

MACHINERY BREAKDOWN INSURANCE POLICY

Whereas the Insured named in the Schedule hereto by a proposal and declaration which shall be the basis of this contract and is deemed to be incorporated herein has applied to the Sagarmatha Insurance Co. Ltd. (hereinafter called the "Company") for the Insurance contained and has paid the Premium as consideration for such Insurance in respect of accident or damage occurring during the period of Insurance stated in the Schedule or during any subsequent period for which the Insured pays and the Company may accept the premium for the renewal of this policy.

Now this policy of Insurance Witnesseth that subject to the Terms, Exceptions, Exclusions, Provisions and Conditions contained herein or endorsed hereon.

The Company will at its own option by payment or reinstatement or repair indemnify the Insured against unforeseen and sudden physical damage by any cause not hereinafter excluded to any insured property specified in the attached Schedule(s) whilst in the premises therein mentioned necessitating its immediate repair or replacement.

- (a) While it is at work or at rest.
- (b) While being dismantled for the purpose of cleaning, inspection, overhauling or removal to another position or in course of these operations themselves or subsequent re-erection, but in any case only after successful commissioning, within the premises specified in the Schedule(s) attached.

The liability of the company for any one item of the insured property shall not exceed in the aggregate in any one period of Insurance the Sum Insured set against such item in the attached Schedule(s), unless the Sum Insured under such item is reinstated after occurrence of a claim for balance period.

GENERAL EXCEPTIONS

THE COMPANY SHALL NOT BE LIABLE UNDER THIS POLICY IN RESPECT OF:

1. Loss damage and/ or liability caused by or arising from or in consequence, directly or indirectly of Fire including extinguishment of a or clearance of debris and dismantling necessitated thereby, smoke soot, aggressive substance, lighting, atomic energy or nuclear reaction, explosion of any kind (other than bursting or disruption of turbines, compressors, cylinders of steam engines, hydraulic cylinders or fly wheels or other apparatus subject to centrifugal force), internal pressure, theft, collapse of buildings, subsidence, landslide, rockslide, water which escapes from water containing apparatus, flood, inundation, storm, tempest, earthquake, volcanic eruption or other Act of God, impact of landborne, waterborne or airborne craft or other aerial devices and/ or articles dropped therefrom.
2. Loss, damage and/ or liability caused by or arising from or in consequence, directly, of
 - (a) War, Invasion, Act of Foreign Enemy, Hostilities or Warlike Operations (Whether war be declared or not) Civil War.
 - (b) Mutiny, Military or popular Rising, Insurrection Rebellion, Revolution, Conspiracy, Military or usurped power, Martial Law or State of Siege or any of the events or causes which determine the Proclamation or Maintenance of Martial Law or State of Siege or any act of any person acting on behalf of or in connection with any organization with activities directed towards the overthrow by force of the Government de jure or de facto to the influencing of it by terrorism or violence, Riot, Civil Commotion, Strikes, Lock-outs, Labour disturbances, Confiscation, Commandeering, Requisition or Destruction of or damage to property by order of any Government de jure or de facto or of any Public, Municipal or Local Authority, Acts of Persons on behalf of or in connection with any political organization or Malicious Damage or total or partial cessation of work or the retarding or interruption or cessation of any process or operation.

