful act or gross negligence of the Insured or his representatives
7. any legal liability of whatsoever nature
 - (i) directly or indirectly caused by or contributed by or arising from 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, acts of 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 by any public authority
 - (ii) any consequence of a nuclear reaction, nuclear radiation or radioactive contamination
8. loss or damage as a direct consequence of the continual influence of operation (e.g wear and tear, cavitation, erosion, corrosion, rust, boiler scale)
9. consequential loss or liability of any kind or description, any payments over and above the indemnity for material damage as provided herein
10. loss of and/or damage to the terms set out in the Schedule which may be stored in or mounted upon any vessel craft or thing made to or intended to float or travel through water and all direct or indirect underwater activities.

*Memorandum

It is hereby declared and agreed that exclusion no.4 is deleted from this policy.

PROVISIONS

Memo 1 – Sum Insured

It shall be a requirement of this Policy that the sum insured is equal to the cost of replacement of the items stated in the Schedule by new machinery of the same specification and performance when purchased as an individual item including freight charges, erection costs, customs dues and taxes.

If any item shall at the time of any loss or damage be of a greater value as calculated above than the sum insured for each item, then the Insured shall be considered as being his own insurer for the difference and shall bear a proportionate of the loss accordingly.

Memo 2 – Basis of Indemnity

- a. In cases where damage to an item stated in the Schedule can be repaired – the Insurer shall pay expenses necessarily incurred to restore the said damaged item to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting the repairs as well as ordinary freight to and from a repair shop, customs duties and dues, if any, to the extent that such expenses have been included in the sum insured. If the repairs are executed at a workshop owned by the Insured, the Insurer shall pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges.

No deduction shall be made for depreciation in respect of parts replaced, but the value of any salvage shall be taken into account.

The cost of alterations, additions, improvements or overhauls to the damaged item shall not be recoverable under this Policy.

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

The Insurer shall make payments only after being satisfied by production of the necessary bills and documents that the repairs have been effected or replacement has taken place, as the case may be.

If the cost of repairs as detailed hereinabove equals or exceeds the actual value of the item stated in the Schedule immediately before the occurrence of the damage, the said item shall be regarded as destroyed and settlement shall be made on the basis provided for in sub paragraph (b) below.

- b. In cases where the item set out in the Schedule is destroyed – the Insurer shall pay the actual value of the item immediately before the occurrence of the loss, including charges for ordinary freight, cost of erection and customs duties, if any, provided such expenses have been included in the sum insured, such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The Insurer shall also pay normal charges for the dismantling of the machinery destroyed, but the salvage shall be taken into account.

Any extra charges incurred for overtime, night work, work on public holidays, and express freight shall be covered by this Policy only if it is agreed in writing.

CONDITIONS

- 1) The due observance and fulfillment of the terms 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 questionnaire and proposal made by the Insured shall be a condition precedent to any liability of the Insurer.
- 2) The Schedule shall be deemed to be incorporated into 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) The limit of indemnity payable under this Policy in respect of any one item is the sum insured as stated in the Schedule against such item.
- 4) The Insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Insurer to prevent loss or damage and comply with statutory requirements and manufacturers' recommendations.
- 5)
 - a) Representatives of the Insurer shall at any reasonable time have the right to inspect and examine the risk in respect of the items stated in the Schedule and the Insured shall provide the representatives of the Insurer with all the details and information necessary for the assessment of such risk.
 - b) The Insured shall immediately notify the Insurer either by teletype (telex, telefax, telegram) or by telephone confirmed 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 to ensure safe operation of the items set out in the Schedule, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly. No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the insurance is confirmed in writing by the Insurer.
- 6) In the event of any occurrence which might give rise to a claim under this Policy, the Insured shall
 - a) immediately notify the Insurer either by teletype (telex, telefax, telegram) or by telephone confirmed in writing, giving an indication as to the nature and extent of the loss or damage;
 - b) take all reasonable steps within his power to minimize the extent of the loss or damage;
 - c) preserve the parts affected and make them available for inspection by a representative or surveyor of the Insurer;
 - d) furnish all such information and documentary evidence as the Insurer may require.

