PACIFIC & ORIENT INSURANCE CO BERHAD
Registration No. 197201000959 (12557-W)
A Member Of The Pacific & Orient Group
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LOSS OF PROFITS FOLLOWING MACHINERY BREAKDOWN INSURANCE POLICY

The benefits(s) payable under eligible certificate/policy product is (are) protected by PIDM up to limits. Please refer to PIDM's TIPS Brochure or contact Pacific & Orient Insurance Co. Berhad (Visit www.pidm.gov.my)

Whereas the Insured named in the Schedule (s) hereto has made to the **Pacific & Orient Insurance Co. Berhad** (hereinafter called "the Insurers") a written proposal by completing a questionnaire which, together with any other statements made in writing by the Insured for the purpose of this Policy, is deemed to be incorporated herein.

Now this Policy of Insurance witnesses that, in consideration of the Insured having paid or agreed to pay the premium mentioned in the Schedule(s) and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon.

The Insurers hereby agree with the Insured that if during the period of insurance or any renewal thereof the business carried on by the Insured at the premises specified in the schedule(s) is interrupted or interfered with in consequence of an accident (as hereinafter defined) of any machinery described in the lost of machinery and plant insured, then the Insurers shall in respect of each subject matter insured indemnify the Insured against the amount of loss as hereinafter defined resulting from such interruption or interference.

Provided that the liability of the Insurers in no case exceeds in respect of each subject matter insured in any one year of insurance the sum expressed in the schedule(s) to be insured thereon or in the whole the total sum insured hereby or such other sum or sums as may hereinafter be substituted therefor by endorsement signed by or on behalf of the Insurers.

In witness whereof the Undersigned being duly authorised by the Insurers and on behalf of the Insurers has (have) hereunto set his (their) hand(s)

EXCLUSIONS

This Policy shall not cover any loss resulting from interruption of or interference with the business directly or indirectly attributable to any of the following causes:-

1. loss or damage due to fire, direct lightning, chemical explosion, extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped therefrom, theft or attempts thereat, collapse of buildings, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes;
2. loss or damage due to the imposition of abnormal conditions directly or indirectly resulting from testing, intentional overloading or experiments;
3. loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract;
4. loss or damage caused by any faults or defects existing at the time of commencement of this Policy within the knowledge of the Insured or his representatives whether such faults or defects were known to the Insurers or not;
5. loss or damage arising out of the wilful act or gross negligence of the Insured or his representatives;
6. any consequences of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, a group of malicious persons or persons acting on behalf of or in connection with any political organisation, conspiracy, confiscation, commandeering, requisition or destruction of or damage to property by order of any government de jure or de facto or by any public authority;
7. any consequence of nuclear reaction, nuclear radiation or radioactive contamination.
8. loss of or damage to

(a) foundations and masonry, unless specifically included and described in the list of machinery and plant insured;

(b) exchangeable and replaceable parts such as bits, drills, knives, saw blades.

(c) dies, moulds, patterns, blocks, stamps, punches, coatings or engravings on cylinders and rolls;

(d) parts which by their use and/or nature suffer a high rate of wear or depreciation such as crushing surfaces, balls, hammers, screens and sieves, engraved soft metal cylinders, wear plates, elevator and conveyor belts or bands, chains, flexible pipes, jointing and packing materials, filler cloths, parts made of glass, rubber, textile or synthetics, grinding wheels, ropes, belts, straps, cables other than electrical conductors, brushes, batteries, tyres, refractory materials, grate bars, burner jets;

(e) operating media such as fuels, chemicals, catalysts, filter substances, heat transfer media, cleansing agents, lubricants;