3. (a) Any accident loss or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss or any liability of whatsoever nature directly or indirectly caused by or contributed to by or arising from ionizing radiations or contaminations by radioactivity from any nuclear fuel or form any unclear waste from the combustion of nuclear fuel, or radioactive, toxic, explosive or other hazardous properties of any nuclear assembly or nuclear component thereof. For the purpose of this exception combustion shall include any self - sustaining process of nuclear fission.
(b) Any accident loss or damage or liability directly or indirectly caused by or arising from or in consequence of or contributed to by nuclear weapons, material.
4. Accident loss damage and/ or liability due to the execution of repairs or resulting from overload experiments. or testes requiring the imposition of abnormal conditions.
5. Gradually developing flaws, defects, cracks or partial fractures in any part not necessitating immediate stoppage although at some future time repair or renewal of the parts affected may be necessary.
6. Deterioration of or wearing away or wearing out of any part of any machine caused by or naturally resulting from normal use or exposure.
7. Loss or damage as a direct consequence of the continual influence of operation e.g. wear and tear, cracks, cavitation, erosion, corrosion, rust scale.
8. Loss damage and/ or liability caused by or arising out of the wilful act or wilful neglect or gross negligence of the Insured or his responsible representatives.
9. Liability assumed by the Insured by agreement unless such liability would have attached to the Insured notwithstanding such agreement.
10. Loss damage and or liability due to faults or defects existing at the time of commencement of this insurance and known to the Insured or his responsible representatives, regardless of whether such faults or defects were known to the Company or not.
11. Loss of use of the Insured's plant or property or any other consequential loss incurred by the Insured.

SPECIAL EXCLUSIONS

The Company shall not be liable for:-

1. The deductible franchise, as stated in the Schedule, to be first borne by the Insured, out of each and every claim; where more than one item is lost or damaged in one and the same occurrence, the Insured shall not, however, be called upon to bear more than the highest deductible franchise applicable to any one such item;
2. Loss of or damage to belts, ropes, chains, rubber tyres, dies, moulds, blades, cutters, knives or exchangeable tools, engraved or impression cylinders or rolls, objects made of glass, porcelain, ceramics, all operating media (e.g. lubricating oil, fuel catalyst, refrigerant, dowtherm), felts, endless conveyor belts or wires, sieves, fabrics, heat resisting and anti-corrosive lining and parts of similar nature, packing material, parts not made of metal, and non-metallic lining or coating of metal parts;
3. Loss or damage for which the manufacturer or supplier of the property is responsible either by law or under contract.

In any action, suit or other proceeding where the Company alleges that by reason of the provisions of the Exceptions or Exclusions above any loss, destruction, damage or liability is not covered by this insurance, the burden of proving that such loss, destruction, damage or liability is covered shall be upon the Insured.

PROVISIONS

1. Sum Insured:

It is a requirement of this insurance that the 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.

2. Basis of Indemnity:

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

No deduction shall be made for depreciation in respect of parts replaced, except those with limited life, but the value of any salvage will be taken into account.

If the cost of repairs as detailed hereinabove equals or exceeds the actual value of the machinery insured immediately before the occurrence of the damage, the settlement shall be made on the basis provided for in (b) below.

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

Any extra charges incurred for overtime, night - work on public holidays, express freight, are covered by this insurance especially agreed to in writing.

In the event of the makers drawings, patterns and core, boxes necessary for the execution of repair not being available the Company shall not be liable for the cost of making any such drawings, patterns and core boxes.

The cost of any alterations, additions, improvements or overhauls shall not be recoverable under this policy.

The cost of any provisional repairs will be borne by the insurers if such repairs constitute part of the final repairs, and do not increase the total repair expenses.

If the sum insured is less than the amount required to be insured as per Provision 1 hereinabove the Company will pay only in such proportion as the sum insured bears to the amount required to be insured. Every item if more than one shall be subject to this condition separately.

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

3. Inspection of Turbines and Turbo - Generators:

All mechanical and electrical parts of any steam - turbine, gas - turbine or turbogenerator, set up to 30,000 KW, shall be inspected and overhauled thoroughly under the supervision of Maker's representatives, in a completely opened up state at least every two years; for turbines or turbogenerators exceeding 30,000 KW such inspection and overhaul shall

take place after 20,000 hours of operation or at least every three years. The cost of inspection and overhauling shall be borne by the Insured and a copy of the Report issued by the Maker's representative on such inspection and overhauling shall be furnished to the Company immediately after the work has been carried out.

