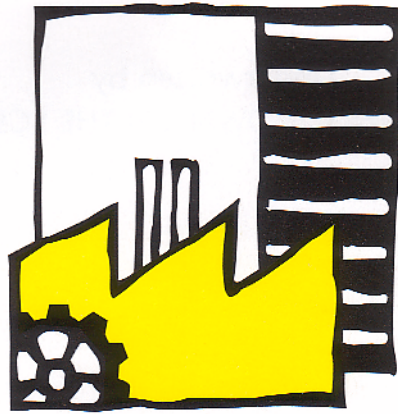


INDUSTRIAL SPECIAL RISKS

POLICY



...enabling you to insure property, at your location, against loss or damage due to a wide range of specified events and loss of profits resulting from various types of damage to your premises.

AON

This

INDUSTRIAL SPECIAL RISKS POLICY

has been
developed and arranged by



one of Australia's leading insurance brokers

Underwritten by
THE INSURERS SHOWN ON THE SCHEDULE

ATTACH SCHEDULE HERE

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INDUSTRIAL SPECIAL RISKS POLICY

1. DEFINITIONS

For the purpose of this Policy, the following definitions apply:

- 1.1 **THE INSURER** is the company or companies named in the Schedule. If there is more than one company, each company shall be separately liable only to indemnify the Insured for that proportion of any claim as is set out in the Schedule.
- 1.2 **THE INSURED** is as described in the Schedule and includes all subsidiary companies, organisations and other entities in which the Insured has a controlling interest to the extent only that each of them is engaged in carrying on the Business described in the Schedule or activities which are substantially the same kind or related to that Business. For the purpose of this definition, a controlling interest shall in the case of a company mean the beneficial ownership of shares carrying more than 50% of votes capable of being cast at a general meeting of all shareholders in the company.
- 1.3 **PROPERTY INSURED** means all tangible property both real and personal of every kind and description belonging to the Insured or for Damage to which property the Insured is legally responsible or which the Insured has assumed responsibility to insure prior to the occurrence of any Damage, and includes more specifically Money. Property insured includes all such property acquired after the commencement of the Period of Insurance.
- 1.4 **SITUATION** is the Situation or Situations shown in the Schedule.
- 1.5 **SCHEDULE** means the Schedule attached to this Policy or any later Schedule issued on renewal or variation or by way of endorsement.
- 1.6 **PERIOD OF INSURANCE** is the period referred to in the Schedule or any further period for which renewal has been agreed.
- 1.7 **POLICY** means this document, the Schedule and any Endorsement(s).
- 1.8 **THE LIMIT OF LIABILITY** is the maximum amount payable by the Insurer for any one loss or series of losses suffered by the Insured arising out of any one original source or cause at any one Situation, subject to any Sub-Limits of Liability and the application of any Deductible. The Limits of Liability and Sub-Limits of Liability are as set out in the Schedule.

If more than one Limit or Sub-Limit of Liability applies, the greater amount shall be payable.

Each Sub-Limit shall not increase the liability of the Insurer beyond the Limit of Liability. Each of the Deductibles will apply to each Sub-Limit, but will not be cumulative.
- 1.9 **DECLARED VALUES** are the values of Property Insured (other than Money) at each Situation/Gross Profit/Pay-Roll declared by the Insured and calculated as applicable in accordance with the Basis of Settlement Clauses. The Insured shall complete a statement of Declared Values as at the commencement of the Period of Insurance and as at the end of the Period of Insurance. The values declared as at the end of the Period of Insurance shall include the value of any Property Insured acquired after the commencement of the Period of Insurance.
- 1.10 **DEDUCTIBLE** is the first amount of each claim which is payable by the Insured as stated in the Schedule. Should more than one Deductible apply under this Policy for any claim or series of claims arising from the one original source or cause, such Deductibles shall not be aggregated and the highest single level of Deductible only shall apply.
- 1.11 **POLLUTION OR CONTAMINATION** means the discharge, dispersal, release or escape of smoke or soot from industrial operations (other than sudden and unforeseen damage resulting from either of these) vapours, fumes, acids, alkalis, chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon any property, land, atmosphere or any water course or body of water (including ground water).
- 1.12 **DEBRIS** means the residue of Damaged Property Insured excluding any material which is itself a pollutant or contaminant and which is deposited beyond the boundaries of the Situation.
- 1.13 **SPECIFIED DAMAGE** for the purpose of any Limit or Sub-Limit of Liability or Deductible as shown in the Schedule, means Damage caused by any peril or circumstance not more specifically covered or excluded by this Policy other than fire, lightning, thunderbolt, explosion, implosion, earthquake, subterranean fire, volcanic eruption, erosion, subsidence, landslip, collapse, impact, aircraft and/or other aerial devices and/or articles dropped therefrom, sonic boom, theft, breakage of glass, loss of money, the acts of persons taking part in riots or civil commotions or of strikers or locked-out workers or of persons taking part in labour disturbances or of malicious persons or the acts of any lawfully constituted authority in connection with the foregoing acts or in connection with any

conflagration or other catastrophe, spontaneous combustion, spontaneous fermentation, storm and/or tempest and/or rainwater and/or wind and/or hail, flood, water or other liquids or substances discharged, overflowing or leaking from apparatus, appliances, pipes or any other system at the premises or elsewhere.

- 1.14 **FLOOD** means the inundation of normally dry land by water escaping from or released from the normal confines of any natural water course or lake (whether or not altered or modified) or any dam, reservoir or canal.
- 1.15 **DAMAGE** (with Damaged having a corresponding meaning) means physical loss, damage or destruction.
- 1.16 **MONEY** means current coin, bank notes, currency notes, cheques, travellers' cheques, securities, negotiable instruments, credit card sales and discount house vouchers, postal orders, money orders, unused postage and revenue stamps and including the value of stamps contained in franking machines.
- 1.17 **ANY ONE SITUATION** where "the Situation" specified in the Schedule is other than a single address, each separate address at which the property damaged is located shall be one Situation for the purposes of this Policy, particularly the Limits and Sub-Limits of Liability and the definition of Premises.
- 1.18 **MONEY IN TRANSIT** where a separate Sub-Limit is shown in the Schedule for Money in transit and the Money is drawn as salaries and/or wages it shall be covered until paid away to legal recipients, provided that in respect of such salaries and/or wages which are not paid out on the day of withdrawal from the bank, the Insurers shall not pay more than forty per cent (40%) of such withdrawal in the event of a claim or series of claims arising from the one occurrence.