9. repair or replacement necessitated by direct damage due to wear and tear, corrosion, erosion, deposits of scale, sludge or other sediment, rust or scratching of painted or polished surfaces, or by any other direct consequences of progressive or continuous influences from working or atmospheric or chemical action, but the Insurers shall liable for any loss resulting from interruption or interference caused by damage arising from such causes and otherwise insured by this Policy;
10. shortage, destruction, deterioration of or damage to raw materials, semi finished or finished products or other materials required for proper operation, even if the consequence of material damage to an item indicated in the list of machinery and plant insured is involved;
11. any restrictions on reconstruction or operation imposed by any public authority;
12. the Insured not having at his disposal in good time sufficient capital for repairing or replacing destroyed or damaged machinery;
13. loss of or damaged to machinery, mechanical installations and their additional installations or other items which are not listed in the list of machinery and plant insured, even if the consequence of material damage to an item indicated in the list of machinery and plant insured is involved;
14. loss of business due to causes such as suspension, lapse or cancellation of a lease, licence or order, etc. which occurs after the date when the machinery affected by an accident is again in operating condition and the business could have been resumed, if said lease, licence or order, etc had not lapsed or hand not been suspended or cancelled.

In any action, suit or other proceeding where the Insurers allege that by reason of the provision of exclusions 3-7, above any loss is not covered by this Policy, the burden of proving that such loss is covered shall be upon the Insured.

BASIS OF INSURANCE

The cover provided under this Policy shall be limited to loss of gross profit due to reduction in turnover and increase in cost of working and the amount payable as indemnity hereunder shall be

- in respect of reduction in turnover; the sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period, in consequence of the accident, falls short of the standard turnover,
- in respect of increase in cost of working; the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the accident, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided,

less any sum saved during the indemnity period in respect of such of the charges and expenses of the business payable out of the gross profit as may cease or be reduced in consequence of the accident, provided that if the sum insured hereunder is less than the sum produced by applying the rate of gross profit to the annual turnover, the amount payable is proportionately reduced.

DEFINITIONS

Gross Profit — The amount by which the sum of the value of the turnover and the value of the closing stock exceed the sum of the value of the opening stock and the amount of the specified working expenses. The values of the opening and closing stocks shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

Specified Working Expenses — The variable expenses of the business which are not insured by this Policy:-

1. turnover and purchases taxes
2. purchases (less discounts received)
3. carriage, packing and freight

Turnover The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the business at the premises.

Indemnity Period & Times Excess The period not exceeding the indemnity period limit stated in the list of machinery and plant insured commencing with the occurrence of the accident during which the results of business are affected in consequence of such accident, provided always that the Insurers are not liable for the amount of loss arising during the time excess, such time excess to commence as from the beginning of the interruption of or interference with the business resulting in a claim under this Policy.

Rate of Gross Profit The rate of gross profit earned on the turnover during the financial year immediately before the date of the accident

Standard Turnover The turnover during that period in the twelve months immediately before the date of the accident which corresponds to the indemnity period.

to which such adjustments are made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the accident or which would have affected the business had the accident not occurred, so that the figures thus adjusted represent as nearly as may be reasonably practicable the results which but for the accident would have been obtained during the relative period after the accident.

Annual Turnover The turnover which the Insured would have been able to obtain but for the accident during the twelve months immediately before either the date when the business is no longer affected or when the indemnity period ends, whichever occurs first.

Accident Unforeseen and sudden physical loss or damage occurring to the insured machinery and necessitating its immediate repair or replacement due to causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, malice, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm or any other cause not specifically excluded hereinafter whilst such machinery is

- working or at rest,
- being dismantled, moved or re-erected for the purpose of cleaning, inspection, repair or installation at another location within the premises provided such machinery has successfully completed its performance acceptance tests.

PROVISIONS

Memo 1 - 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.

Memo 2 - Return of Premium

If the Insured declares at the latest six months after the expiry of any policy years 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 third of the premium paid on such sum insured for such period of insurance shall be made in respect of the difference.

If any accident has occurred giving rise to a claim under this Policy, such return shall be made in respect only of so much of said difference as is not due to such accident.

Memo 3 - 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 relative importance subsequently arrived at for the period of interruption, the Insurers 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.

Memo 4 - 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 - Benefits after Recommissioning

If during a period of six months immediately following the recommissioning of insured machinery after an accident, the Insured derives benefits from deferred sales or from increased production and/or profits as a consequence of an interruption, such benefits shall be taken into account in determining the indemnity payable under this Policy.