The Insured shall arrange for these regular inspections in such a way as to enable the Company's representative to be present at the inspection at their own expense. The Company shall be notified at least seven days in advance of the commencement of any overhauling necessary according to expert opinion.

If the Insured fails to comply with the requirements of this condition, the Company, shall be free from all liability for loss or damage caused by any circumstance which could have been detected had such inspection and overhauling taken place.

The Insured may apply for an extension of the period between any two-regular inspection, and such extension shall be granted if in the opinion of the Company the risk is not aggravated thereby.

4. Premium Reduction for Standstill:

If any boilers, turbines, steam engines, generators or diesel engines, are at a standstill for a continuous period of more than three months in any one year of insurance (including any period of overhauling but excluding any period of repair due to loss or damage under this Policy) the Insured shall be entitled to a reduction in premium in accordance with the undermentioned scale:-

If such continuous period of standstill lasts

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| (i) 3 months to 5 months | 15% of the annual premium for the item (s) at standstill |
| (ii) 6 months to 8 months | 25% of the annual premium for the item(s) at standstill |
| (iii) 9 months to 11 months | 35% of the annual premium for the item(s) at standstill |
| (iv) throughout the year | 50% of the annual premium for the item(s) at standstill |

No refund shall, however, be allowed for machinery employed in seasonal factories.

CONDITIONS

1. This Policy and the attached Schedule(s) shall be read together as one contract and words and expressions to which specific meanings have been attached in any part of this Policy or of the attached Schedule(s) shall bear the same meaning wherever they may appear.
2. The Insured shall at all times by personal or other competent supervision and at his own expense take all proper precautions to keep the insured property its plant ways works machinery appliances and approaches in proper state of repair and to ensure that any item is not habitually or intentionally overloaded and to enforce the observance by all persons in the employ of the Insured of all proper safeguards and precautions against breakdown or accident and if any defects of conditions of working be discovered which render the risk more than usually hazardous the Insured shall forthwith notify the Company and take steps to remedy the said defect or conditions and shall in the meantime cause such additional precautions to be taken as circumstances may require. The Insured shall fully observe the government, statutory, municipal and other binding regulations and the Manufacturer's recommendations concerning the working of the insured property including the rules under the Boilers Act and the Indian Electricity Act for the time being in force.
3. (a) The Company shall at all reasonable times have the right to inspect and examine any property insured hereunder and the Insured shall provide the officials of the Company with all details and information necessary for the assessment of the risk.
(b) The Insured shall immediately notify the Company in writing of any material change in the risk and cause such additional precautions to be taken as circumstances may require to ensure safe operation of the insured machinery, and the scope of cover and or premium shall if necessary be adjusted accordingly. Alternatively, the Company may at its

own option cancel the insurance in respect of any item or items affected by such change by allowing pro rata refund or premium on the item or items concerned for the unexpired period of the insurance.

No material alteration shall be made or admitted by the Insured whereby the risk or damage is increased, unless the continuance of the Insurance be confirmed by memorandum signed by or on behalf of the Company.

4. In the event of any occurrence which might give rise to a claim under this Policy the Insured shall.
- immediately notify the Company by telephone or telegram as well as in writing, giving an indication as to the nature and extent of loss or damage.
 - take all reasonable steps within his power to minimise the extent of the loss or damage or liability.
 - preserve the damage or defective parts and make them available for inspection by an official or surveyor the Company.
 - furnish all such information of documentary evidence as the Company may require.

The Company shall not be liable for any loss or damage of which no notice and completed claim form have been received by the Company within 14 days of its occurrence.

Upon notification of a claim being given to the Company the Insured may proceed with the repair of any minor damage provided that the carrying out of such repair is without prejudice to any question of liability of the Company and that any damaged part, requiring replacement is kept for inspection by the Company, but in all other cases a representative of the Company shall have the opportunity of inspecting the damage before any alterations, repairs or replacements are effected. If an inspection by a representative of the Company does not take place within a period of 14 days from the date of the notification of the claim, the Insured shall be entitled to proceed with the repairs or replacement. Nothing contained herein shall prevent the Insured from taking such steps as are absolutely necessary to maintain the operation of the plant.

