3.0 ENGINEERING INSURANCE

In industries and factories, even in offices or at home, nowadays more and more machinery and equipments are being used. They are exposed to various accidental losses like fire, theft, accidental breakdown etc. Such losses not only cause financial stress on its owner but also hinder normal operation of the Industry. Apart from this, massive Engineering projects ranging from building of bridges to set up thermal power stations are very common in today's era of industrialization. Major accidents or natural disasters like earth quake etc will cause immense losses to such projects. Engineering Policies are designed to provide coverage against such accidental losses.

BASIC PRINCIPLES

The following basic principles are applicable for Engineering Insurance Contracts.

- Insurable Interest
- Indemnity
- Utmost Good Faith
- Subrogation
- Proximate Cause
- Contribution

TYPES OF POLICIES

Broadly, various engineering policies can be classified as follows:

1. **Construction Phase Insurance (Project Policies).** These are one time policies issued for entire project period irrespective of whether the project period irrespective of whether the project period is a few days or a few years:

   I. Contractor's All Risk Insurance (CAR)
   II. Erection All Risk Insurance (EAR) [also known as Storage-cum- Erection or SCE Insurance]
   III. Marine – cum – Erection Insurance (MCE)

Operational Phase Insurance (Annual Policies)

I. Machinery Insurance
II. Contractor's Plant and Machinery Insurance
III. Electronic Equipment Insurance
IV. Boiler and Pressure Plant Insurance
V. Deterioration of Stock Insurance (DOS)
VI. Civil Engineering Completed Risk Insurance (CECR)
VII. Contract Works Insurance (CW)
VIII. Machinery Loss of Profit Insurance (MLOP)
IX. Boiler Loss of Profit Insurance (BLOP)

CAR

INTRODUCTION:

Following rapid industrialization and infrastructure development, this form of insurance has gained a lot of popularity. Any kind of large construction projects involves a number of hazards both for Principals as well as Contractors and the only way to economically safe guard against all natural and human hazards is by way of a CAR Policy.

JURISDICTION:
This applies to all Risks located in India where the value of **Civil Engineering Works is more than 50% of the total Contract Value.**

SUBJECT MATTER:
Contractors All Risk (CAR) Insurance Policy is suitable for Construction of Civil works as well as composite projects.

SCOPE OF COVERAGE:
All Risks (with certain exceptions) involved during storage, assembly, erection/Construction against:-

- fire, lightning, explosion/implosion, aircraft damage,
- flood, storm, earthquake, landslide,
- theft, burglary, RSMD, terrorism,
- negligence, lack of skill, collision, impact, dropping
- short circuit, electrical/mechanical breakdown etc.

FEW OF THE EXCEPTIONS ARE AS UNDER:
- Damage due to faulty design, defective materials etc.
- Willful negligence, bad workmanship,
- Consequential loss say penalty for delay etc.
- Inventory losses
- War, nuclear reaction,
- Normal wear and tear, gradual deterioration etc.

CONSTRUCTION PERIOD

The liability of the Company shall commence, (notwithstanding any date to the contrary specified in the Schedule) only from the time of commencement of work after the unloading of the property specified in the schedule from any conveyance at the site specified in the schedule whichever is earlier and shall expire on the date specified in the schedule. However, the Company's liability expires also for parts of the insured contract works taken over or put into service by the Principal prior to the expiry date specified in the policy whichever shall be earlier.

'If actual construction period is shorter than the period indicated in the schedule, no refund of premium shall be allowed unless specifically allowed by Insurers.'

At the latest, the insurance shall expire on the date specified in the Schedule but if the work of construction included in the insurance is not completed within the time specified hereunder, the Company may extend the period of insurance but the Insured shall pay to the Company additional premium at rates to be prescribed by the Company.

SUM INSURED:

The Sum Insured under CAR Policy should represent the completely erected value of the project to be installed including freight, customs duties and erection cost. This should represent the current replacement value of the items when erected.

Following heads are to be taken for arriving at the Sum Insured:

a) Marine (Imports) -landed cost at site
b) Marine (Indigenous) -landed cost at site
c) Cost of Erection (exclusive of preoperative expenses but inclusive of cost of visits of specialists and supervision charges).
d) Permanent Civil Engineering Works
e) Half the escalated value, if escalation is opted for.
f) Pre- operative expenses.

For additional Covers, suitable limit has to be selected for the opted ones

MARINE/TRANSIT RISKS CONNECTED WITH CONTRACTORS ALL RISKS INSURANCE –

Where Marine/Transit Insurance connected with Contractor's All Risks Insurance of any project is placed in India simultaneously or later on in one combined policy or under separate policies, in one department or in different departments, the matter relating to Contractors All Risks Cover is required to be underwritten, subject to these General Regulations.

The **loss due to breakage of glass** can, however, be covered by payment of additional premium as follows -

i) CAR rates so worked out as per guideline provisions should be loaded by 25 %
ii) Excess on glass items shall be 10 % of aggregate sum insured of all glass items.

COMPUTATION OF PREMIUM

Premium shall be computed for the total period commencing from

i) Commencement of work **OR**
ii) Date of arrival of the first consignment at the site of construction
Whichever is earlier.

MINIMUM STFI RATE APPLICABLE : Rs.0.15 per mille per annum w.e.f.1/3/2012

Premium is to be charged on pro-rata basis based on duration of the policy.
No discount of any kind including higher excess discount is to be allowed as these are minimum rates.

ADDITIONAL RATES FOR EARTHQUAKE (FIRE & SHOCK) PERILS –

a. Irrespective of the sum insured for CAR, the following additional rates are to be charged over the CAR rate:

Minimum rates applicable – w.e.f. 1/3/2012

Zone	**Applicable rate (%o) per annum**
Zone - I	0.50
Zone – II	0.25
Zone – III	0.10
Zone – IV	0.05

b. Premium is to be charged on pro-rata basis based on duration of the policy.

c. No discount of any kind including higher excess discount is to be allowed as these are minimum rates.

d. These additional rates take care of CAR earthquake (Fire & shock) perils only.

e. For policy for extensions with overall period (including original policy period) in excess of 12 months, the CAR earthquake rate should be reworked.

f. Earthquake cover is optional for all the zones but cannot be opted Mid-term or for part of the total CAR Period.

g. Earthquake cover on first loss basis - earthquake cover could be granted on first loss basis with Sum Insured limits of 20% (OR 10%) of the total Sum Insured at the rates of 50 % (OR 40 %) of the rate calculated on the total sum insured.

MID-TERM INCREASE IN SUM INSURED DURING POLICY PERIOD -

In cases where the Sum Insured for CAR is required to be increased during the policy period, the premium should be collected on the additional Sum insured at applicable CAR rates since inception of policy. It is not permissible to charge pro-rata premium on such increased sum insured.
Mid-term increase in SI shall be affected only after the same has been recorded in the policy by the Company before the occurrence of any claim.

EXCESS FOR CLAIMS ARISING OUT OF 'ACTS OF GOD PERILS'

A) For risks situated in earthquake Zone I and II the minimum excess for claims arising out of AOG perils shall be as under during the entire policy period (including all extensions) –

Zone – I	Rs. 25,000/- per claim
Zone – II	Rs. 10,000/- per claim

In respect of those CAR Risks where the excess prescribed in guidelines is higher than excess amounts prescribed above for Zone I and II the higher excess will be applicable.

Incident shall not be considered to have terminated until there have been seven consecutive days freedom from the perils concerned and only thereafter will this excess amount apply afresh.

B) For risks situated in earthquake Zone III and IV the minimum excess applicable for claims arising out of AOG perils shall be the excess prescribed in the table of deductibles.

The excess amounts shall apply separately to each incident giving rise to loss or damage and for this purpose an incident shall not be considered to have terminated until there have been seven consecutive days freedom from the perils concerned and only thereafter will this excess amount apply afresh.

C) In respect of those CAR Risks located in earthquake Zone I or II where clients do not require the cover for earthquake Perils, the excess amount applicable for all AOG perils other than earthquake (Fire and Shock) will be the same as prescribed.

CLEARANCE AND REMOVAL OF DEBRIS –

Rate as provided in the erstwhile tariff/guidelines is to be charged on the limit of Sum Insured fixed. The Policy Excesses (Normal & AOG/Collapse) should apply for the 'Clearance and Removal of Debris' claims.

THIRD PARTY LIABILITY COVER –

- Legal liability for accidental loss or damage caused to property of other persons including property held in trust by or under custody of the Insured.
- Legal liability (liability under contract excepted) for fatal or non-fatal injury to any person other than the Insured's own employees.

The rate as applicable for CAR Cover is to be charged for Third Party Liability Cover, up to the following limits –

For Policies with sum insured upto Rs. 10.0 Crores -

Any one person; Any one accident; During the entire period of CAR cover	Up to Rs, 1.00 Crore

For policies with sum insured above Rs. 10.0 Crores –

Any one person; Any one accident; During the entire period of CAR cover	10 % of the completely erected value or Rs. 10.0 Crores whichever is lower.

Notes -

i) Third Party Liability Insurance in excess of above-mentioned limits should be underwritten in the Miscellaneous Department at the discretion of the Insurer.

ii) The Policy Excesses (Normal & AOG/Collapse Claims) should apply for Third Party Liability Property Damage Claims.

iii) For Third Party Liability Claims arising out of Acts of God Perils the Excess applicable to AOG claims should be applied.

iv) The Sum Insured for TPL Cover cannot be reinstated after occurrence of a loss. The extension rate shall apply for TPL cover also during extension period. When different sections of the contract works are covered for different extension periods under the policy, the highest of such extension rates shall be charged for TPL cover during extension.

v) The TP Liability cover cannot be granted during extended maintenance

A) CROSS LIABILITY COVER –

The Third Party Liability Cover can be modified to offer cross liability cover as if a separate policy has been issued to each Insured party.

SURROUNDING PROPERTY OF THE INSURED –

For covering the specified Surrounding Property of the Insured the rate applicable will be 50 % of the CAR rate and this is to be charged on the limit of Sum Insured fixed for the Surrounding Property.
The Policy Excesses (*Normal & AOG/Collapse Claims*) should apply for Surrounding Property also.

ESCALATION PROVISION –

Maximum of 50% of the sum insured for CAR will be permitted only once at the time of inception.

Additional Premium is to be charged for `Escalation Provision' at the rates prescribed for CAR but on the 50% of the amount of escalation. The method of premium calculation will be as under –

a) Assume the Project Sum Insured ...	Rs. 4 Crores
b) Assume Escalation percentage is	10 % i.e. Rs. 40 Lakhs
c) Additional Premium to be charged at the prescribed rate for CAR cover will be on 50 % of the Escalation Provisional cover i.e. on. ...	Rs.20 Lakhs

ADDITIONAL RATE FOR EXPRESS FREIGHT (*AIR FREIGHT EXCLUDED*) HOLIDAY AND OVERTIME RATES OF THE WAGES -

This add-on cover can be considered with additional premium on selected limit.

ADDITIONAL RATE FOR AIR FREIGHT ONLY

The Rate and excess as under shall be charged exclusively for items of Air Freight only and subject to the limit selected by the Insured for Indemnity against Air Freight only –

The **rate and excess** will be as per IRDA approved guide rates.

ADDITIONAL CUSTOM DUTY -

The Additional Customs Duty selected can be covered on First loss basis. This is to be selected by the insured at the inception of the policy and can be reinstated in the event of loss.

The **rate and excess** please refer IRDA approved guide rates.

CONSTRUCTION MACHINERY PLANTS AND EQUIPMENTS -

Can be covered under CAR policies (as per CPM policy rates & terms) up to the limit of 5% of the Sum insured or Rs. 25 lacs whichever is less**.**
If the S.I exceeds above specified limits, separate CPM policy is to be issued.