SECTION 1 - PROPERTY DAMAGE

2. EXTENT OF COVER

Provided the Insured has paid or agreed to pay the premium, the Insurer will indemnify the Insured against Damage occurring to Property Insured during the Period of Insurance and shall provide the additional cover referred to in Clause 3 up to the value of the Limit(s) and Sub-Limit(s) of Liability referred to in the Schedule, but subject to:

- 2.1 the Property Insured being either:
- 2.1.1 at the Situation at the time that the Damage occurs; or
- 2.1.2 in the case of property other than Money, stock and merchandise, whilst in transit (including storage in transit) during temporary removal to any situation within Australia and whilst at such situation, but whilst in transit (excluding loading, unloading and storage) cover is limited to Damage caused directly by fire, lightning, explosion, earthquake, aircraft, riot, strikes, malicious damage and storm and tempest and flood;
- or
- 2.1.3 in the case only of Money whilst at the following places within Australia; namely, at the Situation, while in the night safe of any bank or financial institution where the Insured transacts business or within the private residence of the Insured or any person authorised by the Insured to have the personal custody of the Money or whilst in transit between any of these places;
- 2.2 the Limit(s) and Sub-Limit(s) referred to in the Schedule;
- 2.3 the amount of the indemnity being calculated in accordance with the Basis of Settlement Clause 4;
- 2.4 the exclusion of certain items of property as referred to in Clause 5;
- 2.5 the Damage not occurring in circumstances which are excluded from cover by Clause 6;
- 2.6 the application of any Deductible referred to in the Policy Wording and the Schedule; and
- 2.7 the Conditions set out in Clauses 7 and 14.

3. ADDITIONAL COVER

- 3.1 If Damage to Property Insured occurs in circumstances giving rise to indemnity under Section 1 of this Policy, the Insurer will also pay the following additional costs where they are necessarily and reasonably incurred in respect of:
- 3.1.1 architects', surveyors', consulting engineers', legal and other fees and clerks of works salaries for estimates, plans, specifications, quantities, tenders and supervision necessarily incurred as a result of any such Damage, but not costs, fees or other expenses for preparing any claim made under Section 1 of this Policy;
 - 3.1.2 any fee, contribution or other impost payable to any government, local government or other statutory authority necessarily incurred by the Insured because payment of such fee, contribution or impost is a condition precedent to the obtaining of consent to repair or replace any buildings insured under this Section 1, provided that the Insurer shall not be liable for payment of any fine or penalty imposed by any such authorities;
 - 3.1.3 the temporary protection and safety of Property Insured pending repair or replacement as a result of Damage;
 - 3.1.4 the replacing of locks, keys and combinations as a result only of Damage caused by theft or any attempt at theft where the keys are stolen or combinations become known or if there are reasonable grounds to believe that the keys may have been duplicated. The Insurer will also pay the cost of opening safes and strong rooms as a result of theft of keys and combinations forming part of Property Insured;
 - 3.1.5.1 the removal, storage and disposal of Debris and of any thing which caused the Damage from the Situation and the cost of cleaning up at the Situation including the removal, storage and disposal of water and/or other substances used to extinguish or suppress fire or to otherwise minimise the Damage;
 - 3.1.5.2 the removal, storage and disposal of Debris from premises, roadways, services, railway or waterways owned by any other person or entity (and notwithstanding the provisions of Exclusion 6.1.5) where the Insured is liable at law to remove, store or dispose of such Debris as a result of the Damage, together with the cost of cleaning up, but provided that such liability has not arisen as a result of any agreement made by the Insured after the commencement of the Period of Insurance unless liability would have attached in the absence of such agreement;
 - 3.1.5.3 the demolition, dismantling, shoring up, propping or underpinning of the Property Insured or the carrying out of other temporary repairs to the Property Insured as a result of the Damage including the shoring up, propping or underpinning of adjoining premises as a result of the Damage;
 - 3.1.5.4 the demolition and removal of any Property Insured belonging to the Insured which is necessary for the purpose of repair or replacement as a result of the Damage including the cost of reinstating such property to a condition substantially the same as, but not better or more extensive than, its condition when new;
 - 3.1.6 customs, excise and other duties which the Insured is liable to pay as a result of the Damage.
 - 3.1.7 any legal liability to make enquiries consequent upon Damage insured by this Policy.
 - 3.1.8 expediting, reinstatement or repair of the Property Insured including (but not limited to) identifying and locating the source of the Damage, penalty rates for wages during overtime shift, night, Sunday or holiday working, payment for carriage by express passenger fast goods or other rail or road transport, for carriage by air freight where such costs are incurred as a result of any peril or circumstance insured by this Policy.
 - 3.1.9 in respect of taking inventory (including unpacking, re-packing and re-stocking) to identify, quantify and value any property Damaged by any peril or circumstance insured by this Policy including examination of property not belonging to but in the care custody or control of the Insured.
- 3.2 The Insurer will also pay the following additional costs which are necessarily and reasonably incurred:
- 3.2.1 in the repair or replacement of personal effects (including Money and Tools of Trade) belonging to directors and employees of the Insured and the property of welfare sport and social clubs of the Insured which are Damaged during the Period of Insurance. The property insured under this Clause 3.2.1 is covered at the Situation and beyond the premises at the Situation to anywhere in Australia

including whilst in transit. For the purpose of this additional cover, Clause 2.1.2 is amended to read "in transit" and Exclusion 5.1 is deleted.

Provided that the cover afforded in respect of personal effects belonging to directors and employees:

- 3.2.1.1 only applies in so far as such property is not otherwise insured;
- 3.2.1.2 where damage occurs beyond the Insured's Premises; only applies if the directors and/or employees are on authorised business of the insured;
- 3.2.2 in extinguishing a fire at or in the vicinity of Property Insured or threatening to involve Property Insured or for the purpose of preventing or diminishing imminent Damage to Property Insured occurring during the Period of Insurance caused in any other circumstances giving rise to indemnity under this Policy, including the cost to gain access to any property;
- 3.2.3 in replenishing fire fighting appliances and paying costs and charges incurred for the purpose of shutting off the supply of water or any other substance following the accidental discharge or escape of any such substance occurring during the Period of Insurance, whether from fire protective equipment or otherwise.
- 3.2.4 in the replacing of landscaping, which term includes rockwork, paving, ornamentation, trees, shrubs, plants and lawns, which is Damaged during the Period of Insurance where such costs are incurred as a result of any peril or circumstance insured by this Policy. Exclusions 5.7 and 5.8 shall not apply to the cover granted by this additional cover.
- 3.2.5 in the cost of clearance of drains including expenses incurred in clearing and/or repairing drains, gutters, sewers and the like, at the Situation of the Property Insured where such costs are incurred as a result of any peril or circumstance insured by this Policy.