The liability of the Company under this Policy in respect of any item of property sustaining damage, for which indemnity provided shall cease if the said item is kept in operation without being repaired to the satisfaction of the Company.

5. (a) If the proposal or declaration of the Insured is not true in any material respect or if any claim made be fraudulent or substantially exaggerated, or if any false declaration or statement be made in support thereof, then this Policy shall be void and the Company shall not be liable to make any payment hereunder.
- (b) In the event of the Company disclaiming liability in respect of any claims an action or suit be not commenced within three months after such disclaimer or in the case of arbitration taking place in pursuance of Condition II of this Policy within three months after the Arbitrators or Umpire shall have made their award all benefit under this policy in respect of such claim shall be forfeited.
6. If at time any claim arises under this Policy there is any other insurance covering the same loss, damage or liability the Company shall not be liable to pay or contribute more than its rateable proportion of such loss, damage or liability.
7. The insurance granted by this Policy shall cease to attach to any items described in the Schedule the interest in which shall pass from the Insured otherwise than by will or operation of law, unless the consent of the Company for the continuance of the insurance shall be obtained and signified by endorsement hereon.
8. This insurance may be terminated at the request of the Insured, in which case the Company will retain the customary short period rate for the time the Policy has been in force. This insurance may also at any time be terminated at the option of the Company on 7 days notice to that effect being given to the Insured in which case the Company 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 company may have incurred.
9. The Insured shall at the expense of the Company do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Company in enforcing any right or remedies or of obtaining relief or indemnity

from parties (other than those insured under this Policy) to which the Company shall be or would become entitled or subrogated upon their paying for or making good of any loss or damage under this Policy, whether such acts and things shall be or become necessary or required before or after the Insured's indemnification by the Company.

10. No admission, offer, promise, payment or indemnity shall be made or given by or on behalf of the Insured without the written consent of the Company who shall be entitled if they so desire to take over and conduct in the name of the Insured the defence or settlement of any claim for indemnity or damage or otherwise and shall have full discretion in the conduct of any proceedings or in the settlement of any claim and the Insured shall give all such information and assistance as the Company may require.
11. If any difference arises as to the amount of any loss such difference only shall independently of all other questions 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 disinterested persons as Arbitrators, of whom one shall be appointed in writing by each of the parties within one calendar month after having been required so to do in writing by the other party. In case either party shall refuse or fail to appoint an Arbitrator within one calendar month after receipt of notice in writing requiring an appointment, the other party shall be at liberty to appoint a Sole Arbitrator, and in case of disagreement between the Arbitrators the difference shall be referred to the decision of an Umpire who shall have been appointed by them in writing before entering on the reference and who shall sit with the Arbitrators and preside at their meetings. The Arbitrators and the Umpire shall be qualified engineers. The death of any party shall not revoke or affect the authority or powers of the Arbitrator, Arbitrators or Umpire respectively; and in the event of the death of an Arbitrator or Umpire, another shall in each case be appointed, in his stead by the party or Arbitrators (as the case may be) by whom the Arbitrator or Umpire so dying was appointed. The cost of the reference and of the award shall be at the discretion of the Arbitrator, Arbitrators or Umpire making the award.

And it is hereby expressly stipulated and declared that it shall be a condition precedent to any right of action or suit upon this Policy that the award by the such Arbitrator, Arbitrators or Umpire of the amount of the loss of disputed shall be first obtained.

12. The due observance and fulfilment of the terms, provisions and conditions of an endorsement on this Policy is so far as they relate to anything to be done or complied with by the Insured and the truth of the statements and answers in the said proposal shall be conditions precedent to any liability of the Company to make any payment under this policy.