RATES FOR EXTENSION BEYOND POLICY PERIOD – Projects, if required, can be extended on payment of additional premium. For rates please refer erstwhile tariff/ IRDA approved guide rates.
Pro-rata extra of the additional rates for earthquake & STFI will also apply for Extension Periods beyond policy period, in addition to the Normal Extension Rates for CAR Cover prescribed above.

CLAIMS DISCOUNTS LOADING ON CAR EXTENSION RATES –

Loading/discount shall apply on extension rates under CAR Tariff depending on the claims experience under the policy at the time of extension. For rates please refer erstwhile tariff/ IRDA approved guide rates.

MAINTENANCE VISITS COVER AND EXTENDED MAINTENANCE COVER –

This cover should be granted at the inception of the policy only. It cannot be granted just prior to commencement of maintenance period.

a) Limited Maintenance Visits Cover -

Loss of or damage solely to the contract works caused by the insured contractor(s) in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract can be covered. This cover starts from the date of completion or handing over of project.

ii) Extended Maintenance Cover –

Loss or Damage to contract works

a) caused by the Insured contractor(s) in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract.

b) occurring during the maintenance period provided such loss or damage was caused on the site during the erection period.

Notes –

a) Charging premium on pro-rata basis for periods less than 6 months, or 6 to12 months shall not be allowed. For periods exceeding 12 months, the rate chargeable will be on the Pro rata basis.
b) These covers could be granted for periods exceeding 12 months, as required under the contract on pro rata basis.
c) In case of deletion of maintenance visit/extended maintenance cover (availed at inception of policy) before attachment of risk, refund of premium may be given by retaining 25 % of the premium under this extension.
d) In case the risk is attached, no refund shall be allowed for deletion of maintenance visit/extended maintenance cover.

TESTING PROVISION FOR EAR PORTION OF CAR POLICY.

a) No testing provision shall be available under CAR tariff for equipment/ machinery.
b) Where cover for testing is required, the concerned equipment/machinery will have to be covered separately under EAR tariff.
c) Where separate policies are issued in view of (b) above, clubbing of sum insured of the CAR and EAR policies shall not be allowed for the purpose of volume discount.

REFUND OF PREMIUM FOR EARLY COMPLETION OF THE PROJECT -

Refund of premium, arising out of cancellation, due to abandonment of project, double insurance of same project etc. or due to early completion whether rated by the Underwriter can be allowed provided the following conditions are fulfilled:

i) The period of insurance is 18 months and above;
ii) Notice for early completion being given in advance to the insurer before completion of the project.
iii) claims experience under the policy being less than 60%
iv) The original policy period is not exceeding the contract period as per contractual clause. In the absence of the existence of the contract, the scheduled project period as per original bar chart should be the policy period.

The **minimum period** for which refund can be claimed shall be 3 months.

GROSS RATES –

- All rates specified in the Guide rate are Gross rates and Agency Commission / Brokerage can be allowed from these rates.
- No discounts are allowed on STFI & Earth Quake covers.

- Commission/Brokerage is payable up to 5% of on Terrorism Pool Premium. This shall be adjusted within existing Terrorism rates.
- No discount is to be allowed in lieu of Agency Commission/Brokerage in case of Direct Business.
- For Terrorism in CAR/EAR insurances, long term discount as under shall be allowed on the prevailing rates. **It is to be noted that no discount should be allowed on Terrorism premium where payment is made in installments.**

Policy Period	Discount		
	Initial Policy Period		Extension Period
Up to 1 year		NIL	NIL
Up to 2 years	1st Year	20%	NIL
	2nd Year	20%	NIL
Beyond 2 years	1st Year	30%	NIL
	2nd Year	30%	NIL
	3rd Year & subsequent years	30%	NIL

FACILITY OF PAYMENT OF PREMIUM BY INSTALLMENT UNDER CAR POLICIES

For long term policies having policy period more than 12 months, installment facility may be granted under CAR policies.

A) The facility of payment of premium in installment should not be made available to policies for a period up to 12 months.
B) The minimum interval for each installment should not be less than 3 months.
C) The first installment should be higher than at least by 5% of the total premium, compared to the remaining equal installment.
D) Each installment should be collected or on before the respective due dates.
E) The last installment should be collected at least 6 months prior to the policy expiring date.

Design Defect Cover – Illustration.

An RCC column fails because its inner steel supporting rod (the faulty part) is defective in design or material. The roof collapses, causing extensive damages to an expensive title floor. Under these circumstances:

- DE1 covers nothing
- DE2 covers the floor, but doesn't cover the roof or the column.
- DE3 covers the floor and the roof but doesn't cover the column.
- DE4 covers the floor, the roof and the column but doesn't cover the supporting rod itself.
- DE5 covers everything but doesn't cover a different type of supporting rod to be used in repairs.

DE1 & DE5, which cover one end of the spectrum each, are relatively easy to apply. DE1 excludes everything while DE5 covers everything, minus improvement expenses. DE2 is also relatively unambiguous.

The difference between DE3 & DE4, however, isn't immediately obvious. DE3 literally excludes "loss of or damage to and the cost necessary to replace, repair or rectify property insured which is in a defective condition due to a defect…of such property insured or any part thereof". In this case the entire column including the supporting rod isn't covered.

DE4 meanwhile, excludes "loss of or damage to and the cost necessary to replace, repair or rectify any component part or individual item of the property insured which is defective…" In this case, the supporting rod alone isn't covered.

EAR

GENERAL INTRODUCTION

Following rapid industrialization, this form of insurance has gained a lot of popularity. Any kind of large projects involves a number of hazards both for Principals as well as Contractors and the only way to economically safe guard against all natural and human hazards is by way of an EAR Insurance Policy.

JURISDICTION:

This applies to all Risks located in India where the **value of Equipment, Plant and Machinery (Non- Civil Engineering Works) is more than 50% of the total Contract Value.**

SUBJECT MATTER:

Erection All Risk (EAR) Insurance Policy is suitable for erection of individual machines as well as composite projects and connected civil engineering works.

SCOPE OF COVERAGE:

All Risks (with certain exceptions) involved during storage, assembly, erection and testing of all kinds of plant & machinery against

- fire, lightning, explosion/implosion, aircraft damage,
- flood, storm, earthquake, landslide,
- theft, burglary, RSMD, terrorism,
- negligence, lack of skill, collision, impact, dropping
- short circuit, electrical/mechanical breakdown etc.

Few of the Exceptions are as under:

- Damage due to faulty design, defective materials etc.
- Willful negligence, bad workmanship,
- Consequential loss say penalty for delay etc.
- Inventory losses
- War, nuclear reaction,
- Normal wear and tear, gradual deterioration etc.

SUM INSURED:

The Sum Insured under EAR Policy should represent the completely erected value of the Plant and Machinery to be installed including freight, customs duties, and erection cost. This should represent the current replacement value of the items when erected.
Following heads are to be taken for arriving at the Sum Insured:

a) Marine (Imports) -landed cost at site
b) Marine (Indigenous) -landed cost at site
c) Cost of Erection (exclusive of preoperative expenses but inclusive of cost of visits of specialists and supervision charges).
d) Permanent Civil Engineering Works
e) Half the escalated value, if escalation is opted for.
f) Pre- operative expenses.

BASIS OF LOSS SETTLEMENT:

- Damages which can be repaired/rectified- necessary expenses to restore the machinery/item to its condition immediately before the loss. This will include cost involve in dismantling, freight and assembly charges.
- Total Loss or Damage – actual value of the damaged machinery/item immediately before the occurrence of loss, adjusting value of salvage if any,

Marine/Transit Risks connected with Erection All Risks Insurance –

To be underwritten as per guidelines of marine dept.
A combined policy called Marine – Cum - Erection (MCE) policy shall be issued.

METHOD OF RATE CALCULATION -

A) Rate for first two months of the project period (first month plus one month's testing).
B) Additional Rate for balance period (refer erstwhile tariff or guide rates)
C) Add-On Rates
D) Less detariff discount on total rate

E) Add STFI (& EQ, Terrorism, if opted for)

EAR/SCE PERIOD

- The liability of the Company shall commence, (notwithstanding any date to the contrary specified in the Schedule) only from the time after the unloading of the property specified in the Schedule from any conveyance at the site specified in the schedule and shall continue until immediately after the first test operation or test loading is concluded (whichever is earlier) but in no case beyond four weeks from the day on which after completion of erection a trial running is made and/or readiness for work is declared by the erectors/contractors, whichever is earlier. If however, a part of a plant or one or several machine/s is/are tested and put into operation the cover and consequently the liability of the Company for that particular part of the plant or machine ceases whereas it continues for the remaining parts which are not yet ready.
- In case after the expiry of four weeks of trial running, approval of the plant or any part thereof is not given by the concerned Authorities the cover for the extended period of further trial running can be covered at extra premium to be arranged beforehand.
- If the actual erection period is shorter than the period indicated in the Schedule, no refund of premium shall be allowed, unless specifically allowed by Insurers.
- In the case of second-hand/used property, the insurance hereunder shall however, cease immediately on the commencement of the testing.
- At the latest, the insurance shall expire on the date specified in the Schedule but if the work of erection and test operations included in the insurance is not completed within the time specified hereunder, the company may extend the period of Insurance but the Insured shall pay to the Company additional premium at agreed rates.
- **ADDITIONAL RATE FOR DISMANTLING COVER –**

The Additional Rates for Dismantling Cover will be 50 % of the total SCE Rate irrespective of the period for Dismantling. The Dismantling Extra of 50 % should be applied on the total EAR/SCE Rate excluding additional `Testing' and `Earthquake' Extras. However, if the risk of testing is to be covered for such second hand machinery and/or equipment, the additional minimum rate will be Re. 0.50 per mille per month or part thereof.

ADDITIONAL RATE FOR ‘STFI’ GROUP OF PERILS.

Minimum STFI rate applicable is Rs.0.15 per mille per annum w.e.f.1/3/2012.
Premium is to be charged on prorata basis based on duration of the policy.
No discount of any kind including Higher excess discount is to be allowed as these are minimum rates.

ADDITIONAL RATES FOR EARTHQUAKE (FIRE & SHOCK) PERILS -

a. Irrespective of the sum insured for SCE/EAR, the following additional rates are to be charged over the SCE/EAR rate

Minimum rates applicable – w.e.f. 1/3/2012

Zone	Applicable rate (%o) per annum
Zone - I	0.50
Zone – II	0.25
Zone – III	0.10
Zone – IV	0.05

b. Premium is to be charged on prorata basis based on duration of the policy.

c. No discount of any kind including Higher excess discount is to be allowed as these are minimum rates.

d. These additional rates take care of Earthquake (Fire & shock) perils only.

e. For policy for extensions with overall period (including original policy period) in excess of 12 months, the earthquake rate should be reworked.

f. Earthquake cover is optional for all the zones but cannot be opted Mid-term or for part of the total SCE Period.

h. Earthquake cover on first loss basis - Earthquake cover could be granted on first loss basis with Sum Insured limits of 20% (OR 10%) of the total Sum Insured at the rates of 50 % (OR 40 %) of the Guide rate calculated on the total sum insured.

CLEARANCE AND REMOVAL OF DEBRIS (FOR INSURED PROPERTY) –

The rate applicable for Storage-cum Erection cover is to be charged on the limit of Sum Insured fixed for `Clearance and Removal of Debris. Where the Project is a mix of both old and new machinery, the EAR/SCE Rate as applicable for the new machinery is to be charged on the limit of sum insured selected for Clearance and Removal of Debris.