4. BASIS OF SETTLEMENT

For the purpose of this Clause 4:

- 4.1 **REINSTATEMENT VALUE** is the cost necessary to replace, repair or rebuild the Property Insured to a condition substantially the same as but not better or more extensive than its condition when new.
- 4.2 **INDEMNITY VALUE** is the cost necessary to replace, repair or rebuild the Property Insured to a condition substantially the same as but not better or more extensive than its condition at the time that the Damage occurred taking into consideration age, condition and remaining useful life.
- 4.3 On buildings 1 machinery, plant and all other property and contents other than those specified in 4.14 to 4.24 below, the Basis of Settlement shall be the REINSTATEMENT VALUE and the provisions of 4.4 to 4.13 shall apply.

Reinstatement Provisions applying to buildings, machinery and all other property other than property referred to in 4.14 to 4.24

- 4.4.1 The replacement, repair or rebuilding may be carried out upon any other site(s) and in any manner suitable to the requirements of the Insured, but subject to the liability of the Insurer not being thereby increased.
- 4.4.2 Such work must be commenced and carried out with reasonable despatch, failing which the Insurer shall not be liable to make any payment greater than the INDEMNITY VALUE.
- 4.4.3 Where any Property Insured is damaged in part only, the liability of the Insurer shall not exceed the sum representing the cost which the Insurer could have been called upon to pay by way of REINSTATEMENT VALUE if such property had been totally destroyed.
- 4.4.4 The Insurer shall not be liable to make any payment beyond the INDEMNITY VALUE of the Property Insured until a sum equal to the REINSTATEMENT VALUE has actually been incurred by the Insured in the replacement, repair or rebuilding of the property, provided that where the Insured repairs or rebuilds any Damaged Property Insured at a cost which is less than the cost of reinstatement but greater than the value of such property at the time of the Damage, then the cost so incurred shall be deemed to be the cost of reinstatement.
- 4.4.5 Notwithstanding anything contained in clauses 4.1 to 4.3 and provisions 4.4.1 to 4.4.4 to the contrary, the Insured may elect to reinstate destroyed property with dissimilar property whether or not to be used for a similar purpose as the destroyed property, in which case the Insurer shall pay the lesser of:
 - 1. the cost of the dissimilar property, or

2. an amount equal to the replacement cost which would have been payable if the destroyed property had been reinstated by similar property in a condition equal to but not better or more extensive than its condition when new.

4.4.6 Notwithstanding anything contained in clauses 4.1 to 4.3 and provisions 4.4.1 to 4.4.4 to the contrary the Insured may elect to purchase an existing building or buildings instead of replacing a building or buildings destroyed, in which case such replacements) shall be deemed to constitute "Reinstatement Value" subject to the liability of the Insurer not being thereby increased. If both the total replacement value and the total volume (measured over the roof and external walls) of the buildings) purchased are less than both the total replacement value and the total volume (measured over the roof and external walls) of the buildings) destroyed, then the total amount recoverable shall include, in respect of that proportion of the total building volume which is not replaced, an additional amount equal to but not exceeding the equivalent proportion of the Indemnity Value.

4.4.7 If the Insured shall, after obtaining the consent of the Insurer, reinstate Damaged Property Insured, the Insurer shall pay the cost of such reinstatement including the value of labour and other overhead charges expended thereon together with a reasonable margin for profit. The liability of the Insurer shall not exceed the amount which would otherwise have been payable hereunder had such reinstatement been carried out by outside contractors.

4.5 **EXTRA COST OF REINSTATEMENT**

The Insurer will also pay the extra cost of reinstatement (including demolition or dismantling) of Property Insured which has been Damaged necessarily incurred by the Insured to comply with the requirements of any statute or regulation of any municipal or statutory authority whether the Insured elects that reinstatement shall be carried out upon the existing site or (subject to the Insurer's liability not being further increased thereby) wholly or partially upon another site or sites, provided that:

- 4.5.1 the Insurer shall not pay for any additional cost incurred in complying with any such requirement with which the Insured had been required to comply prior to the happening of the Damage;
- 4.5.2 the Average/Underinsurance Clause shall not apply to any amount recoverable under this Clause 4.5 and any amount payable shall not be taken into account for the purpose of the application of the Average/Underinsurance Clause;
- 4.5.3 if the cost of reinstatement of Damaged Property Insured is less than 50% of the cost of reinstatement if such property had been totally destroyed, the indemnity under this Clause 4.5 shall be limited to the extra cost necessarily incurred in reinstating only that portion Damaged or the Sub-Limit of Liability stated in the Schedule, whichever is the greater. If no Sub-Limit of Liability is stated, the Insurer's liability shall be limited to the extra cost necessarily incurred in reinstating only that portion Damaged.

4.6 **ADDITIONAL EXTRA COST OF REINSTATEMENT**

The Insurer will also pay the additional extra cost of reinstatement (including demolition or dismantling of the insured property damaged) necessarily incurred by the Insured to comply with the requirements of any statute or regulation or of any municipal or statutory authority and not otherwise recoverable under Clause 4.3 including provisions 4.4 to 4.13.

Provided that the indemnity afforded by this clause:

- 4.6.1 shall be limited in respect of each loss or series of losses arising out of any one event to \$250,000 which amount shall be separate from and additional to any Limit or Sub-Limit of liability applicable to clause 4.5;
- 4.6.2 shall not include the additional cost incurred in complying with any such requirement with which the Insured has been required to comply prior to the happening of the Damage;
- 4.6.3 shall not be subject to Condition 7.2 Average/Underinsurance and any amount payable shall not be taken into account for the purpose of the application of Condition 7.2.

4.7 **OUTPUT REPLACEMENT**

Where any Property Insured consists of equipment, machinery or plant having a measurable function, capability or output and if, by reason of the application of the Basis of Settlement Clause it is necessary to replace such property with a new item or items which perform a similar function or functions, then the Basis of Settlement for such property shall be as follows:

- 4.7.1 Where any property is to be replaced by an item or items which have the same or a lesser total function, capability or output, then the Basis of Settlement is the new installed cost of such replacement item or items as would give the same total function, capability or output as the property.

- 4.7.2 Where any property is to be replaced by an item or items which have a greater total function, capability or output and the new installed cost of such replacement property is no greater than the replacement value of that property, then the Basis of Settlement is the new installed cost of the item or items so replaced.
- 4.7.3 Where any property is to be replaced by an item or items which have a greater total function, capability or output and the new installed cost of such replacement property is greater than the replacement value of the property, then the Basis of Settlement is the lesser of the REINSTATEMENT VALUE or that proportion of the new installed cost of the replacement item or items which the output of the property Damaged bears to the output of the replacement item or items.

4.8 FLOOR SPACE RATIO INDEX (PLOT RATIO)

If a building being Property Insured is damaged and the cost of reinstatement is more than 50% of the cost of reinstatement if the building had been totally destroyed and reinstatement is only permissible by reason of any requirement of any law or local government or other statutory authority subject to a reduced floor space ratio index, the Insurer will pay in addition to any other amount payable on reinstatement of the building

the difference between the actual cost of reinstatement incurred in accordance with the reduced floor space ratio index and the cost of reinstatement which would have been incurred had a reduced floor space ratio index not been applicable. In calculating the amount payable under this Clause 4.8, any payment made by the Insurer shall include the extra cost payable under Clause 4.5 above.