The Insurer shall on no account be liable for loss or damage of which no notice has been received by the Insurer within 14 days of its occurrence. Upon notification being given to the Insurer under this condition, the Insured may carry out repairs of any minor damage or replace items which have sustained any minor damage; in all other cases a representative of the Insurer shall have the opportunity of inspecting the loss or damage before any repairs or alterations are effected. If a representative of the Insurer does not carry out the inspection within a period of time which could be considered adequate under the circumstances, the Insured shall be entitled to proceed with the repairs or replacement.

The liability of the Insurer under this Policy in respect of any insured item shall cease if said item is kept in operation after a claim without being repaired to the satisfaction of the Insurer, or if temporary repairs are carried out without the Insurer's consent.

- 7) The Insured shall at the expense of the Insurer do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Insurer 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 Insurer are or would become entitled or which is or would be subrogated to them upon their 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 Insurer.

- 8) If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted), such difference 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 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 the latter enter 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 Insurer.
- 9) The Insurer shall be entitled to withhold indemnification
 - a) If there are doubts regarding the Insured's right to receive the indemnity, pending receipt by the Insurer or the necessary proof
 - b) if in connection with the claim an examination by the police or an inquiry under criminal law has been instituted against the Insured, pending completion of such examination or inquiry.
- 10) 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 Insurer shall not be liable to make any payment hereunder.
- 11) If at the time any claim arises under this Policy there is any other insurance covering the same loss or damage, the Insurer shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.
- 12) This Policy may be terminated at the request of the Insured at any time, in which case the Insurer will 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 Insurer by seven days' notice to that effect being given to the Insured, in which case the Insurer will 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 Insurer may have incurred.
- 13) The Insurer shall not be liable to pay interest other than interest for default.

WARRANTIES / CLAUSES ATTACHING TO AND FORMING PART OF THIS POLICY:-

CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 2001

A person who is not a party to this Policy contract shall have no right under the Contracts (Rights of Third Parties) Act 2001 to enforce any of its terms.

IT CLARIFICATION CLAUSE

Property damage covered under this Policy shall mean physical damage to the substance of items stated in the Schedule.

Physical damage to the substance of items stated in the Schedule shall not include damage to data or software, in particular any detrimental change in data, software or computer programs that is caused by a deletion, a corruption or a deformation of the original structure.

Consequently, the following are excluded from this Policy:

- A) Loss or damage to data or software, in particular any detrimental change in data, software or computer programs that is caused by a deletion, a corruption or a deformation of the original structure and any business interruption losses resulting from such loss or damage. Notwithstanding this exclusion, loss of or damage to data or software which is the direct consequence of insured physical damage to the substance of items stated in the Schedule shall be covered.
- B) Loss or damage resulting from impairment in the function, availability, range of use or accessibility of data, software or computer programs and any business interruption losses resulting from such loss or damage.

PAIR AND / OR SET CLAUSE

Where any insured item consists of articles in a pair or in a set, the Insurer shall not be liable to pay more than the value of any particular part or parts which may be lost or damaged without reference to any special value which such article or articles may have as a part of such pair or set, nor more than a proportionate part of the insured value of the pair or set.

TERRORISM EXCLUSION ENDORSEMENT

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

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 organization(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 Insurer alleges 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.

THEFT ENDORSEMENT

Notwithstanding anything contained herein to the contrary it is hereby declared and agreed that:-

- (a) Such insurance as is afforded by this Policy for loss or damage by burglary attempt thereat also applies to loss by theft or attempt thereat whether or not the premises are open for business.
- (b) This endorsement does not apply to loss caused by the Insured or anyone acting on the express or implied authority of the Insured being induced by fraudulent scheme trick device or false pretence to part with title ownership or possession of any items stated in the Schedule.
- (c) Mere disappearance of the items stated in the Schedule is not a loss covered hereby. Any shortage disclosed by an inventory is not covered hereby unless such shortage can be reasonably shown to have been occasioned by theft or attempt thereat.

Y2K – ELECTRONIC DATE EXCLUSION

The indemnity will not apply to any claim of whatsoever nature arising directly or indirectly from the failure or inability of any computer or other equipment or system for processing storing or retrieving data, whether the property of the Insured or not, occurring at any time to:

- (i) correctly recognize any date as its true calendar date
- (ii) capture save or retain, and/or correctly to manipulate, interpret or process any data or information or command or instruction as a result of treating any date otherwise than as its true calendar date
- (iii) capture save retain or correctly to process any data as a result of the operation of any command which has been programmed into any computer software, being in a command which causes the loss of data or the inability to capture save retain or correctly to process such data on or after any date.