Note- In case of clearance and removal of debris clause, if no premium is realized, the question of Indemnification of such expenses would not arise. However, if for such damaged property, which may have a salvage value, retrieval expenses are incurred, such expenses may be paid for on merits of each case.

The policy Excess (Normal/Testing Period) should apply for the Clearance and Removal of Debris' claims.

No separate excess for debris removal need be applied. Only one excess which shall be the policy excess shall apply on such claims.

A) THIRD PARTY LIABILITY COVERS –

- Legal liability for accidental loss or damage caused to property of other persons including property held in trust by or under custody of the Insured
- Legal liability (liability under contract excepted) for fatal or non-fatal injury to any person other than the Insured's own employees

i) Limits:For policies with Sum Insured upto Rs. 10 Crores	▪ Any one person ▪ Any one accident ▪ During the entire period of SCE/EAR cover	Upto Rs. 1 Crore
For policies with sum insured above Rs. 10.0 Crores	▪ Any one person ▪ Any one accident ▪ During the entire period of SCE/EAR cover	10% of the completely erected value of the project or Rs.10 Crores whichever is lower

Where the Project is mix of both old and new machinery the EAR/SCE rate as applicable for the new machinery is to be charged on the limit of sum insured selected for Third Party Liability.
The Sum Insured for TPL Cover cannot be reinstated after occurrence of loss.
The extension rate shall apply for TPL Cover also during extension period.
When different sections of Project are covered for different extension periods under the policy, the highest of such extension rates shall be charged for TPL cover during extension.
Third Party Liability Cover cannot be granted during extended maintenance.

B) CROSS LIABILITY COVER -

The Third Party Liability Cover can be modified to offer to cover to the insured parties named in the Policy schedule as if a separate policy has been issued to each party.

SURROUNDING PROPERTY OF THE INSURED -

For covering the specified surrounding property of the Insured the rate applicable will be 50 % of the EAR/SCE rate and should be charged on the limit of sum Insured selected for surrounding property.

Where the project is a mix of both old and new machinery 50 % of the EAR/SCE Rate as applicable for new machinery is be charged on the limit of sum insured selected for surrounding property.
The policy excesses (Normal/Testing period) should apply for surrounding property also.

Reinstatement of the indemnity limit on payment of additional premium after occurrence of claim can be allowed for this extension.

CIVIL WORKS –

The civil works related to machinery foundations should necessarily be covered along with the machinery under EAR/SCE Policies.
The rate as applicable for EAR/SCE cover is to be charged on the limit of Sum Insured fixed for civil works.
The policy excess (Normal/Testing period) should apply for Civil Works also.

ESCALATION PROVISION –

The Escalation Benefit will be limited to a maximum of 50 % of the sum insured for EAR/SCE (the escalation limit shall be expressed in percentage) and will be permitted only once at the time of inception of the EAR/SCE Policy.

Additional Premium should be charged for 'Escalation Provision' at the rates prescribed for EAR /SCE, but on the 50 % of the amount of escalation.

The method of premium calculation will be as under: –

- Assume the Project Sum Insured: Rs. 4 Crores
- Assume Escalation percentage is 10 % i.e. Rs. 40,00,000/-
- Additional premium to be charged at the prescribed rate for EAR/SCE cover will be on 50 % of the Escalation Provisional Cover

i.e. on Rs. 20, 00,000/-

MID-TERM INCREASE IN SUM INSURED –

If the Sum Insured for EAR/SCE is required to be increased during the Policy period the premium should be collected on the additional Sum Insured at applicable EAR/SCE rate. It is not permissible to charge pro-rata premium on such increased Sum Insured. Mid-term increase in Sum Insured shall be affected only after the same has been recorded in the policy by the Company, before the occurrence of any claim. In such cases, no additional volume discount shall be applicable.

In case of mid-term increase in Sum Insured premium has to be collected from inception.

PROVISION FOR EXPRESS FREIGHT (AIR FREIGHT EXCLUDED) HOLIDAY AND OVERTIME RATES OF WAGES –

This add-on can be made available on the limit selected at the option of Insured. Reinstatement of the indemnity limit on payment of additional premium after occurrence of claim can be allowed for this extension.

PROVISION FOR AIR FREIGHT ONLY –

Reinstatement of the indemnity limit on payment of additional premium after occurrence of claim can be allowed for this extension. Air Freight cover applies to both Marine and SCE portion of a MCE Policy.

ADDITIONAL CUSTOMS DUTY –

The cover for Additional Customs Duty will be subject to the following rates, terms and conditions

a) The cover for Additional Customs Duty will be on first Loss Basis.
b) The specific amount for Additional Customs Duty has to be selected by the insured at the inception of the policy and can be reinstated in the event of loss

Note -*This extension can also be made available to projects in respect of which the original imports are exempted by the Govt. of India from payment of Custom Duty but the Custom Duty is payable on replacement items. In such cases the basic duty component taken into account in arriving at the sum insured shall be considered as ZERO.*

The provision to grant cover for additional custom duty applies to both Marine and EAR portions if combined MCE Policy is issued. In cases where separate Marine and EAR policies are issued, the Marine policy should be specifically endorsed to this effect.

Under the Endorsement Regarding Customs Duty, only Sea Freight Charges could be taken into account even though the replacement supplies had been air freighted and the policy has been endorsed for `Air Freight' Cover.

CONSTRUCTION MACHINERY PLANTS AND EQUIPMENTS –

Can be covered under EAR/SCE policies (as per CPM policy rates & terms) up to the limit of 5% of the Sum insured or Rs. 25 lacs whichever is less**.**

If the S.I exceeds above specified limits, separate CPM policy is to be issued.

RATES FOR EXTENSION BEYOND POLICY PERIOD -

Projects, if required, can be extended on payment of additional premium. For rates please refer erstwhile tariff/ IRDA approved guide rates.

Extension rates shall apply on the value on the remaining part of the project, which is yet to be completed (i.e. which have not gone out of EAR/SCE Cover).

Excess will be as per original policy.

Irrespective of the number of extensions availed of by the Insured the extension rates will apply for each extension.

For covering Earthquake & STFI, pro-rata extra of the additional rates for Earthquake & STFI will also apply for Extension Periods beyond Policy period, in addition to the Normal extension Rates for EAR/SCE Cover prescribed above.

CLAIM DISCOUNT/LOADING ON EAR/SCE EXTENSION RATES –

Loading/discount shall apply on extension rates under CAR Tariff depending on the claims experience under the policy at the time of extension. For rates please refer erstwhile tariff/ IRDA approved guide rates.

C) Rates for Testing Period Extension -

C$_{-1}$ -For **Petrochemical Plants, Fertilizer Plants, Petroleum Refineries, Power Plant and Gas Turbine/Combined Gas Cycle Plant,** the following rates apply for extension of testing period beyond one month **–**

Extension within Policy period	0.50 per mille per month or part thereof
Extension beyond Policy period	0.70 per mille per month or part thereof

C$_{-2}$ -For all risks **other than Petrochemical Plants, Fertilizer Plants, Petroleum Refineries, Power Plant and Gas Turbine/Combined Gas Cycle Plant,** the rates for extension of testing Period beyond the policy period shall be 0.50 per mille per month or part thereof.

MAINTENANCE VISITS COVER AND EXTENDED MAINTENANCE COVER –

This cover should be granted at the inception of the policy only. It cannot be granted just prior to commencement of maintenance period.

b) Limited Maintenance Visits Cover -

Loss of or damage solely to the contract works caused by the insured contractor(s) in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract can be covered. This cover starts from the date of completion or handing over of project.

ii) Extended Maintenance Cover –

Loss or Damage to contract works

a) caused by the Insured contractor(s) in the course of the operations carried out for the purpose of complying with the obligations under the maintenance provisions of the contract.

b) occurring during the maintenance period provided such loss or damage was caused on the site during the erection period.

Notes –

a) Charging premium on pro-rata basis for periods less than 6 months, or 6 to12 months shall not be allowed. For periods exceeding 12 months, the rate chargeable will be on the Pro rata basis.

b) These covers could be granted for periods exceeding 12 months, as required under the contract on pro rata basis.

c) In case of deletion of maintenance visit/extended maintenance cover (availed at inception of policy) before attachment of risk, refund of premium may be given by retaining 25 % of the premium under this extension.

d) In case the risk is attached, no refund shall be allowed for deletion of maintenance visit/extended maintenance cover.

TESTING PERIOD FOR PLANTS OTHER THAN THERMAL POWER PLANTS

Testing period available under the policy shall cease to operate with the commencement of commercial production or with the handing over of the plant to the principal, whichever is earlier. In no case the duration of the testing period should exceed 12 months.

SUSPENSION OF TESTING PERIOD –

If testing is suspended after commencement of test run and if such period during which no testing activity is carried on exceeds 7 days in duration, it can be treated as erection period, provided

i) it is within the policy period,

ii) it does not fall within testing extension period.

Iii) it is due to fortuitous accident happening anywhere at site and

iv) situation is beyond the control of insured

In consideration of this, the testing period shall remain reduced by number of days the testing was carried out in the initial test run.

COMBINED CYCLE POWER PLANTS–

In those cases, where both GT's & ST's are covered under the same EAR/SCE policy for a common period of insurance, the policy can be extended to cover OPEN CYCLE Mode of GT's at following rates -

Within policy period - Re. 1.00 per mille per month or part thereof

Note – Gas Turbines, which are covered under separate policies, have to be considered operational and the EAR/SCE covers cannot be extended to cover such GTs during OPEN CYCLE modes.

COVER FOR CATALYST UNDER SCE/EAR POLICY ISSUED TO FERTILISER & CHEMICAL PLANTS-

a) The Catalyst is automatically covered for storage and Erection risks at the normal EAR/SCE rate if the value of Catalyst is included under the sum insured.

b) If both equipments and catalysts are damaged, the respective excesses on equipments and catalyst shall be applicable separately.

REFUND OF PREMIUM FOR EARLY COMPLETION OF THE PROJECT

Refund of premium for completion of the project earlier than the period mentioned in the policy schedule for any project (including the testing period) may be allowed subject to the under noted conditions being complied with -

a) The period of insurance is 18 months and above.
b) Notice for early completion being given in advance to the insurer i.e. before commencement of testing or in any case not later than 7 days after commencement of testing.
c) Claims Experience under the policy being less than 60 %.
d) The minimum period for which refund can be claimed shall be 3 months.
e) The refund of premium would be allowed only after re-working of the premium on reduced policy period.

GROSS RATES -

- All rates specified in the Guide Rate are Gross rates and Agency Commission/Brokerage can be allowed from these Gross Rates, as per prevailing rules.
- No discounts are allowed on STFI, Earth Quake & Terrorism covers.
- Commission/Brokerage is payable up to 5% of on Terrorism Pool Premium. This shall be adjusted within existing Terrorism rates.
- No discount is to be allowed in lieu of Agency Commission/Brokerage in case of Direct Business.

ISSUE OF FIRE POLICY DURING THE TESTING PERIOD -

No Fire Policy can be issued during 'Testing Period' for items covered under EAR/SCE policy.

FACILITY OF PAYMENT OF PREMIUM BY INSTALLMENT UNDER MCE/EAR/SCE POLICIES

For long term policies having policy period more than 12 months, installment facility may be granted.

Facility of payment of premium by installments under MCE/EAR/SCE policies

The facility of payment of premium in installment should not be made available to policies for a period up to 12 months.

The minimum interval for each installment should not be less than 3 months.

The first installment should be higher than, at least by 5% of the total premium, compared to the remaining equal installment.

Each installment should be collected or on before the respective due dates.

The last installment should be collected at least 6 months prior to the policy expiring date.

Design Defect Cover – An Illustration.