Memo 6 - 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 an additional premium on a pro rata basis, such premium to be calculated from that part of the sum insured which corresponds to the indemnity paid; the agreed sum insured shall remain unaltered.

Memo 7 - Material Damage Cover for Machinery Insured

The machinery described in the list of machinery and plant insured shall be covered against machinery breakdown during the currency of this Policy.

CONDITIONS

1. The due observance and fulfilment of the terms of this Policy, in so far as they relate to anything to be done or compiled with by the Insured and the truth of the statements and answers in the questionnaire and proposal made by the Insured shall be a condition precedent to any liability of the Insurers.

2. The schedule(s) shall be deemed to be incorporated in and form part of this Policy and the expression "this Policy", wherever used in this contract shall be read as including the schedule(s). Any word or expression to which a specific meaning has been attached in any part of this Policy or of the schedule(s) shall bear such meaning wherever it may appear.

3. The Insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Insurers to prevent loss or damage and comply with statutory requirements and manufacturers' recommendations.

4. (a) Representatives of the Insurers shall at any reasonable time have the right to inspect and examine the risk and the Insured shall provide the representatives of the Insurers with all details and information necessary for the assessment of the risk.
   (b) The Insured shall immediately notify the Insurers by telegram and in writing of any material change in the risk and cause at his own expense such additional precautions to be taken as circumstances may require, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly.
   (c) Dismantling and reassembling in connection with any examinations shall be carried out by the Insured on such date or dates as the Insurers and the Insured mutually agree upon for the making of such examinations.

   No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the cover provided under this policy is confirmed in writing by the Insurers.

5. The Insured shall be obliged to keep complete records. All records, e.g. inventories, production and balance sheets, for the three preceding years shall be held in safe keeping or, as a precaution against their being simultaneously destroyed, the Insured shall keep separate sets of such records.

6. In the event of any occurrence which gives rise or is likely to give rise to claim under this Policy, the Insured shall
   (a) immediately notify the Insurers by telephone or telegram and send them written confirmation thereof within forty-eight hours of the occurrence;
   (b) do and concur in doing and permit to be done all such things as may be reasonably practicable to minimise or establish the extent of any interruption of or interference with the business or to avoid or diminish the loss resulting therefrom;
   (c) as far as may be reasonably practicable, without causing any increase in the period of interruption or interference, take precautions to preserve any things which might prove necessary or useful by way of evidence in connection with any claim;
   (d) discontinue the use of any damaged machinery unless the Insurers authorise otherwise, and the Insurers shall not be liable in respect of any further interruption or interference arising out of the continued use of any damaged machinery without their having given their consent to such use until said machinery has been repaired to the satisfaction of the Insurers.

7. In the event of a claim being made under this Policy not later than thirty (30 days after the expiry of the indemnity period or within such further times as the Insurers may allow in writing, the Insured shall at his own expense deliver to the Insurers a written statement setting forth particulars of his claim together with details of all other policies covering the accident or any part of it or consequential loss of any kind resulting therefrom, and the Insured shall at his own expense also produce and furnish to the Insurers such books of account and other business books, e.g. invoices balance sheets and other documents, proofs, information, explanation and other evidence as may reasonably be required by the

Insurers for the purpose of investigating or verifying the claim, together with - if required - a statutory declaration of the truth of the claim and of any matters connected therewith.

8. In the event of an accident to any insured machinery likely to give rise to a claim hereunder the Insurers shall have the right to take over and control all necessary repairs or replacements.

9. In the event of any occurrence in respect of which a claim is or may be made under this Policy the Insurers and every person authorised by the Insurers may, without thereby incurring any liability and without diminishing the right of the Insurers to rely upon any condition of this Policy, enter any building where the loss has happened and may take possession of or require that any of the machinery be rendered to them and may keep possession of an deal with such machinery for all reasonable purposes and in any reasonable manner. This condition shall be evidence of the leave and licence of the Insured to the Insurers so to do. If the Insured or anyone acting on his behalf does not comply with the requirements of the Insurers or hinders or obstructs the Insurers during any of the abovementioned acts, then all benefit under this Policy shall be forfeited.

