



## **Special Conditions of the Insurance of Machine, Appliance and Equipment (AMB) (Insurance of Machine Failure)**

For present insurance the ordinances of General Conditions of Property Insurance and the authoritative statutes are applicable.

### **Table of contents**

Chapter 1 – Insured assets	2
Chapter 2 – Insured dangers	2
Chapter 3 - Insurance value, insurance fee	3
Chapter 4 - Damage prevention liability of the signatory	3
Chapter 5 - Obligations of signatory at the emergence of accident	4
Chapter 6 - Indemnity	4
Chapter 7 - Expert procedures	5
Chapter 8 - Legal relationship after the accident	5



## **Chapter 1. Insured assets**

1. The risk-taking covers the assets indicated in the insurance policy, as long as they can be found in the plant field indicated in the insurance policy as an insurance place
  - a) in operating condition or
  - b) stopped or disassembled due to cleaning, maintenance, examination, replacement, or due to a damage liable for indemnity, or during fitting or transporting. The asset is in operating condition, if it's ready for the normal operation after probing and test run.
2. Foundations and walling are only covered by a separate agreement of the parties.
3. The risk-taking does not cover:
  - a) any kinds of tools, e.g. drills, bucking beetles, clichés, moulds, dies, knives, forming rolls, saw blades, cutting-, pressing-, bending tools, cupping dies, sieves, filters, stones, stamps as well as balls, ramming hammers and faces of mills etc...;
  - b) rubber, textile or any other type of coating and casing of bicycle tyres, hoses, brushes, ropes, chains, straps, conveyor belts, elevators etc...;
  - c) no sort of factory or auxiliary products, such as e.g. fuels, chemicals, filtering devices, catalysts, contact materials, coolants, detergents, lubricants etc...;

## **Chapter 2. Insured dangers**

1. The insurer gives insurance coverage for the unforeseen and sudden damage of insured assets, according to below ordinances, if the reasons are:
  - a) the operator's mistake, clumsiness, carelessness or malicious behaviour
  - b) direct effects of electric energy, such as ground fault, short circuit, exaggerated increase in current, arc-over, even if it occurred due to insulation error, overvoltage, direct effects of atmospheric electricity e.g. induction or influence;
  - c) mistake of planning, calculating, casting, material or producing;
  - d) cracking due to centrifugal force;
  - e) water shortage in steam boilers and steam appliances;
  - f) vacuum explosion or other effect of vacuum;
  - g) overpressure, except explosion (point 2. a));
  - h) failure of meters, regulator- and safety appliances;
  - i) direct effects of storm, frost, ice drift;
  - j) mechanical effects of external events.



2. The risk-taking – regardless of the reason of its origin – does not cover such damage which are or have:
  - a) risen due to fire, stroke of lightning, explosion (if these dangers might be covered by fire insurance) necessary extinguishing and demolition during and after such events, furthermore burglary and theft;
  - b) risen due to inner riots, strike or acts of employee who is on strike or excluded from the factory penetrating into the factory's territory and staying there illegally, violating neutrality, any kind of war event, military occupation or invasion, ordinances of a higher power, and confiscation or seizing by some power or authority; earthquake, eruption, ground settling, land sliding, rock fall, hail, flood, avalanche, and such events, which can be caused by the harmful effects of nuclear energy;
  - c) consequences of the already existing mistakes and deficiencies at the time of concluding the insurance, which are known or should have been known by the signatory or the executive responsible for the factory's operation;
  - d) risen due to neglect of maintenance;
  - e) traceable to intentional or severely careless acts of the signatory or the executive responsible for the factory's operation;
  - f) can be attributed to direct consequences of a evidently permanent chemical, thermal, mechanical, electrical or electromagnetic effect, phenomena of justified or premature wear, ageing and material fatigue, or corrosion, rust, mud, water- or boiler crust or other sediment;
  - g) risen due to putting the machine into operation before completing the final repair and providing regular operating condition following damage;
3. The risk-taking of insurer does not cover those damages, whose liability for damage burdens the forwarder based on statute or contract. If the supplier denies its liability for indemnity, and if the arisen damage is one of the listed in paragraph 1. a.) – j.), the insurer compensates the damage of signatory by exercising the rights of the signatory towards supplier.

### **Chapter 3.**

#### **Insurance value, insurance fee**

1. The insurance value is the new value of the insured assets on the day of damage, namely the cost of newly purchasing the asset, including the expenses of transport (except air cargo), customs and installation (without discount, e.g. purchasing rebate, volume discount, etc...)
2. The base of the fee calculation is the new value of the insured assets.

### **Chapter 4.**

#### **Damage prevention liability of the signatory**

1. Signatory is obliged to provide the technical faultless condition and working order of the insured assets, careful care and maintenance and prevent them from permanent or intentional load over the permissible technical measure, and he/she is obliged to demand these from the responsible managers of the factory.
2. Signatory is obliged to allow the appropriately authorised representative of the insurer to full-scale inspection of the course of operations in connection with appliances at any time.
3. If signatory does not fulfil these obligations, it loses its right to the services of insurer.



