

# Machinery Insurance Policy

The logo for STATE, featuring the word "STATE" in white, bold, uppercase letters inside a black, rounded rectangular border.

WHEREAS the Insured has made to State, a business division of IAG New Zealand Limited (State) a written proposal and declaration which together with any other statements made in writing by the Insured for the purpose of this Policy shall be the basis of and deemed to be incorporated in this contract

NOW IT IS AGREED that in consideration of the payment of the Premium and subject to the terms, exclusions, provisions and conditions incorporated herein, State agrees with the Insured that during the Period of Insurance, or during any further period in respect of which State shall have agreed to renew this insurance, State will indemnify the Insured as set out in this Policy.

## SECTION 1 MACHINERY

In the event of any mechanical or electrical breakdown, failure or breakage to any Insured Item described in the Schedule, at the situation stated in the Schedule, which necessitates repair or replacement to allow continuation of use (damage), State will indemnify the Insured for such damage by payment in cash, replacement or repair (at State's option) up to an amount not exceeding the Sum Insured in respect of each of the Insured Items specified in the Schedule and not exceeding in all the Total Sum Insured.

### EXCLUSIONS TO SECTION 1

#### State shall not be liable for:

1. the Excess stated in the Schedule to be borne by the Insured in respect of any one occurrence. If more than one item is damaged in one occurrence, the Insured shall not be called upon to bear more than the highest single Excess applicable to such items.
2. any damage that occurs before completion of successful initial commissioning.
3. damage to belts, ropes, wires, chains, rubber tyres, dies or exchangeable tools, engraved cylinders, objects made of glass or porcelain, ceramics, refractory linings, felt sieves or fabrics, jointings or packings, all operating media (including lubricating oil, fuel, catalysts or refrigerants).
4. wasting or wearing away or wearing out of any part of an Insured Item caused by or naturally resulting from ordinary use, gradual deterioration, erosion, rust, corrosion, boiler scale or oxidation (due to normal atmospheric conditions or otherwise), damage due to cavitation, scratching of painted or polished surfaces.
5. consequential loss of any kind or description whatsoever.
6. damage occurring whilst any Insured Item is undergoing a test of any kind or is being used in any manner or for any purpose other than that for which it was designed.
7. damage to machinery working underground unless otherwise agreed by endorsement.
8. damage directly or indirectly caused by, or arising out of, or aggravated by war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, military or usurped power, conspiracy, confiscation, commandeering, requisition or destruction or damage by order of any Government or Public Authority.
9. damage directly or indirectly caused by, or arising out of, or aggravated by nuclear reaction, nuclear radiation or radioactive contamination.
10. damage due to any faults or defects, known to the Insured, which existed at inception of this Policy.
11. damage directly or indirectly caused by, or arising out of, or aggravated by the wilful act or wilful negligence of the Insured.
12. damage discovered during routine servicing.

13. (a) loss or damage, or  
(b) any costs or expenses to repair or modify any part of any computer, data processing equipment or media, microchip, integrated circuit or similar device or any computer software, whether the property of the Insured or not directly or indirectly caused by or consisting of or arising from the failure of any computer, data processing equipment or media, microchip, integrated circuit or similar device or any computer software, whether the property of the Insured or not, and whether occurring before, during or after the year 2000
  - (i) to correctly recognise any date as its true calendar date
  - (ii) to capture, save or retain, and/or correctly 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) to capture, save, retain or correctly process any data as a result of the operation of any command which has been programmed into any computer software, being a command which causes the loss of data or the ability to capture, save, retain or correctly process such data on or after any date.
14. any act of terrorism. Notwithstanding any provision to the contrary, this insurance excludes loss, damage, death, injury, illness, liability, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with
  - (a) an act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss, damage, death, injury, illness, liability, cost or expense.
  - (b) any action taken in controlling, preventing, suppressing or in any way relating to an act of terrorism.

An act of terrorism means an act, including but not limited to the use of force or violence and/or 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) which from its nature or context is done for, or in connection with, political, religious, ideological, ethnic or similar purposes or reasons, including the intention to influence any government and/or to put the public, or any section of the public, in fear.

In any action, suit or other proceeding where State alleges that by reason of the provisions of any of Exclusions 8 or 9 or 13, any damage is not indemnifiable by this Policy, the onus of proving that such damage is indemnifiable shall be upon the Insured.