10. The Insured shall at the expense of the Insurers do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Insurers in the interest of any right or remedies or of obtaining relief or indemnity from parties (other than those insured under this Policy) to which the Insurers are or would become entitled or which would be subrogated to them on paying for or making good any loss or damage under this Policy, whether such acts and things are or become necessary or required before or after the Insured's indemnification by the Insurers.

11. If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted), such difference shall be referred to the decision of an arbitrator to be appointed in writing by the parties in difference or, if they cannot agree upon a single arbitrator, to the decision of two arbitrators, one to be appointed in writing by each of the parties, within one calendar month after having been required in writing so to do either of the parties, or, in case the arbitrators do not agree, of an umpire to be appointed in writing by the arbitrators before entering upon the reference. The umpire shall sit with the arbitrators and preside at their meetings. The making of an award shall be a condition precedent to any right of action against the Insurers.

12. (a) If any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and the Insurers shall not be liable to make any payment hereunder.
    (b) In the event of the Insurers disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaimer or (in the case of arbitration taking place in pursuance of condition 11 of this Policy) within three months after the arbitrators or umpire have made their award, all benefit under this Policy in respect of such claim shall be forfeited

13. If at the time any claim arises under this Policy there is any other insurance covering the same loss or damage, the Insurers shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.
    The Insurers shall not be liable to pay for or contribute to any loss which but for the existence of this Policy is or would be insured by any Loss of Profits policy covering Marine risk or Fire and/or explosion risks.

14. The indemnity shall fall due two weeks after its final determination. If after the expiry of one month since the beginning of an interruption of or interference with the business and after the expiry of each further month it is possible to determine the minimum amount which the Insurers are liable to pay for the elapsed period of interruption, the Insured shall be entitled to demand that such amount be paid to him as an instalment of the total indemnity.
    The Insurers shall be entitled to postpone payment
    (a) If there is any doubt as to the Insured's right to receive payment, until the necessary proof is furnished;
    (b) If, as a result of any physical loss or damage or any interruption of or interference with the business, police or penal investigations have been initiated against the Insured, until the completion of such investigations.
    The Insurers shall not be liable to pay interest other than interest for default.

15. Should at any time after the commencement of this Policy.
    (a) The business be wound up or carried on by a liquidator or receiver or be permanently discontinued,
    (b) The Insured's interest cease otherwise than by death,
    (c) Any alteration be made whereby the risk of accident is increased,
    (d) The retention of standby or spare machinery or any other loss minimising factors in existence when the insurance was effected be reduced or discontinued, or such standby or spare machinery be not maintained in an efficient working condition and available for immediate use, then this Policy shall be avoided unless its continuance is admitted by a special written statement signed by or on behalf of the Insurers

16. This Policy may be terminated at the request of the Insured at any time, in which case the Insurers shall retain the customary short-period rate for the time this Policy has been in force. This Policy may equally be terminated at the option of the Insurers by seven days' notice to that effect being given to the Insured, in which case the Insurers shall be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the Insurers may have incurred.

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Important Notice

Every effort will be made by **our** company to fulfil our obligation under the policy. If **you** are unhappy or dissatisfied with our service or have any complaints, **you may** call or write to the following:

1) Complaints Unit
Pacific & Orient Insurance Co Berhad
Reg No:19721000959 (No.12557W)
11th Floor, Wisma Bumi Raya
No.10, Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2698-5033
Fax : 03-2694-4209
E-mail : pobs@pacific-orient.com

2) The Financial Mediation Bureau
Level 25, No.4,
Jalan Sultan Sulaiman,
50000 Kuala Lumpur
Tel : 03-2272 2811
Fax : 03-2274 5752
Website : www.fmb.org.my

3) Bank Negara Malaysia
Insurance Regulation Dept
The Customer Services Bureau
P 0 Box 10922
Jalan Dato' Onn
50480 Kuala Lumpur
Tel No : 03-2698 8044 /
2698 9044
Fax No : 03-26945986

When there is a conflict or ambiguity as to the meaning in the English version or the Bahasa Malaysia version of any part of the contract, it is hereby agreed that the English version of the contract shall prevail.