

**PROSPECTUS  
(COMMERCIAL)**

**MACHINERY BREAKDOWN INSURANCE**

**Introduction:**

This Policy basically covers loss caused to insured due to Breakdown (Mechanical breakdown or Electrical Breakdown) of the Machinery. The cover can be taken in respect of stationary machinery installed/erected in one place after successful testing. However, machineries such as EOT Cranes within the compound of insured premises are also covered. Machinery can be anything from small Mixer/Grinder to huge Turbines. Hence, this policy can be taken by anyone who is working on Machine. This policy virtually covers all types of Mechanical and Electrical machineries used across all types of factories. However, for machinery which are completely electronic in nature such as Computer, this policy cannot be made use of.

**Scope of the Policy:**

The policy covers Sudden and Unforeseen damages to machineries. It covers the damage that might happen whilst the machineries are,

- a. Working, or
- b. At Rest, or
- c. Being dismantled for the purpose of cleaning or overhauling within the insured premise, or
- d. Being shifted within the premises for repair/erection, or
- e. Being re-erected in the same premises after cleaning or overhaul.

This is a location specific policy meaning the machineries are covered only whilst the machineries are erected/ installed within the insured location.

Broadly, the breakdown caused by following types of instances are covered.

- Faulty Materials, Design, Construction or Erection
- Vibration, Maladjustment or Mal-alignment
- Defective Materials/Lubrication, Loosening of parts, Molecular fatigue, Self-heating
- Excessive electrical pressure, Failure of insulation, Short circuiting, Arcing, Internal Fire
- Entry of Foreign particles
- Lack of Skill or Carelessness while handling the machine
- Falling Impact, Collision and alike

**Main Exclusions:**

The policy will not pay for loss occurring due to:

- Fire and Allied Perils including Natural calamities such as Flood, Storm, Earthquake etc.
- War and Allied Perils
- Nuclear Activity/Materials
- Gradually developing defects, Cracks, Wear and Tear
- Consequential loss
- Gross Negligence or Wilful Negligence
- Excess which means the First part of claim which has to be borne by the Insured
- Consumables & Exchangeable tools including belts, chains, ropes, blades, fuel, refrigerant etc.
- Loss or damage for which the manufacturer or supplier is responsible

**Sum Insured:**

Sum insured for which the Machinery is insured shall represent 'Current New Replacement Value' that should represent the cost of replacing by the New, but identical machinery of the same type, same capacity and same technical specification. The same shall include customs duty, octroi, transportation cost, erection cost (all expenses incurred till the time of erection) etc.

It is permissible to take this policy only on specified machinery at the option of the customer. However, at the time of insurance, it is very essential to give identification details of the machinery being covered.

**Basis of Indemnity/Payment of Loss:**

In the event of any loss or damage the claim will be paid as under.

- Partial Loss - Cost of spare parts and repair costs will be paid for. However, depreciation will be deducted for parts which have limited life as specified by manufacturer. Additional costs such as dismantling cost, transportation, customs duty, erection costs etc. are also paid, to the extent the same are included in the Sum Insured. However, any extra charges incurred for overtime, night-work, work on public holidays, express freight are paid only if specifically agreed to, in writing on payment of additional premium.
- Total Loss- In the event of Total loss, the company will pay the market value of the machinery after accounting for due deprecation based on number of years of usage or service given.

However, it is to be noted that, if the actual Sum Insured is less than Current New Replacement Value at the time of loss, then the company will pay the loss after accounting for Under-insurance in the same ratio. (Actual Sum Insured/Current New Replacement Value \* Assessed Loss)

**Additional Covers/ Endorsements:**

The following Additional covers/ Endorsements are available which may be taken by Insured based on individual exposure through payment of additional Premium.

1. Escalation - To ensure that, there is no Under-Insurance at any point of time during the currency of Policy
2. Extra charges for Express Freight, Overtime and Holiday Wages - In case if the damaged machineries are required to be repaired urgently by incurring these expenses
3. Air Freight - In case if the damaged equipments are required to be repaired urgently for which air freight is paid
4. Additional Customs Duty - To cover for additional Customs Duty paid in respect of import of any spare part (as compared to customs duty paid for entire machinery earlier)
5. Third Party Injury/Death or Damage - Compensation payable to Third Parties for injury/death or property damage arising out of indemnifiable damage to insured machinery
6. Owners Surrounding Property - Damage to property owned by Insured arising out of indemnifiable damage to insured machinery
7. Floater Clause - Under this, the loss or damage happening to insured machinery or equipment is paid for, even if such loss or damage happens outside the insured location. However, the perils covered/scope of the policy remains unaltered.
8. Waiver of Betterment - In the event of loss or damage to insured item requiring replacement of parts, The Company will allow the replacement of next higher version or technically superior part if the part which has suffered damage is not available any more in view of technological advancement.
9. Omission to Insure additions, alterations - In case of loss or damage to any new equipment or machinery that is not specifically informed or declared to the company, the company shall consider

payment of claim in respect of such machinery/equipment subject to maximum limit of 5% of sum insured mentioned in the policy schedule