## **CONDITIONS**

1. The due observance and fulfilment 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 proposal made by the Insured shall be conditions precedent to any liability of State.
2. The Schedule shall be deemed to be incorporated in and form part of this Policy. 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 Insured shall at the Insured's expense take all reasonable precautions to prevent damage and comply with statutory requirements and manufacturers' recommendations.
4. (a) Representatives of State shall at any reasonable time have the right to inspect the Insured Items and the Insured shall provide the representatives of State with all details and information necessary for the assessment of the risk.  
(b) The Insured shall immediately notify State in writing of any material change in the Insured Items and cause at the Insured's 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. No material alteration shall be made or admitted by the Insured whereby the risk of damage is increased unless the continuation of the cover provided under this Policy is confirmed in writing by State.
5. In the event of any occurrence which might give rise to a claim under this Policy, the Insured shall:
  - (a) immediately notify State in writing, giving an indication as to the nature and extent of damage;
  - (b) take all reasonable steps to minimise the extent of damage;
  - (c) preserve the parts affected and make them available for inspection by a representative of State;
  - (d) furnish all information and evidence as State may require.
6. The Insured shall at the expense of State do and concur in doing and permit to be done all such acts and things as may be necessary or required by State in the interest of any rights or remedies or of obtaining relief or indemnity from any party (other than those insured under this Policy) to which State shall be or would become entitled or subrogated upon State paying for or making good any damage under this Policy, whether such acts and things shall be or become necessary or required before or after the Insured's indemnification by State.

7. If the proposal or declaration of the Insured is not true in any material aspect or if any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, this Policy shall be void and State shall not be liable to make any payment.
8. This Policy may be cancelled by the Insured at any time by notice in writing delivered to State in which case State shall retain or be entitled to recover, as the case may be, the minimum premium for the time during which the Policy has been in force. State may at any time by giving written notice to the Insured to cancel this Policy. Notice of cancellation may be delivered personally or posted to the Insured at the address last known to State. The cancellation of the Policy shall be effective as from 4 p.m. on the seventh day after such posting or personal delivery. After cancellation by State, State will refund the amount of unearned premium.
9. If any difference shall arise under this Policy between State and the Insured then subject to the agreement of the parties it shall be referred to arbitration.
10. If at the time any claim arises under this Policy there is any other insurance covering the same damage, State shall not be liable to pay or contribute more than State's rateable proportion of any claim for such damage.
11. State can change the terms of this Policy (including the Excess) by giving the Insured fourteen days notice at the Insured's last known address.
12. Provided that Goods and Services Tax (GST) is recoverable by State, the Sum or Sums Insured by this Policy are exclusive of GST to the intent that, in the event of a claim, State will pay a maximum of the Sum Insured plus additional GST to a maximum of the current rate of GST applied to that Sum Insured.

## **PROVISIONS TO SECTION 1**

### **1. Sum Insured**

The Sum Insured for each item must not be less than the New Replacement Cost 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 installation charges.

### **2. Bases of Indemnity**

#### **(1) Repairable Damage**

Where damage to an Insured Item can be repaired State will pay all expenses necessarily incurred to restore the damaged item to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting repairs as well as freight to and from a repair shop and customs duties. If the repairs are executed at a workshop owned by the Insured, State will 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 will be taken into account. If the cost of repairs as detailed in (1) equals or exceeds the actual value of the Insured Item immediately before the occurrence of the damage the settlement shall be made on the basis provided for in (2) below.

#### **(2) Non Repairable Damage**

Where an Insured Item cannot be repaired State will at State's option either:

- (a) pay the actual value of the item immediately before the occurrence of the damage including costs for freight, erection and customs duties; such actual value to be calculated by deducting depreciation from the New Replacement Cost 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 the damage and pay any costs for freight and erection.

State will also pay any charges for the removal of the item but less the value of any salvage.

#### **(3) State will not pay the cost of any:**

- (a) alterations, additions, improvements or overhauls;
- (b) provisional repairs, unless such repairs constitute part of the final repairs and do not increase the total repair costs;
- (c) extra charges incurred for overtime, nightwork, work on public holidays, express freight or air freight unless specially agreed upon by endorsement.

### **3. Repairs**

Upon notification of a claim being given to State in accordance with Condition 5 the Insured may proceed with the repair of any minor damage, provided that such repair work is without prejudice to any question of liability of State and that any damaged part requiring replacement is kept for inspection by State. In all other cases of damage State shall have the opportunity of inspecting the damage before any alterations, repairs or replacements are commenced. If any inspection by a representative of State does not take place within fourteen days from the date of notification of the claim the Insured shall be entitled to proceed with repairs or replacement.

Nothing contained herein shall prevent the Insured from taking such steps as are absolutely necessary for the upkeep of operations. The liability of State under this Policy in respect of any item sustaining damage shall cease if that item is not repaired.