An RCC column fails because its inner steel supporting rod (the faulty part) is defective in design or material. The roof collapses, causing extensive damages to an expensive title floor. Under these circumstances:

- DE1 covers nothing
- DE2 covers the floor, but doesn't cover the roof or the column.
- DE3 covers the floor and the roof but doesn't cover the column.
- DE4 covers the floor, the roof and the column but doesn't cover the supporting rod itself.
- DE5 covers everything but doesn't cover a different type of supporting rod to be used in repairs.

DE1 & DE5, which cover one end of the spectrum each, are relatively easy to apply. DE1 excludes everything while DE5 covers everything, minus improvement expenses. DE2 is also relatively unambiguous. The difference between DE3 & DE4, however, isn't immediately obvious. DE3 literally excludes "loss of or damage to and the cost necessary to replace, repair or rectify property insured which is in a defective condition due to a defect…of such property insured or any part thereof". In this case the entire column including the supporting rod isn't covered.

DE4 meanwhile, excludes "loss of or damage to and the cost necessary to replace, repair or rectify any component part or individual item of the property insured which is defective…" In this case, the supporting rod alone isn't covered.

CAR/ EAR INSTALLMENT COMPUTATION

No. of installments (N)	=[(p-6)/n] + 1	Where 'p' is project period in months. 'n' is the interval between two payments (min. 3 months)
1st installment premium	=P*95%/N + P*5%	where 'P' is the gross premium
next N-1 installments	=P*95%/N	

For example,

Project period , p	25	
interval in installments, n	3	
Gross Premium (incld. Tax), P	5000000	
No. of installments, N	=(25-6)/3 + 1	7.3333, say 7.
1st installment premium	=5000000*95%/7 + 5000000*5%	*928,571.430*
Next 6 installments	=5000000*95%/7	*678,571.430*

CONTRACTORS PLANT AND MACHINERY

SCOPE:

Plant and machinery used for erection/construction purpose can be covered under this policy against

- Fire, theft, burglary, RSMD. Terrorism,
- Earthquake, flood, inundation, landslide,
- Storm, tempest, cyclone etc.
- Accidental external damage while at work or rest at site due to faulty handling, impact, collapse, dropping,

EXCEPTIONS:

- Damage caused by willful act negligence,
- Electrical/Mechanical breakdown, overloading, internal explosion,
- Damage to exchangeable parts,
- Damage to water borne vessel, vehicles for road use,
- Total/partial immersion in tidal water,
- During transit/while working in underground mines,
- Inventory losses,
- War, nuclear reaction etc.

ADDITIONAL COVER:

- Third Party personal injury & property damage,
- Insured's own surrounding property damage,
- Clearance and removal of debris,
- Express freight, holiday & overtime charges.

OTHER FEATURES:

- This is an annual policy. May be issued for short periods on short period scale.
- Policy should be issued for plants used at particular site(s). If one plant is taken from one site to another, necessary declaration should be obtained and the policy should be endorsed accordingly. Transit part has to be covered under separate transit policy.

SUM INSURED:

Sum Insured shall be equal to the cost of replacement of the insured property by new property of the same kind and same capacity, which shall mean its replacement cost including freight, dues and customs duties if any and erection costs.

1. TERRITORIAL LIMIT –

This applies to all risks located in India.

CPM Policy can be issued covering equipment on "Anywhere in India basis" with following stipulations.

a) Full description with identification number etc. of each and every equipment with valuation should be declared at the inception of cover.

b) STFI and Earthquake extra will be charged as per the rates prescribed for various zones.

c) Loading of 10% on the Basic CPM Rate shall be charged to cover Floater Risk.

2. PROHIBITION TO ISSUE MB POLICY ON CPM EQUIPMENT-

MB risks in case of CPM equipments should not be covered either as an extension of CPM insurance policy or under a separate MB policy.

3. SCOPE

The cover shall be as per the standard policy form in respect of Contractor's Plant & Machinery Insurance.

The Insurance of all types of Contractor's Plant Machinery and Equipments (including those governed by the Motor Vehicles Act or rateable under Motor policy) engaged for work at any specified location in India, shall be subject to these notes.

In respect of Machinery/Equipments, whether registered with RTO or not, but engaged at the Project site, the Insured, has an option either to select the Motor/Non-Motor Policy.

In case of doubt as to the applicability of Rate Schedule and these General Regulations, the matter should be referred to the Competent Authority.

4. NUMBER OF LOCATIONS IN A POLICY –

The Policy Schedule will necessarily include a list of all items of Contractor's Plant, Machinery and Equipments, indicating separate value against each item. Any additions or deletions in these items during the Policy period of 12 months can be done on short period basis.

Policy schedule may also include more than one locations (projects sites) with separate list of Contractors Plant, Machinery & Equipment at each location (Project site). Here also any addition or deletion of different locations or any items of CPM equipments may be done on short period basis.

However, if the Insurance is taken for a period shorter than 12 months, premium to be charged will be on the basis of Short Period Scale provided hereafter.

Similarly, the Insurance taken for 12 months initially but cancelled mid-term, before completion of 12 months, will entitle refund on Short Period Scale only.

5. SHIFTING OF CONTRACTOR'S PLANT & MACHINERY-TRANSIT RISK –

Many a times, items of Contractor's Plant, Machinery and Equipments require to be shifted from one location (project site) to another location (project site). The risks during transit (any mode) from one location to another location are outside the scope of this policy and should be covered separately, if required, in the Marine Department.

However, the risk during shifting of items of Contractor's Plant, Machinery and Equipments, in connection with work at a project site from one point of the project site to another point in the same project site, is deemed to be covered within the rates prescribed in this Guide rate.

6. CONTRACTOR'S PLANT MACHINERY UNDER EAR/SCE/CAR

Where the SI on CPM equipments under the project requiring EAR/SCE insurances exceeds 5% of SI for EAR/SCE or Rs.25 lacs whichever is lower, such equipment must be rated under the CPM Guide rate.

Where the SI on CPM equipments under the project requiring CAR insurances exceeds 5% of SI for CAR, such equipment must be rated under the CPM Guide rate.

7. FLOATER RISKS-

Loading of 10% on the Contractor's Plant, Machinery & Equipment rate shall be charged to cover Floater Risks.

8. RATES AND EXCESS FOR CPM INSURANCE –

Each item of the Contractor's Plant, Machinery & Equipment shall attract separate rates as prescribed in Rate Schedule and Table for Excess.

For any single loss, only one excess would be applicable and that would be the higher of the two applicable to the equipments **OR** for additional covers like removal of debris etc.

The Policy excess will apply in case of claims relating to SURROUNDING Property Damage. A separate excess as per Guide rate shall be applicable on Air Freight and Additional Customs Duty.

9. ADDITIONAL RATES FOR EARTHQUAKE (FIRE & SHOCK) & STFI PERILS –

Additional rates to be charged for all zones as per the table given below				
(All rates are in per mille per annum)				
Earthquake Zone	IV	III	II	I
Annual rates	0.05	0.1	0.25	0.5

STFI rate: 0.15 per mille per annum
The above rates are the minimum rates to be charged and all insurers are free to load the rate based on the individual risk features and claims experience. The risk acceptance authority shall ensure that appropriate loading is charged on the minimum rates given above based on the claim experience, risk profile and other underwriting parameters.

Note: 1. The premium on engineering policies in respect of STFI and Eq is to be charged on prorata basis based on duration of the policy.
2. No discounts of any kind including higher excess discounts is to be allowed as these are minimum rates.

10. ACTS OF GOD PERILS –

The Acts of God Perils shall mean -

a) Earthquake (Fire & Shock)
b) Landslide, Rockslide, Subsidence
c) Flood, Inundation
d) Storm, Tempest, Hurricane, Typhoon, Cyclone.

11. EXCESS FOR CLAIMS ARISING OUT OF AOG PERILS

The Excess amount prescribed in Table III of Part I Rate Schedule of erstwhile tariff / guidelines for claims arising out of Acts of God Perils shall apply separately to each incident giving rise to loss or damage and for this purpose an incident shall not be considered to have terminated until there have been seven consecutive days freedom from the perils concerned and only thereafter will these excess amounts apply afresh.

12. DELETION OF EXCEPTION ‘K’ OF THE POLICY

For deletion of Exception 'K' under the Policy regarding Contractor's Plant and or Machinery working underground, applicable Guide rate should be loaded by 25%.

13. CONTRACTOR'S PLANT & MACHINERY EQUIPMENTS MOUNTED ON FLOATING VESSEL/CRAFT

The Contractor's Plant, Machinery & Equipments mounted on floating vessel/craft and used for the purpose of contract work shall attract the rates prescribed in Table I of Rate Schedule.

However, the Excess applicable for claims on such plant, machinery & equipments mounted on floating vessel/craft shall be the Excess prescribed for `claims arising out of AOG Perils' in Table III of Part I - Rate Schedule of erstwhile tariff / guidelines.

14. ROUNDING OF RATES:-

It is not permissible to round off the rates in Annual Engineering Policies.

15. SHORT PERIOD SCALE OF PREMIUM RATES –

Policies issued or renewed for periods shorter than 12 months must be charged as per the erstwhile tariff rates / IRDA approved guide rates, which must also be applied in calculating the premium where policies are cancelled during currency at the request of the Insured.

16. THIRD PARTY LIABILITY –

A rate of 0.25 % p.a. should be charged on the total limit of indemnity selected to cover the Third Party Liability and the maximum sum Insured under TPL extension should not exceed 10% of the Sum Insured subject to maximum of Rs 10 crores per location.

Third Party Liability Insurance for limits in excess of those mentioned above should be underwritten in the Miscellaneous Department at the discretion of the Insurer.

The Excesses applicable for TPL Property Damage claims will be the highest of the Excesses applicable to the Machineries insured.

17. OWNER'S SURROUNDING PROPERTY –

A rate of 0.25 % p.a. should be charged on the Sum Insured for Owners Surrounding Property.

The Excesses applicable on the Owners Surrounding Property will be the highest of the excesses applicable to machineries Insured.

18. CLEARANCE AND REMOVAL OF DEBRIS –

A rate of 0.25 % p.a. should be charged on the Sum Insured for Clearance & Removal of debris.

The Excess applicable on the Clearance and Removal of debris will be highest of the Excesses applicable to machineries insured

19. ADDITIONAL CUSTOM DUTY –

The cover for Additional Custom Duty is subject to following:

i) The cover for ACD will be on First Loss Basis,

ii) The specific limit for ACD - either in percentage or in amount has to be selected by the Insured at the inception of the policy and can be reinstated in the event of loss.

iii) The rate and excess will be as under:

Rate	1.5 % to be charged on ACD amount selected

20. EXPRESS FREIGHT-

Additional rate for express freight (air freight excluded), holiday and overtime rates of wages –

The additional premium for covering express freight (air freight excluded), holiday and overtime rate of wages, will be at the average rate applied on the limit selected.

21. AIR FREIGHT –

The rate and excess as under shall be charged exclusively for items of air freight only and subject to the limit selected by the Insured for indemnity against air freight only.

Rate	4 % on the amount of indemnity selected
Excess	5 % of the air freight incurred per claim

22. ABANDONMENT

Loss or damage due to abandonment of any plant and/or machinery working in underground mines or tunnels shall be excluded from the cover.

23. PAY LOADERS-

Pay Loaders on barges cannot be covered under CPM Policy

24. DISMANTLING OF CPM EQUIPMENT AND SHIFTING TO A NEW LOCATION

Equipment covered under the CPM policy at a location are dismantled and shifted to new/other site and re-erected there at, can be covered on payment of additional premium at the rate of Rs. 0.10 % for that equipment.