## **Chapter 5.** **Obligations of signatory at the emergence of accident**

1. Obligations of signatory at the emergence of such accident for which indemnity is claimed:
  - a) do everything in its power in favour of prevention and mitigation of damages. If the circumstances allow it, he/she should turn to the insurer for such instructions and possibly follows those instructions.
  - b) the damage must be reported to the insurer in writing, by telex or via telegram immediately or within three working days the latest from being informed of it. From the point of view of compliance with reporting deadline, the posting time is standard.
  - c) as much as can be expected and required, signatory must allow the insurer to do all investigations in connection with the assessment of the reason and extent of the damage and the amount of payable indemnity, obliged to give all necessary information spoken or in writing and show all necessary vouchers for the insurer's requirement.
2. Signatory might commence final repair immediately after reporting, but in case of damage of greater extent – until the inspection of the insurer's representative, which must take place within eight days since the arrival of the report at the insurer - the state induced by the damage can be changed only to the extent which is absolutely necessary for the factory's operation. If the inspection didn't take place within the above mentioned eight days deadline, then the signatory becomes exempt from liability of reserving the state induced by the damage, and can commence repairing or renewal of the damaged asset without restriction. Even in this case, the damaged parts which were not utilised or were changed during repairing, must be put at insurer's disposal for inspection.
3. During the assessment of damages, signatory is obliged to give all spoken and written information to the insurer entirely and in compliance with the facts.
4. If signatory violates one of the obligations listed previously, insurer becomes exempt from payment obligation, except if the violation of obligation is neither traceable to intentional nor to severe carelessness. The insurer's payment obligation remains even at severe careless violation of these obligations, if the violation of obligation didn't influence the clarification of the accident, nor the assessment of the insurer's payment obligation or its extent. The insurer's payment obligation remains in the case of severe careless violation of the rescue obligation mentioned in point a) in paragraph 1, if the extent of the damage could not have been reduced even by the proper execution of the obligation.

## **Chapter 6.** **Indemnity**

1. With all damage, signatory bears the amount of deductible individually indicated in the policy for each asset. Unlike ABS, the upper limit of indemnity is the amount of insurance reduced by the amount of deductible.
2. The indemnity occurs according to the followings:
  - a) in case of restoring some damaged asset to its earlier state and into operating condition, compensate the repair costs valid at the occurrence of accident, including the cost of disassembly and assembly, transport (except air cargo), shipping there and back and possible customs. The value of the discarded old material is included. Additional expenses due to air cargo are paid only based on a separate agreement. Additional expenses, connected with alteration, performance improvement or maintenance executed during repairing, are burden of the signatory. The possible costs of temporary repairing also burden the signatory (see chapter II, paragraph 2, point g).
  - b) in case of total destruction of some insured asset, based on its value (time value) directly before the damage, including the expenses of transport (except air cargo), customs and assembly. Signatory is obliged to accept those parts which might be used in any way, on their estimated value as a payment. An asset is considered totally destructed, if the expenses of its repair reach or exceed its time value at the day of the damage. If more conjugated machines, appliances or equipment are insured under an item, and among only



certain ones are destroyed, insurer handles these accidents as if the totally destroyed machines, appliances and equipment had been insured as separate items. In case of conjugated assets, insurer does not consider those possible amortisations, which are endured by the undamaged assets due to the others' damage or destroy.

#### **Chapter 7. Expert procedures**

The statements should be entered into a minute by the expert, beside the detailed estimation of the amount of damage, should contain at least:

- a) stated or presumed reason and its extent of the damage;
- b) the value of the damaged asset directly before the accident;
- c) the new value of the damaged asset at the time of damage;
- d) if the damage is repairable, the value of the replaced parts directly before the accident (see chapter VI. paragraph 2. point a));
- e) the possible increment value after repairing;
- f) the weight and value of the remained parts, considering their availability at repairing or for other purpose.

#### **Chapter 8. Legal relationship after the accident (Supplement for the chapter 14 of ABS)**

After the accident, from the day of accident till the remaining term of given insurance period, in case of repairable damage (see chapter VI paragraph 2 point a)) the insurance amount of the damaged asset decreases by the expenses of repair which serves as a basis for indemnity (proportionally in case of underinsurance). There is an exception, if the signatory immediately, before another damage ensue in the same asset, pays afterwards the appropriate fee of the insurance amount increase to the original amount, for the end of the given insurance period. If the signatory pays forth fully the fee concerning the next insurance period, then the insurance is valid again for the previous insurance amount. In case of total destruction (see VI. chapter 2. paragraph b) point) the proportional fee of the destroyed assets together its insurance amount stops, without refund claim.