10. Non Vitiating Clause / Multiple Insured Clause - In policies, where there are more than one insureds, the actions or inactions (other than fraud) of any one of them will not prejudice rights of other insureds to stake a claim against the company.
11. Omission to Insure/ Inadvertent Omission - In case of loss or damage to any equipment or machinery that is not specifically informed or declared to the company or for which the insured is responsible, the company shall consider payment of claim in respect of such machinery/equipment, subject to maximum limit of 5% of sum insured as may be specifically mentioned in the policy schedule.
12. Professional Fee - Under this, subject to prior approval from the company, the additional expenses incurred for Professional advice of Architects, Engineers, Surveyors, etc. are paid for.
13. Claims Preparation Cost - Under this, subject to prior approval from the company, the expenses incurred in preparing detailed bill, estimate, and Proforma invoice or for obtaining documents in support of cause of claim or quantum of the claim, is paid for.
14. Cover for mobile and portable equipment outside the premises - Under this, the scope of the policy stands extended to include even such equipments/machineries/instruments which are mobile or portable in nature. The loss or damage occurring outside the insured location also stands covered subject to territorial limits as mentioned in the policy, however the perils or nature of damage remaining the same as in original policy or schedule.
15. Parts Undamaged Clause - Under this subject to prior approval from the company, the insured is indemnified even in respect of replacement of parts which are undamaged if such replacement is essential to prevent the recurrence of loss and by such replacement there is no technological improvement in terms of functioning, capacity etc.
16. Claims Investigation Cost - Under this, subject to prior approval from the company, the expenses incurred by the insured in investigating & ascertaining the nature, cause or exact location of loss is also, paid for.

### **Policy Excess:**

This is the first part of the claim which will have to borne by the insured or deducted from the claim amount. The same depends upon the Sum Insured and type of Machinery.

### **Conditions:**

The following conditions should be complied with, by the insured.

- The insured shall comply with any special condition such as Maintenance of the machinery etc., as may be mentioned in the Printed Policy wording or Policy schedule.
- There shall be no change in risk, modification of the risk or location as was informed to insurer at the time of effecting the insurance.
- In the event of any loss, the insured shall inform the insurer forthwith and also give the detailed estimate for insurer to survey the loss.
- In the event of change in ownership of machinery by sale (other than through will or law), the same needs to be informed to the insurance company for necessary approval
- At the time of claim if there are more than one policy covering the same machine, then the claim will be paid in the ratio of Sum Insured by respective Insurance Companies.
- The policy may be cancelled by insured after giving written notice, in which case, the premium will be retained on Short Period Basis.

**Grievance:**

For resolution of any query or grievance, Insured may contact the respective branch office of the Company or may call toll free number 1800 266 4545 or may write an e- mail at [care@zurichkotak.com](mailto:care@zurichkotak.com)

In case the Insured is not satisfied with the response, Insured may contact the Grievance Officer of the Company at [grievanceofficer@zurichkotak.com](mailto:grievanceofficer@zurichkotak.com) . In case if the Insured is not satisfied with the solution the Grievance Officer has provided, Insured can write to [seniorgrievanceofficer@zurichkotak.com](mailto:seniorgrievanceofficer@zurichkotak.com) / [chiefgrievanceofficer@zurichkotak.com](mailto:chiefgrievanceofficer@zurichkotak.com)

However, if the resolution provided by us is not satisfactory you may approach Insurance Regulatory and Development Authority of India (IRDAI) through the Bima Bharosa Portal: <https://bimabharosa.irdai.gov.in>

You may also approach Insurance Ombudsman, subject to vested jurisdiction, for the redressal of grievance. The details of the Insurance Ombudsman/ complete Grievance Redressal Process is also available at Company's website: [www.zurichkotak.com](http://www.zurichkotak.com)

The updated details of Insurance Ombudsman offices are also available on the website of Council for Insurance Ombudsman: [www.cioins.co.in/Ombudsman](http://www.cioins.co.in/Ombudsman)

**NOTE:**

For detailed Coverage, Exclusions, Conditions etc., it is recommended to go through the Specimen copy of the Policy Wording which can be collected from any of our branch or downloaded from company web site.

**STATUTORY WARNING - PROHIBITION OF REBATES**

(Under Section 41 of Insurance Act 1938)

- 1) No person shall allow or offer to allow, either directly or indirectly as an inducement to any person to take out or renew or continue an insurance in respect of any kind of risk relating to lives or property, in India, any rebate of the whole or part of the commission payable or any rebate of the premium shown on the Policy, nor shall any person taking out or renewing or continuing a Policy accept any rebate, except such rebate as may be allowed in accordance with the published prospectuses or tables of the Insurer.
- 2) Any person making default in complying with the provisions of this section shall be liable for a penalty which may extend to ten lakh rupees.