Any amount payable under this Clause 4.8 shall be paid upon completion of the rebuilding works as certified by the architect acting on behalf of the Insured in the reinstatement of the building.

4.9 UNDAMAGED FOUNDATIONS

Where any Property Insured being a building or an installation constructed on its own foundations is Damaged but its foundations are not destroyed and due to the requirement of any law or of any local government or statutory authority reinstatement of the building has to be carried out upon another site, the abandoned foundations shall be considered as having been destroyed. If, however, the resale value of the original building site is increased by virtue of the presence of the abandoned foundations, then such increase in resale value shall be regarded as salvage and that amount shall be paid to the Insurer by the Insured upon completion of the sale of the site, or shall be deducted from the final amount of any moneys payable by the Insurer under this Policy, whichever shall occur later.

4.10 LOSS OF LAND VALUE

The Insurer will also pay the Insured for loss of Land Value and the amount payable shall be:

- 4.10.1 In the event of the absolute refusal by the competent local or Government authority to allow the reconstruction of the premises following Damage in circumstances giving rise to Indemnity under Section 1 of this Policy the Insurer(s) shall pay by way of indemnity the difference between the Land Value before and after the Damage.
- 4.10.2 In the event of the competent local or Government authority allowing partial reconstruction only of the premises after Damage giving rise to Indemnity under Section 1 of this Policy the Insurer(s) shall pay by way of indemnity the difference between the Land Value after such reconstruction and the Land Value before the Damage.

Less any sum paid by way of compensation by such authority arising out of the action referred to in 4.10.1 and 4.10.2 above.

DEFINITION

LAND VALUE -The sum certified by the Valuer General as being the value of the land so described in the Policy after due allowance has been made for variations in or special circumstances affecting such value either before or after the Damage or which would have affected the value had the Damage not occurred so that the figures thus adjusted shall represent as near as may be reasonably practicable the true Land Value pertaining both before and after the Damage.

SPECIAL CONDITIONS

- 4.10.3 Settlement shall be made following the ruling of the competent local or Government authority resulting in the loss of land value. Should settlement have been made however and subsequently the ruling of the competent Local or Government authority be changed prior to completion of the reconstruction resulting in an increase in the Land Value that part of the claim in excess of the revised Land Value shall be refunded to the Insurer(s).

4.10.4 All differences relating to the Land Value arising out of the Policy shall forthwith be referred to the decision of two Registered Valuers one to be appointed by each of the parties and in case the two Registered Valuers do not agree to a third Valuer appointed by the President of the Commonwealth Institute of Valuers as an expert whose decision shall be binding.

4.11 **ABANDONED UNDAMAGED PORTION OF BUILDING**

Where any Property Insured being a building is Damaged but not destroyed and due to the requirement of any law or of any local government or other statutory authority, reinstatement of such building has to be carried out upon another site, the abandoned undamaged portion of such building shall be considered as having been destroyed. If however, the resale value of the original site is increased by virtue of the presence of the abandoned portion of such building, then such increase in resale value shall be regarded as salvage and that amount shall be paid to the Insurer by the Insured upon completion of the sale of the site or shall be deducted from the final amount of any moneys payable by the Insurer under this Policy, whichever shall occur later.

4.12 **UNDAMAGED ANCILLARY AND/OR PERIPHERAL EQUIPMENT**

If plant and/or machinery is destroyed but its ancillary and/or peripheral equipment is not destroyed but upon replacement of the destroyed plant and/or machinery the ancillary and/or peripheral equipment is rendered superfluous, then such equipment shall be deemed to be destroyed and its salvage value shall be payable to the Insurer by the Insured upon completion of any sale or shall be deducted from the total amount otherwise payable by the Insurer under the Policy, whichever shall occur later.

4.13 **DEPRECIATION OF UNDAMAGED STOCK**

Notwithstanding anything contained in this Policy to the contrary in particular Exclusions. 5:12 and 6.1.10 the Insurer will, to an extent not exceeding the value of the goods in storage remaining after its liability for any such direct loss has been determined and subject otherwise in all respects to the terms and conditions of this insurance except as specially varied hereby also hold themselves liable for Damage caused by deterioration or depreciation of such goods due to the Insured's inability to process the goods in the normal way as a result of Damage caused by any peril or circumstance insured by this Policy to any property of the Insured or property used by the Insured.

PROVISIONS APPLYING TO SPECIFIC ITEMS OF PROPERTY

- 4.14 In the case of raw materials, supplies and other merchandise not manufactured by the Insured, the Basis of Settlement shall be the replacement cost calculated at the time and place of replacement, provided that replacement shall have been carried out with reasonable despatch, or if not replaced the original cost to the Insured of such property or the INDEMNITY VALUE, whichever is the lesser.
- 4.15 In the case of materials in process of manufacture, the Basis of Settlement shall be the replacement cost of the raw materials and the cost of labour and other overhead charges expended on them calculated at the time and the place of the Damage.
- 4.16 In the case of finished goods manufactured by the Insured, the Basis of Settlement shall be either the replacement cost of the raw materials and the cost of labour and other overhead charges expended on them without any allowance for profit calculated at the time and place of the Damage or the cost of restocking such goods within a reasonable time, whichever is the lesser.
- 4.17 Notwithstanding Clauses 4.14 to 4.16 in the case of goods sold but not delivered for which the Insured is responsible and with regard to which, under the conditions of sale, the sale contract is by reason of Damage cancelled either wholly or to the extent of the Damage, the Basis of Settlement shall be the contract price.
- 4.18 In the case of computer systems records, documents, manuscripts, securities, deeds, specifications, plans, drawings, designs, business books and other records of every description, the Basis of Settlement shall be the cost of repairing, replacing, reproducing or restoring them, including the information contained on or in them, but excluding the value to the Insured of that information. If repair, replacement, reproduction or restoration is not required, the Basis of Settlement shall be the replacement cost of the materials as blank stationery calculated at the time and place of the Damage, provided that replacement shall have been carried out with reasonable despatch.
- 4.19 In the case of patterns, models, moulds, dies or casts, the Basis of Settlement shall be the REINSTATEMENT VALUE (if replaced with reasonable despatch), otherwise the value of such property to the Insured calculated at the time and place of the Damage, but not exceeding REINSTATEMENT VALUE.
- 4.20 In the event of any claim, any salvage of branded goods or merchandise owned by the Insured or held by the Insured in trust or on commission and any goods sold but not delivered shall not be disposed of by sale

without the consent of the Insured. If such salvage is not disposed of by sale, then the Basis of Settlement shall be the market value of the goods after brands, labels or names have been removed by or on behalf of the Insured.