25. SCALE OF CLAIMS EXPERIENCE DISCOUNT/LOADING

Loading and Discount will apply for proposals in respect of risks where the Sum insured is in excess of Rs. 1 Crore in their compounds.

In case more than one policy is issued in one compound and if their aggregate sum insured exceeds Rs. 1 Crore, all such policies issued in the compound shall attract the loading/discount.

Notes –

i) The loss experience discount will be decided taking into account the claims experience during the 3 years including the expiring policy period. To become eligible for earning a discount, the policy should have run continuously for a period of 3 years. Loading if any, however, shall become applicable from the second year onwards.

ii) Further if there is any gap between Consequent Renewals, for earning a discount, the minimum waiting period of 3 years detailed in Note (1) shall apply afresh. However, for loading purposes the claims experience under the 3 policy periods including the expiring policy period shall be taken into account, if available. Otherwise available claims experience shall be taken into account.

26. RULES FOR CANCELLATION –

For cancellation of insurance policy during the currency either wholly or in part -

a) at the option of the Insurer, a pro-rata refund of premium may be allowed for the unexpired term on demand ,

b) at the Insured's request, refund of premium may be allowed after charging premium for the time insurance was in force on short period scale subject to the retention of minimum premium by the Insurer.

However, if, policy is replaced by new annual one, covering identical equipment/machines for Sum Insured not less than the respective Sums Insured under the cancelled policy, refund of premium may be allowed on pro-rata basis subject to retention of minimum premium and subject to no loss.

If the risk is insured under short period scale, refund may be calculated at pro-rata of the short period scale of premium provided such cancellation is followed by an annual policy for Sum Insured not less than the Sum Insured under cancelled policy. Otherwise, retention of premium shall be on short period scale.
For the Sum Insured not replaced in the renewed policy after cancellation, refund must be calculated after charging premium on such sum for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

28. MIDTERM INCREASE IN SUM INSURED –

If the Sum Insured is increased during the currency of the policy.

i) Short period scale of rates shall apply to increased amounts.

ii) If the policy is renewed thereafter for 12 months for an amount not less than the increased Sum Insured, the difference of premium between short period scale of rates and pro-rata rate may be refunded.

29. ESCALATION PROVISION -

It will be in order for Insurers to allow automatic regular increase in the Sum Insured throughout the period of the policy in return for an additional premium to be paid in advance. The terms and conditions for this extension shall be as follows -

a) The selected percentage increase shall not exceed 25 % of the Sum Insured.
b) The additional premium, payable in advance, will be at 50 % of the full rate, to be charged on the selected percentage increase.
c) The Sum Insured at any point of time would be assessed after application of the Escalation Clause.
d) Different escalation percentages for different machines may be granted under the escalation clause.
e) Prorata Condition of Average will continue to apply as usual.
f) The Automatic increase operates from the date of inception up to the date of operation of any of the Insured Perils.

30. GROSS RATES-

All rates specified in this Guideline are Gross Rates and Agency Commission can be allowed from these rates, as per the Rules prevailing from time to time.

31. SEQUENCE OF COMPUTATION OF PREMIUM

1	CPM Basic Rate
2	Add: 10% Floater Extra, if applicable
3	Add : 25% extra on rate arrived as above if equipment is working underground.
4	Add extension(Add on) rates
5	Apply De tariff discount based on ICR and risk profile
6	Add STFI rate
7	Add earthquake rate if opted

** In case of Floater Policy, the basic rate shall be the rate applicable for the highest zone (earthquake).*

Based on above factors, risk inspection reports and other material information, Competent Authority may take appropriate decision on acceptance and terms of cover.

BASE RATE SCHEDULE (TABLE – 1)

Group of Machinery	Tariff Rates %	System Rates %	
I	0.60%	0.45%	Plus STFI and Earth quake Extras as applicable
II	0.80%	0.60%	
III	1.00%	0.75%	
IV	2.00%	1.50%	
V	0.20%	0.15%	

STFI Rate: 0.15 per mille i.e. 0.015% per annum (Minimum rate to be applied without any discount).

Note: Plants and or Machineries working underground/tunnels should be rated a loading of 25 % over the above rates. Underground level of open cast mine should not be considered for any loading.

TABLE 2 - EARTHQUAKE EXTRA

The following additional rates shall be charged over the rates mentioned in the above table for risks located in Earthquake Zones I, II, III & IV.

Note- In case of short term policies, the premium will be calculated on pro rata basis, and in the case of cancellation of policies, refund will be calculated on pro rata basis.

Zone	Rate (%o per annum)	Rate (% per annum)
Zone I	0.50 %o	0.050 %
Zone II	0.25 %o	0.025 %

Zone III	0.10%o	0.010%
Zone IV	0.05%o	0.005%

TABLE 3 – EXCESS

For Machinery under Group I, II, III and IV -

Value of equipments	**For claims arising out of AOG perils**	**For claims arising out of perils other than AOG**
a. Individual value up to Rs.1 lakh.	10 % of S.I. Subject to a minimum of Rs. 5,000/-	2 % of S.I. subject to minimum of Rs. 1,500/-
b. Individual value over Rs. 1 lakh and up to Rs. 5 lakh.	5 % of S.I. Subject to a minimum of Rs. 10,000/-	1.5 % of S.I. subject to minimum of Rs. 2,000/-
c. Individual value over Rs. 5 lakh and up to Rs.10 lakhs.	3 % of S.I. subject to a minimum of Rs. 25,000/-	1.25 % of S.I. subject to minimum of Rs. 7,500/-
d. Individual value over Rs. 10 lakhs up to Rs. 25 lakhs	2 % of S.I. subject to a minimum of Rs. 30,000/-	1.00 % of S.I. subject to minimum of Rs. 12,500/-
e. Individual value over Rs. 25 lakhs up to Rs. 50 lakhs	1 % of S.I. Subject to a minimum of Rs. 50,000/-	1.00 % of S.I. Subject to a minimum of Rs. 50,000/-
f. Individual value over Rs. 50 lakhs	1 % of S.I. Subject to a minimum of Rs. 50,000/-	1.00 % of S.I. Subject to a minimum of Rs. 50,000/-

Boom Section: 20 % of claim amount subject to minimum of Rs. 25, 000/-

For Machinery under Group V : Rs.2,500/- Flat Excess.

ELECTRONIC EQUIPMENTS INSURANCE

SCOPE:

With rapid computerisation and growing use of very sophisticated electronic machines, the demand for E.E.I policy is increasing every day. All Electronic equipments like Computers, Medical, Biomedical, Micro- processors; Audio/Visual equipments including the value of Systems Software may be covered under Electronic Equipment Policy. The term equipment shall also include the entire computer system consisting of CPU, Keyboards, Monitors, Printers, Stabilizers, UPS, System Software etc.

The policy offers a wide ranging cover in following three sections -

Section - I : Provides material damage cover to the main equipment.
Section – II : Provides cover to external data media used
Section – III : Provides cover to increased cost of working which arises due to damage to the insured equipment.

Cover granted under E.E.I policy are virtually against all insurable perils namely fire, RSMD, Terrorism, Flood, Storm, subsidence, Earthquake, accidental breakdown while at work or rest, electrical damage, faulty manipulation, dropping, falling impact etc.

FEW OF THE EXCEPTIONS:

- War and Nuclear perils
- Willful act/negligence
- Pre existing defects/manufacturing defects,
- Normal wear and tear, gradual deterioration,
- Consequential loss of any kind
- Cessation of work
- Aesthetic defects

Dish Antenna is excluded from the scope of cover under this policy. Movable/Portable Electronic Equipments like testing and Biomedical equipments can be covered with loading in premium.

OTHER FEATURES:

If the insured want to opt out fire and allied perils cover, a premium reduction in rate is offered based on the coverage.

There has to be valid maintenance contract for the equipment covered under Section-I against safety checks, preventive maintenance and rectification of loss or damage arising from normal operation as well as ageing throughout the policy period.

SUM INSURED:

Sum Insured shall be equal to the cost of replacement of the insured property by new property of the same kind and same capacity, which shall mean its replacement cost including freight dues and customs duties, if any and erection costs.

The sum insured of the equipment insured under this section shall include the value of 'System Software'.

GENERAL PROVISIONS:

1. LOADING FOR WAIVER OF WARRANTY RELATING TO MAINTENANCE AGREEMENT

The Warranty relating to 'Maintenance Agreement' under the policy can be waived by charging the following loadings –

a)	Equipments* with Sum Insured up to Rs. 1 Lakh	25 loading on guide Rates
b)	Equipments* with Sum Insured above Rs. 1 lakh	50 % loading on guide Rates

* In case of computers, the term equipment shall include the entire computer system comprising of CPU , Key boards, Monitors, Printers, Stabilisers, UPS etc.

The maintenance agreement warranty with regards to 'personal computers' with a sum insured up to Rs. 1.00 Lakh can be waived. Wherever, the competent 'In-House' maintenance facility is available the warranty relating to 'Maintenance Agreement' with the manufacturers of the equipments' can be deleted for all electronic equipments except' Medical equipment' covered under 'Electronic Equipment Insurance'

2. LOADING AND DISCOUNTS FOR CLAIMS EXPERIENCE–

c) In case more than one policy is issued in one compound and if their aggregate Sum Insured exceeds Rs.1 Crore, all such policies issued in the compound shall attract loading/discount.

d) Normally claims experience for 3 years including the expiring policy period will be taken into account. However, for being eligible for earning a discount, the policy must have run at least 3 continuous years. Loading if any, shall become applicable from second year onwards.

e) If there is any gap between consequent renewals,

a) for Claims Experience Discount, minimum waiting period of 3 years shall apply afresh but

b) for loading purpose, claims experience for 3 policy periods including the expiring policy period shall be taken into account if available, otherwise the available claims experience shall be taken into account.

3. SPECIAL CONTINGENCY POLICIES -

All special contingency policies (*or similar policies known by any other name*) covering electronic equipment issued in Misc/Engg or any other Department shall be governed by this Guide Rate.

4. PROHIBITION TO ISSUE MB POLICY ON ELECTRONIC EQUIPMENT-

Unless otherwise specifically provided for in MB Guide Rate, no machinery breakdown policy should be issued on Electronic Equipment like Computers, Medical, Bio-medical, Micro processors, Audio-visual equipments which must be covered under EEI Policy only.

5. DISCOUNTS FOR DELETING FIRE AND ALLIED PERILLS –

In case of equipments covered under EEI Policy as also Fire Policy, if the insured desires to delete Fire and Allied perils the following discounts are permitted -

S.No.	COVER	DISCOUNT
1.	For equipments covered under EEI Policy as also under Standard Fire and Special Peril policy and Earthquake Fire and Shock (EFS)	20% of the applicable EEI Rate
2.	For equipments covered under EEI Policy as also under Standard Fire and Special peril policy without anyone or two of the additional cover such as STFI or RSMD or EFS	15% of the applicable EEI Rate
3	For equipments covered under EEI Policy as also under Standard Fire and Special peril policy without STFI and RSMD and EFS	10% of the applicable EEI Rate

6. RULES FOR CANCELLATION -

For cancellation of insurance during the currency of the policy either wholly or in part –

a) At the option of the Insurer, a pro-rata refund of premium may be allowed for the unexpired term on demand.

b) At the Insured's request, refund of premium may be allowed after charging premium for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

However, if, policy is replaced by new annual one, covering identical equipment/machines for sum insured not less than the respective sums insured under the cancelled policy, refund of premium may be allowed on pro-rata basis subject to retention of minimum premium.

If the risk is insured under short period scale, refund may be calculated at pro-rata of the short period scale premium provided such cancellation is followed by an annual policy for sum insured not less than the sum insured under cancelled policy. Otherwise, retention of premium shall be on short period scale.