## Supplementary conditions of the insurance of machine, appliance and equipment (Insurance of machine failure)

### Insured dangers and damages

#### 1. Damage in electronic appliances

Modifying the chapter II paragraph 2 point a) of the special conditions of the Insurance of machine, appliance and equipment, the risk-taking also covers those damages, which are arisen in the insured assets due to stroke of lightning, electric power transmission via wire. Moreover the risk-taking also covers those damages, which are risen due to fire- and explosion event connected to events mentioned in chapter II. paragraph 1 point b) of the special conditions of the Insurance of machine, appliance and equipment, in case it spreads to concerned electronic machine, appliance or equipment.

Electronic machines, equipment and appliances concerned some of the above mentioned events are such objects, which can be considered as independent electric appliances, so they can be used as independent units, like e.g. generators, engines, transformers, starter engines, switches, meters, wires and such – switches, meters and wires even in that case, if they are a part of a switchgear.

But the risk-taking does not cover damage due to short circuit, exaggerated increase of current, generation of electric arc and similar, if they appear as a consequential damages of fire-, explosion or other damage, according to the general conditions of the Insurance of damage to property.

#### 2. Foundations

Insurer pays indemnity for damages of foundations insured together with machines only, if these damages are the consequences of the damages to be compensated of insured machines.

#### 3. Walling of combustion chambers and furnaces

The insurer's risk-taking does not cover the walling of combustion chambers and the furnace linings.

#### 4. Machine oil

The oil used for lubricating the machines' bearings is not an object of the insurance. If the oil serves cooling, insulating or purpose of drive line, it is covered only in that case if a separate agreement orders about it. In this case insurer pays indemnity for the insured oil only if it's connected to an accident liable to indemnity of an insured machine. The insurer deducts the amortisation due to aging, wearing or other reason when establishing the extent of the indemnity. The same conditions apply to the risk-taking related to the oil in transformers, switches and meters.

#### 5. Cooling devices, refrigerators

The insurer's risk-taking does not cover the coolant and insulations of cooling devices and refrigerators.

#### 6. Travelling machines

The insurance does not cover the damages of travelling machines due to collision, derailment, ground- and swell collapse, bridge- and roadbed tearing away, as well as slipping-down, tumbling, downfall, water- and drift sand irruption, not even in case if they are due to reasons listed at chapter II paragraph 1 of the Special conditions of the insurance of machine, appliance and equipment.

#### 7. Tracked vehicles

Insurer does not compensate the damages of track links, guide-wheels and chain pulleys.

#### 8. Smith sledgehammers

The risk-taking does not cover the drop-weight and anvil of smith sledgehammers.

#### 9. Blasting

The risk-taking does not cover such damages which are due to blasting at the working area.

#### 10. Locks

The insurer does not compensate the damages of electric and mechanic locks, arisen during their operation according to rules.



## **Indemnity, deductible**

### **11. Combustion engines**

The insurer deducts the amortisation due to ageing, wearing or other reasons when establishing the indemnity amounts of the damages raised at cylinder heads, plugs, pistons and piston bottoms. The ageing (depreciation) is 10% annually, maximum 50%.

### **12. Light tubes, lamps, cooling sections**

Insurer deducts the amortisation due to ageing, wearing or other reason in case of X-ray-, rectifier- and radio tubes, television tubes and electron tubes, as well as lighting-, radiating- and heating units and heaters.

### **13. Burner nozzles**

Insurer deducts the amortisation due to aging, wearing or other reason in case of burner nozzles of oil- and gas-fire appliances.

### **14. Gas turbine appliances**

Insurer deducts the amortisation due to aging, wearing or other reason when establishing the indemnity amount, in case of gas turbines and all parts of gas turbine appliances and the adjoined gas generators and free piston machines exposed over 550°C temperature, as well as regularly replaced parts of free piston compressors.

### **15. Amortisation of replaced parts**

Insurer takes the value of the fully installed replaced parts as a basis when establishing the amortisation of the replaced, substituted parts.

### **16. Loss adjustment in case of conflict of machine failure- and fire insurance**

If simultaneously machine failure- and fire insurance are valid and it's an issue whether the damage is considered as a machine failure- or fire damage and in what proportion, the signatory, the insurer of machine failure or fire might claim that the extent of the machine failure- and the fire damage be established via expert procedure. The establishment is obligatory, unless it's verified to differ significantly from the substantial actual circumstances. For nominating the experts and their statements the concerning ordinances for the expert procedure of the Special conditions of the insurance of machines, appliances and equipments apply. Parties bear the expenses of their own experts. Parties bear one third proportion of the expenses related to the chairman. The signatory might claim the amount is due to paid based on the actual circumstances as an instalment after a month of reporting the damage. If by that time it is not clarified that in what extent the damage is considered as machine failure or fire damage, then both insurers contribute fifty-fifty to the instalment.