4.21 In the case of glass, the Basis of Settlement shall be the cost of repairing or replacing the broken glass, including the cost of temporary shuttering and hiring of security services pending replacement of the broken glass, the cost of sign writing or ornamentation on the glass, the replacement cost of burglar alarm tapes on the glass, the removing and re-fixing of window and showcase frames and fittings and heat reflecting material or process on the glass.

4.22 In the case of personal effects (including Money) belonging to directors and employees, and in the case of the property of welfare, sport and social clubs, but only while at the Situation, the Basis of Settlement shall be the REINSTATEMENT VALUE.

4.23 In the case of art works and curios, the Basis of Settlement shall be the cost of restoring or repairing to a condition substantially the same as before the Damage plus the reduction in market value caused by such Damage. When restoration or repair is not possible; the market value of the Property Insured immediately before the Damage.

4.24 In the case of empty premises awaiting demolition, the Basis of Settlement shall be the salvage value of the building materials and landlord's fixtures and fittings.

4.25 **DESIGNATION**

For the purpose of ascertaining the classification under which any property is insured, the Insurer agrees to accept the designation applied to such property by the Insured in its records, provided that such property is not specifically excluded by this Policy.

PROVISIONS APPLYING TO ALL PROPERTY

4.26 The Insurer may, at its option, reimburse the Insured for the cost of carrying out work or obtaining any item or items in accordance with this Basis of Settlement Clause, or may arrange for that work to be carried out or for the purchase of the item or items.

4.27 The Insurer shall not be bound to replace, repair or rebuild exactly or completely, but only as circumstances permit and in reasonably sufficient manner and shall not in any case be bound to expend more than the applicable Limit or Sub-Limit of Liability.

4.28 **ELECTION TO CLAIM INDEMNITY VALUE**

The Insured may elect to claim the INDEMNITY VALUE of any property and, if so, the Insurer will pay that value or may, at its option, replace, repair or rebuild the property or any part in accordance with the INDEMNITY VALUE but including the extra cost of reinstatement as set out in Clauses 4.5 and 4.6.

5. PROPERTY EXCLUDED

Section 1 of this Policy does not cover Damage to the following property in the circumstances set out:

5.1 Property (other than Money) whilst in transit except:

5.1.1 during the incidental movement of such property within Situations occupied by the Insured;

5.1.2 as specifically provided in Clause 2.1.2.

This Exclusion shall not apply during the temporary removal of property (other than stock and merchandise) including unregistered motor vehicles to any Situation within Australia and whilst at such situation. Whilst such property is in transit, (excluding loading, unloading and storage in transit), cover is limited to Damage caused directly by fire, lightning, explosion, earthquake, aircraft, riot, strikes, malicious damage, storm and tempest and flood.

5.2 Money:

5.2.1 while being carried by professional money carriers, professional carriers or common carriers which is insured by any person or entity other than the Insured except to the extent of any Damage in excess of the amount of that insurance;

5.2.2 stolen from an unlocked or unattended vehicle;

5.2.3 stolen from a safe or strong room opened by a key or by use of details of a combination, either of which has been left at the Situation outside the Insured's business hours, unless such key or combination details have been properly secured;

5.2.4 where the loss of the Money is not discovered within fifteen (15) working days of the loss occurring;

- 5.2.5 where the loss arises out of a demand made for the payment of Money in connection with any kidnapping, bomb threat, hoax, extortion or an attempt at any of these.
- 5.3 Jewellery, furs, bullion, precious metals or precious stones other than where used as stock or merchandise of the Business.
- 5.4.1 Any watercraft, locomotive or rolling stock other than where used as stock or merchandise of the Business, provided always that no cover shall apply to any watercraft while in water.
- 5.4.2 Any aircraft (including its accessories and spare parts) other than where used as stock or merchandise of the Business, provided always that no cover shall apply to aircraft during taxiing, take-off, flight or landing.
- 5.5 Vehicles or trailers registered or licensed to travel on a public road, provided that this exclusion shall not apply to mobile plant and equipment which is so registered or licensed not being cars, sedans, panel vans and trucks while on any premises occupied or used by the Insured.
- 5.6 Live animals, birds or fish or any other living creature.
- 5.7 Standing timber, growing crops and pastures.
- 5.8 Land, unmined or unrecovered oil, gas and mineral deposits, provided that this exclusion shall not apply to structural improvements on or in the land if they are not otherwise excluded in this Policy.
- 5.9.1 Bridges, canals, roadways and tunnels, dams and reservoirs (other than tanks) and their contents.
- 5.9.2 Railway tracks (other than on the premises occupied or used by the Insured for the purpose of its Business).
- 5.10 Docks, wharves and piers not forming part of any building.
- 5.11 Mining property and equipment located beneath the surface of the ground unless otherwise expressly insured under this Policy.
- 5.12 Property whilst it is undergoing any process where the Damage results from its being processed.
- 5.13.1 Property included in a project of construction, erection, alteration or addition including the partial dismantlement of existing structures where the total contract value of all work to be carried out at any one Situation during such activity exceeds \$500,000. Provided that this exclusion shall apply only to the portion of the premises or the part of any property which is the subject of any such work and this exclusion shall not apply to any other property insured under this Policy.
- 5.13.2 Empty premises on which demolition work has commenced.
- 5.14 Oil and gas drilling and production rigs while off shore.
- 5.15 Paths, paved areas, drives, fences, gates, boundary and retaining walls where caused by erosion, subsidence, earth movement or collapse resulting therefrom unless caused by or arises out of an earthquake or seismological disturbance or an insured building is Damaged at the same time.

6. CIRCUMSTANCES WHERE COVER IS EXCLUDED

- 6.1 Section 1 of this Policy does not cover Damage to any Property Insured caused directly or indirectly by or in connection with or arising from or occasioned through:
 - 6.1.1 war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or the use of military or usurped power;
 - 6.1.2 any order of any Government, Public or Local Authority involving the confiscation, nationalisation, requisition or damage of any property unless such order involves the demolition of property deemed unsafe following Damage not occurring in circumstances which are excluded from cover by Clause 6;

Notwithstanding the provisions of Exclusion 6.1.2, the Insurer will extend indemnity for the reasonable cost of removal of Property Insured at the premises for the purpose of preventing or diminishing imminent Damage by, or inhibiting the spread of fire or any other cause not excluded under this Policy and for Damage resulting from removal carried out in those circumstances.
 - 6.1.3 ionising radiations or contamination by radioactivity from any nuclear waste or from the combustion of nuclear fuel. Nuclear fuel means any material which is capable of producing energy by a self-sustaining chain process of nuclear fission;
 - 6.1.4 nuclear weapons materials;