For the sum insured not replaced in the renewed policy after cancellation, refund must be calculated after charging premium on such sum for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

7. MID-TERM INCREASE IN SUM INSURED -

If the Sum Insured is increased during the currency of the policy.

a) Short period scale of rates shall apply to increased amounts.

b) If the policy is renewed thereafter for 12 months for an amount not less than the increased sum insured, the difference of premium between short period scale of rate and pro-rata rate may be refunded.

8. MID-TERM DECREASE IN SUM INSURED -

If the Sum Insured is decreased during the currency of the policy, Short period scale of rates shall apply on the reduced Sum Insured.

9. ELECTRONIC EQUIPMENT INSURANCE POLICY – FLOATER BASIS

Issuance of Floater policy covering electronic equipments anywhere in India subject to the following:

i. To restrict the Floater to named locations only,
ii. EEI policy shall not be extended to cover Transit risks from one location to another.
iii. Floater extra of 10% to be charged.

10. SHORT PERIOD POLICIES –

The policies, if to be issued for shorter period than twelve months should be issued at the rates provided in the erstwhile tariff / IRDA approved guide rates.

11. BREAKDOWN INSURANCE COVER FOR MICROLINE WHEEL ALIGNMENT SYSTEM

The Tariff Advisory Committee has decided to cover "Microline Wheel Alignment System (for alignment of car tyres)" under the EEI Policy.

Accordingly, a cross reference is made under MB insurance Rating Schedule - Group II (Rates for Mechanical Items - Machines common to all Industries) as under **:**

Microline Wheel Alignment System	To be rated under EEI Policy

12. INSURANCE OF SYSTEM SOFTWARE - EEI POLICY

Representations have been received seeking clarifications as to whether "Application Software" could also be covered under Section - 1 of EEI Policy.
It was decided to clarify as under:
Value of "System Software" which is integral to the built-in-software only could be included under Section-I. The "Application Software" being external cannot be included under Section-I of Schedule of EEI policy.

13. RELAXATION IN THE COVERAGE, TERMS AND CONDITIONS

In conformity with IRDA circular dt: 06.11.2008 permitting relaxation in the coverages, terms and conditions of policies governed by erstwhile tariffs, the management has approved the following underwriting guidelines:-

All movable/portable electronic equipments e.g. testing equipments, bio-medical equipments, etc can now be covered under standard EEI policy.

A loading of 10% is to be charged on the basic policy rate for such coverage.

All other terms, conditions and wordings shall be as per Electronic equipments insurance policy. Coverage will be subject to satisfactory pre-acceptance risk inspection report.

Loss or damage sustained during transit and any loss/damage attributable to transit shall be excluded under both Machinery Breakdown and Electronic Equipments Policy. Risk acceptance for both MB cover and EEI cover as mentioned above shall be only at Regional Office level.

14. SEQUENCE OF COMPUTATION OF PREMIUM RATES

1) Basic rate
2) Loading for Floater risk, if applicable
3) Add extension rates
4) Apply De tariff discount based on ICR and risk profile.
5) Add STFI and EQ rates (with Floater loading if applicable)

15. ADDITIONAL COVERS UNDER EEI:

The Tariff Advisory Committee hereby clarified that the following additional covers which are at present available under MB policy can also be given under other annual engineering policies i.e. EEI/CPM/BPP

l. Escalation Clause
2. Express freight.
3. Air freight.
4. Owners Surrounding property.
5. T.P. Liability (10% of the Sum Insured subject to a maximum amount of Rs.10 crs. per location.)
6. Additional Customs Duty.

TERMS FOR ADD-ON COVERS:

1. Additional rate for express freight (air freight excluded), holiday and overtime rates of wages –

The additional premium for covering express freight (air freight excluded), holiday and overtime rate of wages, will be at the average rate applied on the limit selected.

2. Additional rate for air freight only –

The rate and excess as under shall be charged exclusively for items of air freight only and subject to the limit selected by the Insured for indemnity against air freight only.

Rate	4 % on the amount of indemnity selected
Excess	5% of the air freight incurred per claim

3. Additional rate for surrounding property -

Additional premium for covering surrounding property will be at an Additional premium of 25 % of the gross average rate applied on the limit of liability selected with excess of 1% of the limit of liability selected.

4. Additional rate for Third Party Liability –

Third Party Liability could be covered at an additional premium of 25 % of the gross average rate applied on the limit of liability chosen for third party liability. The excess applicable will be 1% of the TPL limits selected.

5. Additional Rate for Custom Duty –

The cover for Additional Custom Duty will be subject to the following rates, terms and conditions -

a) the cover for Additional Custom Duty will be on first Loss Basis,
b) the specific limit for Additional Custom Duty - either in percentage or in amount - has to be selected by the Insured at the inception of the Policy and can be reinstated in the event of loss,
c) the rate and excess will be as under –

Rate	2 % to be charged on the Additional Custom Duty amount selected
Excess	5 % of the admissible Custom Duty increased, in addition to the Excess amount applicable for the affected item under the Policy. Subject otherwise to the terms conditions and exceptions of the policy.

MACHINERY INSURANCE

INTRODUCTION :

All items of Plant and Machinery are susceptible to breakdown or damage irrespective of their quality or the maintenance. With the steady increase in cost of parts, labour and freight, repairs and replacements are becoming more and more costly day by day.

Our Machinery Insurance Policy covers unforeseen and sudden damage to the insured Machinery while at WORK or at REST, during cleaning, inspection, overhauling or removal to another position within the premises.

A. Scope :

All types of installed machinery can be covered under this policy against the following :

Damage caused by

- vibration, mal-adjustment, mal-alignment,
- defective lubrication, abnormal stress, centrifugal force,
- explosion/implosion, impact, collision, falling,
- faulty material, design, construction,
- excessive electrical pressure, failure of insulation, short circuit arcing
- failure of protective devices,
- entry of foreign material,
- lack of skill, carelessness

The main element of the insurance as may be seen above are Electrical & Mechanical breakdown and accidental damages.

B. Exceptions :

- Fire, lightning, theft, subsidence, landslide, flood, storm, earthquake and other perils which can be covered under fire policy.
- damage during experiments/overhauling or similar tests,
- normal wear or deterioration,
- willful act/negligence,
- damage to exchangeable parts
- manufacturer's defect
- war, nuclear reaction etc.

C. Additional cover :

- Insured's own surrounding property cover
- Third Party Liability
- Express freight overtime & holiday wages (Excluding Air freight)
- Air freight
- Additional Custom Duty

GENERAL PROVISIONS-

1. Sum Insured:

Sum Insured of machinery covered should represent new replacement value including freight, Taxes, Customs Duty and installation cost.

2. Basis of Loss Settlement:

In the event of loss or damage which can be repaired, the insurer will indemnify the expenses necessary to restore the damage machinery to its condition immediately before the occurrence of the loss. This will include cost involved in dismantling, freight and assembly charges.

When the item is a total loss, the liability of the insurer will be limited to actual value of the damaged items immediately before the occurrence of the loss. Value of Salvage, if any, will be deducted from the loss settlement.

SPECIAL FEATURES

3. In case of transformers and other apparatus containing oil, separate S.I has to be declared, if cover is opted for oil.

4. No Policy to be issued on <u>first loss basis</u>.
5. No Policy to be issued with a <u>bonus clause</u>.

6. Excess amounts are minimum and cannot be eliminated by payment of additional premium.

7. Projects located outside India would be outside the jurisdiction of MI policy.

8. Insured should declare in the proposal form submitted the number of MB policies, which have been issued for the particular risk and details thereof. Insurer may obtain a declaration from the Insured in this regard.
9. Machinery Breakdown Insurance Policy cannot be issued on <u>agreed value basis</u>.

10. Machinery Insurance for Movable/Portable Equipments

a) Machinery Breakdown insurance can be issued to cover moveable/ portable equipments like portable DG sets, etc.
b) A loading of 20% is to be charged on the basic policy rate depending on the nature of such equipments.
c) Scope of cover, basis of Sum Insured, basis of indemnity, excess, exclusions and all other terms & conditions will be as per standard MB tariff policy wordings.
d) The exclusion pertaining to loss of or damage to belts, ropes, chains, rubber, tyre, dies, moulds, blades, cutters, knives or exchangeable tools such as drill bits and all parts requiring regular replacement will continue.
e) Machinery breakdown insurance is not to be extended to CPM equipments.
f) Loss or damage sustained during transit and any loss/ damage attributable to transit shall be excluded under both Machinery Breakdown policies.
g) Risk acceptance for MB cover shall be at Regional Office level.

11. a) The rates given in the guide are minimum rates. The Machines to be rated should be in worthy working condition with proper preventive maintenance programme. Safety devices wherever provided on the machines must be in proper operating condition.

b) Endorsement, wherever necessary must be incorporated in the policy specifying conditions.

12 Before rating, it is necessary to collect full nameplate details of the machine i.e. HP/KW/PSI/KVA/RPM, manufacturer's name, type, year of manufacture, Serial Number and such other identification details. In Engineering operational insurance Policies specific machines only are insured and as such above identification details are a `must' before agreeing to give cover. Full nameplate details of the machines should form a part of the policy as well, and should be incorporated in the inventory.

13. Machines, which are under erection or testing and commissioning, should be insured only after successful commissioning.

14. Cover for part of machinery and Gear Boxes under Machinery Insurance (MI) Policy –

a. Gear Boxes should not be insured in isolation but should be insured either with the 'drives' or the driven equipment.
b. Parts of machines should not be insured separately; their values should be included in the total value of the machine to which they are related.

15. In respect of Turbo generator sets proposed to be covered under Machinery Insurance Policy, for the purpose of Sum Insured, the following break-up only would be acceptable –

Turbine,	Gear Box	Cable
Alternator	Control Panel	

No further break-up of the components will be acceptable. Also the turbines, alternator (including excitor) and gearboxes would be rateable as per Guide Rate and control panel and cable would be rateable as per corresponding Guide Rate for electrical items.

16. MINIMUM PREMIUM - ROUNDING OFF OF PREMIUM –

a) Machinery Insurance Policy is subject to a minimum premium of Rs.100/-.
b) Premium rates shall not be rounded off in the case of annual policies

17. SHORT PERIOD POLICIES –

The policies, if to be issued for shorter period than twelve months should be issued at the rates provided in erstwhile tariff / IRDA approved guide rates.

18. CLAIMS EXPERIENCE DISCOUNTS AND LOADINGS –

Claims experience Discount or loading will apply as per erstwhile tariff / IRDA approved guide rates.
Loading and Discount will apply for proposals in respect of risks where the Sum insured is in excess of Rs. 1 Crore in their compounds. In case more than one policy is issued in one compound and if their aggregate sum insured exceeds Rs. 1 Crore, all such policies issued in the compound shall attract the loading/discount.

For Sum Insured up to Rs. 1 Crore, there will not be any discount applicable and full Guide Rates are to be charged.

19 . REFUND OF PREMIUM FOR STANDSTILL PERIOD –

Refund of premium for standstill period can be considered under this Policy.

However there should be minimum 3 months continuous stand still period for consideration for refund of premium.
Causes of standstill for complete plant should be as under: -

a) Due to non-availability of raw materials, acute power shortage, shortage of water supply and similar inputs.
b) Standstill items like boilers, TG sets, steam engines and Diesel Generating Sets, in lieu of sufficient standby equipments being available in the plant.
c) In case of continuous process plant, due to a major breakdown of any item the whole plant cannot be run and as such refund is to be considered. (Refund of premium for the repair period of the affected equipment should not be considered).

The scale of refund for standstill period as per the guidelines provided by the company.