- 6.1.5 any legal liability of whatsoever nature other than as herein provided;
 - 6.1.6 the incorrect siting of buildings as a result of error in architectural design or specification, faulty workmanship or non-compliance with the requirements of any Government, Local Government or Statutory Authority;
 - 6.1.7 demolition ordered by any Government, Local Government or Statutory Authority as a result of the failure of the Insured or its agents to comply with any lawful requirement;
 - 6.1.8 unexplained or inventory shortage or disappearance resulting from clerical or accounting errors or shortage in the supply or delivery of materials to or from the Insured;
 - 6.1.9 heating or any process involving the direct application of heat. Provided, however, that the provisions of this Exclusion 6.1.9 shall be limited to the item or items immediately affected and shall not extend to other property Damaged as a result of any such heating or process.
 - 6.1.10 consequential loss of any kind, including, but without limiting the generality of this Exclusion, loss due to delay, lack of performance, loss of contract or depreciation in the value of any undamaged property, except as specifically provided for in this Policy;
 - 6.1.11 Pollution or Contamination except where caused directly by fire, lightning, explosion, impact by aircraft or other aerial devices or articles dropped from them, riot, civil commotion, persons taking part in an industrial dispute, persons acting maliciously, earthquake, storm, the bursting, overflowing and discharging of water tanks, apparatus or pipes, sprinkler leakage or impact by any road vehicle or animal;
 - 6.1.12 any circumstances other than those referred to in Exclusion 6.1.11 above which results directly or indirectly from Pollution or Contamination.
- 6.2 Section 1 of this Policy does not cover Damage to any Property Insured caused by or occasioned through:
- 6.2.1 electrical, electronic or mechanical breakdown which shall mean the actual breaking, seizing, deformation or burning out of any part of a machine causing stoppage of the functions thereof and necessitating repair or replacement before it can resume working. For the purpose of this Exclusion 6.2.1, machine means any apparatus whether or not functioning independently or as any component part of a collection of apparatus which generates, contains, controls, transmits, receives, transforms or utilises any form or source of energy or power;
 - 6.2.2 erosion, subsidence, earth movement or collapse resulting therefrom;
 - 6.2.3 the action of water from the sea, tidal wave or high water;
- provided that Exclusions 6.2.2 and 6.2.3 shall not apply if Damage is caused by or arises out of an earthquake or seismological disturbance or storm and tempest having a wind force of scale 11 on the "Beaufort Scale of Wind Force" or greater;
- 6.2.4 the action of moths, termites or other insects, vermin, rust or oxidation, mildew, mould, wet or dry rot, corrosion, change of colour, dampness of atmosphere or other variations in temperature, evaporation, disease, inherent vice or latent defect, loss of weight, change in flavour, texture or finish;
 - 6.2.5 wear and tear, fading, scratching or marring, gradual deterioration or developing flaws, normal upkeep or making good;
- provided that Exclusions 6.2.4 and 6.2.5 shall not apply to Damage to any Property Insured caused by or occasioned through spontaneous combustion or fermentation.
- 6.2.6 error or omission in design, plan or specification or failure of design;
 - 6.2.7 normal settling, seepage, shrinkage or expansion in buildings or foundations, walls, pavements, roads and other structural improvements, creeping, heaving and vibration;
 - 6.2.8 faulty materials or faulty workmanship;
- provided that the words "inherent vice or latent defect" appearing in Exclusion 6.2.4 and Exclusions 6.2.6 and 6.2.8 shall be limited to that part of the Property Insured immediately affected and shall not apply to other part(s) Damaged in consequence.

- 6.2.9 the cessation of work whether total or partial or the cessation, interruption or retarding of any process or operation as a result of any industrial dispute. This Exclusion 6.2.9 shall not apply to any Damage caused directly by persons participating in an industrial dispute;
- 6.2.10 kidnapping, bomb threat, threat of contamination, hoax, extortion or any attempt at any of these;
- 6.2.11.1 fraudulent or dishonest acts, fraudulent misappropriation, embezzlement, forgery, counterfeiting, if any of these involve the Property Insured and are committed by the Insured or any of the employees of the Insured whether acting alone or in collusion with any other person or persons. Provided that Exclusion 6.2.11.1 shall not apply to theft by an employee of the Insured consequent upon forcible and violent entry upon premises at the Situation or upon felonious concealment at those premises, or to theft of Money whilst in transit. The term "dishonest acts", in relation to any of the Insured's employees, does not include acts of arson or vandalism.
- 6.2.11.2 data corruption, unauthorised amendment of data and erasure by electronic or non-electronic means if any of these involve the Property Insured and are committed by the Insured or any of the employees of the Insured whether acting alone or in collusion with any other person or persons;
- 6.2.12 the gaining of access by any person other than the Insured or employees of the Insured to the Insured's computer system via data communication media that terminate in the Insured's computer system;
- 6.2.13 Computer Virus, being an executable programme or computer code segment that is self replicating, requires a host programme or executable disc segment in which it can be contained, and which destroys or alters the host programme or other computer code or data, causing undesired programme or computer system operation;
- 6.2.14 the explosion, implosion, rupture, collapse, bursting, cracking or overheating of any boiler (other than a boiler used for domestic purposes), economiser or other pressure vessel, including pipes, valves and other apparatus forming part of any of these and in respect of which a certificate is required to be issued under the terms of any statute or regulation. This Exclusion 6.2.14 shall be limited to the items immediately affected and shall not extend to Damage to other property caused by any of the circumstances referred to in this Exclusion. The provisions of this Exclusion shall not apply to Section 2 of this Policy.

Provided that the Insurer will indemnify the Insured for any Damage to Property Insured caused directly by any circumstances not excluded under Section 1 of this Policy, notwithstanding that:

- 6.2.1.1 these circumstances may in turn have been caused by any of the circumstances referred to in Exclusion 6.2.1 to 6.2.14 or
- 6.2.1.2 these circumstances may in turn have been followed by any of the circumstances referred to in Exclusion 6.2.1 to 6.2.14

In respect of the indemnity provided by Section 2 of the Policy, the term "Property Insured", where used in this provision, is deemed to include property of others used by the Insured at the Premises for the purposes of the Business and not insured by this Policy.

- 6.3 Section 1 of this Policy does not cover Damage to any Property Insured resulting from or happening through or in connection with any premises being Property Insured or containing any Property Insured having become unoccupied and remaining unoccupied for a continuous period in excess of sixty (60) days unless the Insurer shall have been notified and shall have agreed to extend cover.

7. CONDITIONS APPLYING TO SECTION 1

7.1 INTERESTS OF OTHER PARTIES

- 7.1.1 If any person or entity shall have any interest in the Property Insured, the Insurer shall protect that interest in the event of a claim, provided that that interest is disclosed in the business records of the Insured and the Insured shall have disclosed the nature and extent of that interest to the Insurer at the time of notification of the claim.
- 7.1.2 Where the separate interests of more than one Co-Insured in the Property Insured are insured under this Policy, any act or neglect of one Co-Insured will not prejudice the rights of the remaining Co-Insured; provided that the remaining Co-Insured shall, within a reasonable time after becoming aware of any act or neglect whereby the risk of loss, damage or destruction has increased, give notice in writing to the Insurer and shall on demand pay such reasonable additional premium as the Insurer may require.

7.2 AVERAGE/UNDERINSURANCE

- 7.2.1 The Insured is required to insure for full value calculated in accordance with the Basis of Settlement Clause as applicable at the commencement of the Period of Insurance.
- 7.2.2 In the event of a claim, the moneys otherwise payable under Section 1 of this Policy shall be the proportion that the Insured's declaration at the time of the commencement of the Period of Insurance of the value of all Property Insured bears to 85% of the value of all such property (other than Money) as at the time of the commencement of the Period of Insurance calculated in accordance with the Basis of Settlement Clause.
- 7.2.3 This Condition 7.2 shall not apply if the amount of the Damage does not exceed 5% of the amount of the Insured's declaration of the value of all Property Insured.
- 7.2.4 For the purpose of the application of this Condition 7.2, the Insured's declared values shall not include any allowance for Money, the Extra Cost of Reinstatement referred to in Clauses 4.5 and 4.6 or for the costs and expenses referred to in the Additional Cover provided in Clause 3 (other than clause 3.1.1 architects etc.) including all Additional Covers that may be included by endorsement attaching to this Policy.

7.3 **SPRINKLER INSTALLATIONS**

- 7.3.1 This Condition applies to any property being Property Insured in which an automatic sprinkler system is installed and which is owned by the Insured or where the Insured is responsible for the operation or maintenance of the automatic sprinkler system.
- 7.3.2 The Insured shall ensure that the property is protected as required by law by an approved installation of automatic sprinklers, automatic external alarm signal and automatic alarm signal connected with a Fire Brigade Station.
- 7.3.3 The Insured shall exercise due diligence to ensure that any system and alarm signal are at all times maintained in good working order.

7.4 **DAMAGE OVER A PERIOD OF TIME**

All Damage which occurs during any period of seventy-two (72) consecutive hours and which is caused by an earthquake, volcanic eruption, subterranean fire or atmospheric disturbance shall be considered for the purpose of the application of any Limit and Sub-Limit of Liability and of the Deductible as resulting from the one original source or cause. Each period shall be deemed to have commenced on the first happening of any such Damage which does not occur within any prior period of seventy-two (72) consecutive hours. This Clause shall apply to any of these causes whether continuous or sporadic in their sweep or scope and whether the Damage was due to the same seismological condition.

SECTION 2 - CONSEQUENTIAL LOSS OF PROFITS INSURANCE

8. DEFINITIONS

For the purpose of Section 2 of this Policy, the following definitions apply:

- 8.1 **ITEM INSURED** means the item shown in the Schedule and as more particularly described in the Basis of Settlement Clause. Cover only applies in respect of those items shown in the Schedule.
- 8.2 **GROSS PROFIT** means the amount by which:

the sum of the Turnover and the amount of the closing stock and work in progress shall exceed the sum of the amount of the opening stock and work in progress and the amount of the Uninsured Working Expenses as set out in the Schedule.

(The amounts of the opening and closing stocks and work in progress shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation. Where insured expenses are included in the Insured's stocks and work in progress such amounts shall be excluded for the purpose of the Gross Profit Definitions.)
- 8.3 **GROSS REVENUE** means the money paid or payable to the Insured for services rendered (and goods sold, if any) in the course of the Business at the Premises. If Item No 4 (Insured Pay-Roll) is shown in the Schedule as insured then Gross Revenue shall not include Pay-Roll, Pay-Roll being separately insured under Item No. 4.
- 8.4 **GROSS RENTALS** means the money paid or payable to the Insured by tenants in respect of rental of the Premises and for services rendered by or on behalf of the Insured.

- 8.5 **TURNOVER** means the money (less discounts if any allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business conducted at the Premises.
- 8.6 **INDEMNITY PERIOD** means the period beginning with the occurrence of the Damage and ending not later than the number of months specified in the Schedule thereafter during which the results of the Business shall have been affected in consequence of the Damage.
- 8.7 **PAY-ROLL** means the remuneration (including but not limited to pay-roll tax, fringe benefits tax, sick pay, bonuses, overtime, commission, holiday pay, workers' compensation insurance premiums, accident compensation levies, superannuation and pension fund contributions, long service leave pay, and the like) paid to all employees of the Insured other than employees who form part of "corporate services" being services provided to more than one operation/branch of the Insured. The Pay-Roll for these employees being insured under Item 1 (Gross Profit) or Item 2 (Gross Revenue) as applicable.
- 8.8 **SHORTAGE IN TURNOVER** means the amount by which the Turnover during a period shall, in consequence of the Damage, fall short of the part of the Standard Turnover which relates to that period.
- 8.9 **OUTSTANDING DEBIT BALANCES** means the total amount owed to the Business by Customers as at the month immediately prior to the date of the Damage, adjusted for:
- 8.9.1 bad debts;
- 8.9.2 amounts debited (or invoiced but not debited) and credited (including credit notes and cash not passed through the books at the time of the Damage) to Customers Accounts in the period between the date to which said last statement relates and the date of the Damage; and
- 8.9.3 any abnormal conditions of trade which had or could have had a material effect on the Business, so that the figures thus adjusted shall represent as nearly as reasonably practicable those which would have been obtained at the date of the Damage had the Damage not occurred.
- 8.10 **CUSTOMERS ACCOUNTS** means Credit Accounts of the Business.
- 8.11 **RATE OF GROSS PROFIT** means the proportion which the Gross Profit bears to the Turnover during the financial year immediately before the date of the Damage.
- 8.12 **STANDARD TURNOVER** means the Turnover during that period in the twelve (12) months immediately before the date of the Damage which corresponds with the Indemnity Period (appropriately adjusted where the Indemnity Period exceeds twelve (12) months).
- 8.13 **STANDARD GROSS REVENUE** means the Gross Revenue during that period in the twelve (12) months immediately before the date of the Damage which corresponds with the Indemnity Period (appropriately adjusted where the Indemnity Period exceeds twelve (12) months).
- 8.14 **STANDARD GROSS RENTALS** means the Gross Rentals during that period in the twelve (12) months immediately before the date of the Damage which corresponds with the Indemnity Period (appropriately adjusted where the Indemnity Period exceeds twelve (12) months).
- 8.15 **RATE OF PAY-ROLL** means the proportion which the Pay-Roll bears to the Turnover during the financial year immediately before the date of the Damage.