The risks will be eligible for the standstill discount only when the claims experience under the policy for which the discount is sought is less than 60 % and that the standstill discount will not apply during overhauling period (including Hydraulic Testing of Boiler Tubes under BPP Policies).
Note –

a) No such refund is allowed for **seasonal industries** like sugar factories. However, the rate applicable for machinery shall be 95 % of the rate for equipments for such seasonal factories. The decision of applying 95% of the rate for equipment in respect of seasonal factories is applicable for policies issued on annual basis only.
b) Refund of premium for **standstill period** can be considered for Diesel Generating Sets.
The order for calculating the discounts will be first discount for good features and then discounts for higher excess

20. OVERHAULING OF TURBINES/TURBO GENERATING SETS

No modification is allowed in policy condition regarding overhauling of Turbine without specific approval.

For extending the period between successive overhauling from 32,000 hrs/ 4 years to any other period, the excess shall, be revised as under

Period between successive overhaul	**Terms and conditions**

Beyond 32,000 hrs/ 4 Years and up to 48,000 hrs/ 6 years	Excess shall be 25 % of claim amount subject to a minimum of 150 % of the normal excess.
Beyond 48,000 hrs/ 6 Years and up to 56,000 hrs/ 7 years	Excess shall be 37.5 % of claim amount subject to a minimum of 200 % of the normal excess.
Beyond 56,000 hrs/ 7 Years and up to 64,000 hrs/ 8 years	Excess shall be 50 % of claim amount subject to a minimum of 300 % of the normal excess.
Beyond 64,000 hrs/ 8 Years	To be referred to Head Office

***Hrs/Years, whichever is earlier.**

This concession can be allowed only, when the health of the machine is certified by the manufacturer or any competent agency in the field. The nominated Underwriters are authorized to allow concession depending on the observation given by manufacturer/ Inspecting Engineer. No extension beyond 64,000 hrs/ 8 years shall be given by Insurers. Requests for such extension will have to be referred to Head Office.

Whenever the MB proposals are received only during the overhauling of the turbines and/or turbine generating sets, MB cover should not be granted to such turbines or TG sets (either on annual or short period basis) until overhauling is completed.

21 . INSURANCE OF FOUNDATIONS –

In cases where the proposal specifically provides for covering ‘foundation’, their values should be declared separately.

22 . RULES FOR CANCELLATION –

For cancellation of insurance during the currency of the policy either wholly or in part –

a) At the option of the Insurer, a pro-rata refund of premium may be allowed for the unexpired term on demand.
b) At the Insured's request, refund of premium may be allowed after charging premium for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.
c) However, if, policy is replaced by new annual one, covering identical equipment/machines for sum insured not less than the respective sums insured under the cancelled policy, refund of premium may be allowed on pro-rata basis subject to retention of minimum premium.

If the risk is insured under short period scale, refund may be calculated at pro-rata of the short period scale premium provided such cancellation is followed by an annual policy for sum insured not less than the sum insured under cancelled policy. Otherwise, retention of premium shall be on short period scale.

For the sum insured not replaced in the renewed policy after cancellation, refund must be calculated after charging premium on such sum for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

23. MID-TERM INCREASE IN SUM INSURED-

If the Sum Insured is increased during the currency of the policy.

a) Short period scale of rates shall apply to increased amounts.
b) If the policy is renewed thereafter for 12 months for an amount not less than the increased sum insured, the difference of premium between short period scale of rate and pro-rata rate may be refunded.

24. MID-TERM DECREASE IN SUM INSURED –

If the Sum Insured is decreased during the currency of the policy, short period scale of rates shall apply on the reduced Sum Insured.

25. SPARES/STANDBY EQUIPMENTS –

For All Electrical and Mechanical equipments having standby, 50 % discount on Guide rate is applicable

N.B.

a) D.G. sets are not eligible for any discount for stand-by/ spare equipment.
b) MB cover for insurance of spares of machines like rotors of generators, compressors, turbines or windings of transformers etc. can be granted and can be covered along with the machines separately by charging 50% of premium rate applicable to the corresponding machine under the MB Policy, subject to excess.
c) The Discount allowed for stand-by equipment could be considered for identical machines but only one working at any time, the discount being applicable to any one of the machines. In such cases the alternate working clause shall attach.

26. LOCKOUT/STANDSTILL PERIOD-

Refund of Premium for standstill period on account of lockout is not permissible.

27. No Machinery Insurance Policy should be issued to cover Electronic Equipments such as Computers, Medical and Biomedical Equipments, Microprocessors, Audio/Visual Equipments. These equipments are to be covered only under Electronic Equipments Insurance (EEI) Policy.

Option to insure under either MB or EEI Policy

Note – Where it is not feasible to give a break up of values for minor electronic equipments (non-metallic items) which were integral to various machines, eg CNC Machines, wherever such CNC Machines are insured, the Insured can have option to cover the same either under MB or EEI policy.

Boiler and Pressure Plant Insurance

GENERAL REGULATIONS –

1. No policy to be issued on first loss basis.

2. No policy to be issued with a bonus clause.

3. Projects located outside India to be out of the jurisdiction of the Committee.

4. SUM INSURED -

It is a requirement of the policy that the boiler and pressure plants are covered for their present day new replacement value with a view to avoid under-insurance.
In addition, cover against damage to owner's existing surrounding property or selected limits of indemnity can be availed of. Likewise, damage to Third Party property and/or personal injury can also be covered for selected limits of indemnity.

5. Boiler and Pressure Plant Insurance Policy cannot be issued on agreed value basis.

6. Escalation benefit shall not be allowed under a Boiler and Pressure Plant Policy.

7. SHORT PERIOD SCALE OF PREMIUM RATES - Policies issued or renewed for period less than 12 months must be charged for on the following scale, which must also be applied in calculating the premium where policies are cancelled during currency at the request of the insured.

Policy period required	% of Annual Premium
Not exceeding 1 week	10 % of Annual Premium
Not exceeding 1 month	25 % of Annual Premium
Not exceeding 2 months	35 % of Annual Premium
Not exceeding 3 months	50 % of Annual Premium
Not exceeding 4 months	60 % of Annual Premium
Not exceeding 6 months	75 % of Annual Premium
Not exceeding 8 months	85 % of Annual Premium
Exceeding 8 months	Full Annual Premium

8. REFUND OF PREMIUM FOR STANDSTILL PERIOD –

Refund of premium for standstill period can be considered under this Policy.
There should be minimum 3 months continuous standstill period for consideration of refund of premium
Causes of standstill for complete plant should be as under:
a) Due to non-availability of raw materials, acute power shortage, shortage of water supply and similar inputs.
b) Standstill items like boilers, TG sets, steam engines and Diesel Generating Sets, in lieu of sufficient standby equipments being available in the plant.
c) In case of continuous process plant, due to a major breakdown of any item the whole plant cannot be run and as such refund to be considered. However refund of premium for the repair of the affected equipment should not be considered.

The scale of refund for standstill period is as under –

Continuous standstill Period for Whole Plant/Equipment	**Refund in Annual Premium**
03 months and above but not exceeding 04 months	15 %
04 months and above but not exceeding 05 months	18 %
05 months and above but not exceeding 06 months	21 %
06 months and above but not exceeding 07 months	24 %
07 months and above but not exceeding 08 months	28 %
08 months and above but not exceeding 09 months	32 %
09 months and above but not exceeding 10 months	36 %
10 months and above but not exceeding 11 months	40 %
11 months and above but not exceeding 12 months	45 %
12 months	50 %

Note -The risks will be eligible for the standstill discount only when the claims experience under the policy for which the discount is sought is less than 60 % and that the standstill discount will not apply during overhauling period (including Hydraulic Testing of Boiler Tubes under BPP Policies). No such refund is allowed for seasonal industries like sugar factories. However, the rate applicable for machinery shall be 95% of the rate for equipments for such seasonal factories. The decision of applying 95% of the rate for equipment in respect of seasonal factories is applicable for policies issued on annual basis only.

9 ROUNDING OF RATES

It is not permissible to round off rates in Boiler and Pressure Plant Insurance policies.
10. MID-TERM INCREASE IN SUM INSURED -

If the Sum Insured is increased during the currency of the policy.
a) Short period scale of rates shall apply to increased amounts.

b) If the policy is renewed thereafter for 12 months for an amount not less than the increased sum insured, the difference of premium between short period scale of rate and pro-rata rate may be refunded.

11. MID-TERM DECREASE IN SUM INSURED -

If the Sum Insured is decreased during the currency of the policy, Short period scale of rates shall apply on the reduced Sum Insured.

12. RATING SCHEDULE- Rate as provided in the erstwhile tariff/guidelines is to be charged.

13. ADD ON COVERS-

- Express freight (air freight excluded), holiday and overtime.
- Additional rate for air freight only.

- Surrounding property.
- Third Party liability
- Customs Duty

14. EXCESS-

Excess of 5% of the claim amount subject to a minimum of Rs:10,000/= (w.e.f 01.04.2010)

DETERIORATION OF STOCKS INSURANCE (POTATOES)

GENERAL REGULATIONS

1. No policy to be issued on first loss basis

   No policy to be issued with a bonus clause.

3. Excess amounts are minimum and cannot be eliminated by payment of additional Premium

   Cold storages located outside India shall be out of the jurisdiction.

5. For a single risk, different policies shall not be issued for different compartments

6. Rates and excess for compressors: For the compressors of size falling between two consecutive slabs provided in the guide rates, the rates and excess applicable for the higher slab shall be applied.

7. DOS cover due to breakdown in the stand-by diesel generator sets :

   This cover can be granted only to those cold storages which have opted for the FOES extension. In all such cases the insurers shall ensure that D.G. Sets are of sufficient capacity and are properly maintained. Insurers shall inspect the risk for its capacity and maintenance periodically, particularly before acceptance of the risk and its renewals.

   Cover for deterioration of stock due to breakdown in the stand-by D.G.

   Sets, cannot be granted to those cold storages which have not opted for the FOES extensions. The stand-by D.G. Sets are put into operation only at the time of failure of public electricity supply and in the event of a breakdown in the stand-by D.G. Set the peril in force will be FOES and not the breakdown.

   Definition of cold storage :

   (i) New Cold Storage : New Cold Storage means the cold storage proposed for insurance for the first time. The date of construction is not material.

   (ii) New additional chamber to the existing cold storage : Definition of new cold storage given above will apply to new additional chamber also. Unless the cold storage owners produce a certificate of prior insurance, the new additional chamber will be treated as new cold storage and rates, terms and conditions of new chamber to the old cold storage will apply.

   (iii) Existing cold storage: Existing cold storage means cold storage presented for insurance not for the first time. The date of construction is not material. If the insurance is transferred from one Company to other, on renewal, the Company accepting transfer business will have to make sure that the insurance was taken by the insured with the previous Company for the previous year.

   For this purpose, the cold storage owner will have to produce a letter from the previous insurer that cold storage was insured during the previous season with .... Insurance Company. A simple statement giving Policy No. and the name of the insurer is NOT enough.

   If he fails to produce such a letter it will be taken that the insurance is taken for the first time and rates, terms and conditions for a new cold storage would apply.

   (iv) A cold storage which was already proposed for insurance couple of years back but was not insured for a period of one, two or three years (i.e. there was no continuity of insurance) and comes up again for insurance should be treated as "new cold storage."

Declaration facility : Policies on declaration basis are permissible on the following terms and conditions.

(a) This facility will be available to the insured in case value of he stocks, based on maximum capacity of the cold storage, is more than Rs.50 lakhs and period selected is 12 months. For periods lower than 12 months or for sum insured less than Rs.50 lakhs, no declaration facility will be available.

(b) The insured shall submit fortnightly periodical declarations. The Field Officer/Branch Official shall ensure that the periodical declarations and log books are sent to Regional Office/Area Office within 15 days at the end of each fortnight and subsequently immediately stamped and recorded by the Branch Manager or Divisional Manager of the office.

(c) The premium for each month shall be calculated on value of maximum stocks held on any single day during the month. The premium for the total period shall be computed on this basis.

(d) In case the insured fails to send periodical declarations, he shall forfeit right of declaration facility and no premium shall be refunded.

N.B.:- For endorsement to be used, for 'Declaration Policies' For 12 months, refer 'Endorsements'.

9. Machinery Insurance policy issued to cold storages, can be endorsed to include electrical fire risk without charging any additional premium.

10. Rack structure collapse is not a machinery breakdown risk and hence should not be covered under DOS Policy.

12. Explosion risk (if any) in the equipments should be covered under fire policy and not under a DOS policy.

13. The gross minimum premium per policy shall be Rs.1,500/- or 60% of the premium calculated on the basis of the capacity of the refrigeration plant at the above rate (as applicable) whichever is higher.

The minimum premium is gross premium and Agency Commission (or discount in lieu of Agency Commission) can be allowed from this gross premium.

In case of declaration policy for potato cold storages,100% premium should be collected based on maximum capacity of cold storages, on the basis of declarations. Maximum refund of 50% can be allowed to the insured at the end of the policy period.

14. Refund of Premium for mid-term cancellation of policy : The premium to be retained by the insurer shall be 120% of the Tariff Rate for the period for which the risk has run, subject to minimum of 7 Months premium.

15. Before granting FOES extension under DOS policies, it should be made sure that power supply is available for a minimum period of 16 hours per day to the cold storage which seeks FOES extension.

The Insured should have 100% capacity to run the cold storage through D.G Set/Oil Engine.

16. MB and DOS policies must be with one office only.

17. In case extension of policy period is desired during the currency of the policy, the rate applicable for such extension period shall be the monthly tariff rate loaded by an extra of 25% which should be applied on the balance Sum Insured as on the date of expiry of the initially selected policy period.

18. DOS proposals for storage items other than Potatoes (such as Meat, Vaccines, Ice-creams etc.) may be decided by Insurers themselves.

19. The gross minimum premium per policy shall be Rs.1,500/- or 60% of the premium calculated on the basis of the capacity of the refrigeration plant at the above rate (as applicable) whichever is higher.

20. The DOS cover with FOES extension cannot be given to a cold storage which does not have stand by D.G Sets or Oil Engine coupled to compressors.

MACHINERY LOSS OF PROFITS (MLOP / BOILER LOSS OF PROFITS (BLOP)

1. General Regulations

1.1 The Insurers should not quote a rate lower than 1.40 even provisionally when they underwrite new proposals in respect of Fertiliser risks.

1.2 Policies are normally issued on a turnover basis. The policies can be issued on output basis for loss of profits cover following machinery breakdown and or boiler explosion only to manufactures having single end products. For manufacturers having multiple end products individual proposals must be submitted for approval before granting MLOP Cover on output basis.

1.3 Insurers can extend MLOP Cover on DG sets subject to adequate re-insurance support.

1.4 With regard to the issuance of MB (LOP) policies in the first year of operation such proposals will be considered on case to case basis and rates will be decided on merit.

2. Rules for Cancellation

For Cancellation of insurance during the currency either wholly or in part.

a) At the option of the insurer, a pro rata refund of premium may be allowed for the unexpired term on demand.

b) At the Insured's request, refund of premium may be allowed after charging premium for the time insurance was in force on short period scale as defined in the All India Fire Tariff subject to the retention of minimum premium by the insurer.

However, if policy is replaced by new annual one, covering identical equipment/machines for Sum Insured not less than the respective Sum Insured under the cancelled policy, refund of premium may be allowed on pro-rata basis subject to retention of minimum premium.

If the risk is insured under short period scale, refund may be calculated at pro-rata of short period scale premium provided such cancellation is followed by an annual policy for Sum Insured not less than the Sum Insured under the cancelled policy. Otherwise, retention of premium shall be on short period scale.

For the sum insured not replaced in the renewal policy after cancellation, refund must be calculated after charging premium on such sum for the time insurance was in force on short period scale subject to retention of minimum premium by the insurer.
For the policy issued or renewed for periods of shorter than 12 months, the premium rate shal be charged as per the short period scales prescribed under CPM tariff. The short period scale of rates under CPM tariff shall also be followed in respect of cancellation of policies during the currency of the policy of by the insured.

c) In case of revision of tariff rates/excess, it is not permissible to cancel the policy and allow a refund of premium where by an insured pays lower premium for an insurance than is payable at rates applicable at the commencement of the policy.

3. **Increase in Sum Insured-** If the Sum Insured is increased during the currency of the policy.

i) Short period scale of rates shall apply to increased amounts.

ii) If the policy is renewed thereafter for 12 months for an amount not less than the increased sum insured, the difference of premium between short period scale of rates and pro-rata rate may be refunded.

4. Minimum Time Excess under MLOP Policies.

I) 21 days for all policies whose SI is more than 2500 Crores.

II) 14 days for all policies whose SI is less than 2500 Crores.

Note: The Time Excess for Boiler will follow the industry in which it is installed.

5. Rates under this tariff will be decided as per rating factors and at Insurers discretion.

6. **Rounding of Rates:** Premium rates shall not be rounded off in case of MLOP policies

7. **MLOP Cover for DG sets**

Insurers can extend MLOP cover on DG sets subject to adequate re-insurance support.

8. Definitions-

1) **Gross Profit:** The sum produced by adding to the net profit the amount of the Insured standing charges or if there be no Net Profit, the amount of the Insured Standing Charges less such a proportion of any net trading loss as the amount of the Insured Standing Charges bears to all the Standing Charges of the business.

2) **Net Profit:** The net trading profit (exclusive of all capital receipts and accretions and all out lay properly chargeable to capital) resulting from the business at the Insured at the Premises after due provision has been made for all Standing and Other Charges including depreciation but before the deduction of any taxation chargeable on profits.

3) **Out put:** The quantity produced at the premises, measured in units.

4) **Indemnity Period and Time Excess:** The period not exceeding the indemnity period limit stated in the list of machinery and the plant insured commencing with the occurrence of the accident during which the results of the business are affected in consequence of such accident provided always that the insurers are not liable for the amount equivalent to the rate of gross profit applied to the standard output during the period of time excess (in terms of days) stated in the policy.

5) **Rate Of Gross Profit**

a) Rate of Gross Profit: Rate of Gross Profit per unit earned on the out put during the financial year immediately before the date of damage	To which such adjustments shall be made as may be necessary to provide for the trend of business and for variations in or special business circumstances affecting the business either before or after the damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable. This results which but for the damage would have been obtained during the relative period after the accident.
b) Standard Output: Output during that period in 12 months immediately before the date of damage which correspond to indemnity period	
c) Annual Output: The Out put during 12 months immediately before the date of damage	

Provisions-

Memo1- Benefits from other Premises: If during the indemnity period goods are sold or services are rendered elsewhere than at the premises for the benefit of the business either by the insured or by others acting on his behalf, the money paid or payable in respect of such sales or services shall be taken into account in arriving at the turnover during the indemnity period.

Memo2- Relative Importance: The term relative importance referred to in the list of machinery and plant insured shall be the percentage effect which a breakdown of a particular machine will have on the total gross profit, disregarding any loss minimising measures. If in the event of an accident affecting an insured item of machinery, the percentage of relative importance stated in the list of machinery and plant insured for this item is lower than the actual percentage of the relative importance subsequently arrived at for the period of interruption, the company shall only be liable to indemnify the proportion which the percentage of relative importance stated in the list of machinery and plant insured bears to the actual percentage.

Memo3- Returns of Premium: If the insured declares at the latest twelve months after the expiry of the any policy year that the gross profit earned during the accounting period of twelve months most nearly concurrent with any period of insurance as certified by the

Insured's auditors was less than the sum insured thereon, a pro-rata return of premium not exceeding one half of the premium paid on such sum insured for such period of insurance shall be made in respect of the difference.

Memo4- 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.

Memo 5 – Reinstatement of Sum Insured: For the period following the occurrence of an accident up to the end of the policy period, the sum insured shall be reinstated by payment of additional premium on a pro-rata basis. Such additional premium shall be adjusted against the net claim amount payable and such premium shall be calculated for that part of the sum insured, which corresponds to the indemnity, paid. The agreed sum insured shall remain unaltered.

9. **Rating:** Please see erstwhile MLOP tariff.

CIVIL ENGINEERING COMPLETED RISK INSURANCE

GENERAL RULES & REGULATIONS

1. SUM INSURED -

In accordance with the policy conditions, the objects must be insured at their new replacement values. Otherwise under insurance will be applicable.

In order to receive full cover, the insured should include a realistic amount for the removal of debris, such amount to be indicated separately in the policy.

2. PERIOD OF INSURANCE -

This will be annual policy. The sum insured must be reviewed and adjusted to the increase in the prices in the meantime at each renewal. Further the age and condition of the object insured should be taken into consideration.

3. ROUNDING OF RATES

It is not permissible to round off rates in the case of these Insurance Policies.

4. SHORT PERIOD SCALE OF PREMIUM RATES POLICIES -

The policies, if to be issued for shorter period than twelve months should be issued at the rates provided under the erstwhile tariff.

5. RULES FOR CANCELLATION –

For cancellation of insurance during the currency of the policy either wholly or in part –

A) At the option of the Insurer, a pro-rata refund of premium may be allowed for the unexpired term on demand.

B) At the Insured's request, refund of premium may be allowed after charging premium for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

However, if, policy is replaced by new annual one, covering identical equipment/machines for sum insured not less than the respective sums insured under the cancelled policy, refund of premium may be allowed on pro-rata basis subject to retention of minimum premium.

If the risk is insured under short period scale, refund may be calculated at pro-rata of the short period scale premium provided such cancellation is followed by an annual policy for sum insured not less than the sum insured under cancelled policy. Otherwise, retention of premium shall be on short period scale.

For the sum insured not replaced in the renewed policy after cancellation, refund must be calculated after charging premium on such sum for the time insurance was in force on short period scale subject to retention of minimum premium by the Insurer.

C) In case of revision of Tariff rates/excess, it is not permissible to cancel the policy and allow a)refund of premium whereby an Insured pays lower premium for an insurance than is payable at the rates applicable at the commencement of the policy.

6. CLAIMS EXPERIENCE DISCOUNT AND LOADING –

Claims Experience discount up to 30 % and loading up to 50 % will apply. For details see the respective tariff.

7. MID-TERN INCREASE IN SUM INSURED –

If the Sum Insured is increased during the currency of the policy.

A) Short period scale of rates shall apply to increased amounts.

B) If the policy is renewed thereafter for <u>12 months</u> for an amount not less than the increased sum insured, the difference of premium between short period scale of rate and pro-rata rate may be refunded.

8. MID-TERN DECREASE IN SUM INSURED –

If the Sum Insured is decreased during the currency of the policy, Short period scale of rates shall apply on the reduced Sum Insured.

9. RATING -

Risks	Rate - Rupees Per Mille (%o)			
	Zone-I	Zone-II	Zone-III	Zone-IV
Roads, Bridges, Dry docks, Harbours, Jetties, Railway lines, Rock Filled dams	7.83	6.09	5.07	4.53
Concrete dams	8.79	6.57	5.19	4.59
Earthen dams	9.63	6.99	5.43	4.59
Canals, Irrigation system, Tunnels, Water reservoirs, Weirs	10.04	7.82	6.44	5.84
Runways, Water pipelines	10.88	8.24	6.68	5.84

A discount of Re. 0.10 %o may be granted for opting out cover for Fire & Lightning.