Adjustments shall be made to the Rate of Gross Profit, Standard Turnover, Standard Gross Revenue, Standard Gross Rentals and Rate of Pay-Roll and as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the date of the Damage or which would have affected the Business had the Damage not occurred, so that the figures as adjusted shall represent as nearly as may be reasonably practicable the results which but for the Damage would have been obtained during the relative period after the Damage occurred.

- 8.16 **THE BUSINESS** means the Business as specified in the Schedule carried on by the Insured at the Premises at the commencement of the Period of Insurance or such other business or businesses as may be declared by the Insured during the Period of Insurance and insurance for which has been accepted by the Insurer under Section 2 of this Policy.
- 8.17 **THE PREMISES** means the Situation specified in the Schedule.

For the purpose of the Definitions applying to Section 2, any adjustment implemented in current cost accounting shall be disregarded.

9. EXTENT OF COVER

- 9.1 Provided that the Insured has paid or agreed to pay the premium stated in the Schedule, the Insurer will indemnify the Insured in accordance with the provisions of Clause 10 (Basis of Settlement) against loss resulting from the interruption of or interference with the Business, provided the interruption or interference:
- 9.1.1 is caused by Damage occurring during the Period of Insurance to:
- 9.1.1.1 any building or any other property or any part thereof used by the Insured at the Premises for the purposes of the Business;
- 9.1.1.2 any property belonging to the Insured or for Damage to which the Insured is responsible, while such property is at any storage premises within Australia or at any situation within Australia where the Insured has any work or process carried out by others;
- 9.1.1.3 any communication link and/or any electric power station or sub-station, gasworks (including any land based premises of the public gas supply undertaking or of any natural gas producer linked directly therewith) or water works of the public supply undertaking including the distributive system from which the Insured obtains electric current, gas or water which is situated anywhere in Australia. Provided that the Insurers shall not be liable for any loss incurred by the Insured during the first forty-eight (48) hours from the occurrence of the Damage.
- 9.1.1.4 computer installations, including ancillary equipment and data processing media utilised by the Insured anywhere in Australia;
- 9.1.1.5 property in the vicinity of the Premises which prevents or hinders the use of or access to the Premises (whether the Premises or any property of the Insured shall be the subject of Damage or not);
- 9.1.1.6 property in any commercial complex of which the Premises forms a part or in which the Premises are contained which prevents or hinders the use of or access to the Premises which results in cessation or diminution of trade, including any cessation or diminution of trade due to temporary falling away of potential custom;
- 9.1.1.7 any registered vehicles or trailers which are owned or operated by the Insured, while such vehicles or trailers are at the Premises, but not while any such vehicles or trailers are being used on any public highway or thoroughfare;
- 9.1.1.8 property at or in the vicinity of premises of the Insured's suppliers, manufacturers, processors or storers of components, goods or materials or customers situated anywhere in Australia.
- 9.1.2 is in consequence of-
- 9.1.2.1 the closure or evacuation of the whole or part of the Premises by order of a Public Authority as a result of an outbreak of a notifiable human infectious or contagious disease or consequent upon defects in the drains and/or other sanitary arrangements at the Premises, or
- 9.1.2.2 murder or suicide occurring at the Premises, or
- 9.1.2.3 injury, illness or disease arising from or likely to arise from or traceable to foreign or injurious matter in food or drink provided from or on the Premises, or
- 9.1.2.4 the action of a civil authority during a conflagration or other catastrophe for the purpose of retarding same,
- occurring during the Period of Insurance.
- The provisions of Exclusions 12 and 13 shall not apply to clauses 9.1.2.1 to 9.1.2.4 of this Policy.
- 9.2 If the building or other property which is subject to the Damage is owned by the Insured, such Damage must be the subject of indemnity under a policy of insurance covering the circumstances in which it occurred (other than where caused by any cause referred to in Clause 6.2.14 and other than indemnity not applying only because of the application of a Deductible).
- 9.3 In the case of any other property which suffers Damage, that Damage must occur in circumstances in which indemnity would apply as if that property were insured under Section 1 of this Policy other than indemnity not applying only because of the application of a Deductible.
- 9.4 Indemnity under Clause 9 is also subject to:
- 9.4.1 the Limits and Sub-Limits referred to in the Schedule;
- 9.4.2 the loss being calculated in accordance with the Basis of Settlement Clause 10;

- 9.4.3 the Conditions set out in Clauses 11 and 14;
- 9.4.4 the loss not being caused as a result of Damage to certain property as referred to in Clause 12;
- 9.4.5 the loss not being caused as a result of Damage to property occurring in circumstances set out in Clause 13.

10. BASIS OF SETTLEMENT

10.1 ITEM NO 1 (LOSS OF GROSS PROFIT DUE TO REDUCTION IN TURNOVER AND INCREASE IN COST OF WORKING)

The Insured is indemnified with respect to loss of Gross Profit calculated in the following manner, namely:

- 10.1.1 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 shall, in consequence of the Damage, fall short of the Standard turnover; and
- 10.1.2 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 Damage, but not exceeding the sum produced by applying the Rate of Gross Profit to the amount of the reduction thereby avoided.
- 10.1.3 There shall be deducted from the amounts calculated in 10.1.1 and 10.1.2 any sum saved during the Indemnity Period in respect of such of the charges and expenses of the Business payable out of Gross Profit as may cease or be reduced as a consequence of the Damage.

10.2 ITEM NO 2 (LOSS OF GROSS REVENUE DUE TO REDUCTION IN REVENUE AND INCREASE IN COST OF WORKING)

The Insured is indemnified with respect to loss of Gross Revenue calculated in the following manner, namely:

- 10.2.1 in respect of loss of Gross Revenue, the amount by which the Gross Revenue during the Indemnity Period shall, in consequence of the Damage, fall short of the Standard Gross Revenue;
- 10.2.2 in respect of Increase in Cost of Working, the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the loss of Gross Revenue which, but for that expenditure, would have taken place during the Indemnity Period in consequence of the Damage, but not exceeding the amount of the reduction in Gross Revenue thereby avoided;
- 10.2.3 There shall be deducted from the amounts calculated in 10.2.1 and 10.2.2 any sum saved during the Indemnity Period in respect of such charges and expenses of the Business payable out of Gross Revenue as may cease or be reduced in consequence of the Damage.

10.3 ITEM NO 3 (LOSS OF GROSS RENTALS DUE TO REDUCTION IN RENTALS AND INCREASE IN COST OF WORKING)

The Insured is indemnified with respect to loss of Gross Rentals calculated in the following manner, namely:

- 10.3.1 in respect of Loss of Gross Rentals, the amount by which the Gross Rentals during the Indemnity Period shall, in consequence of the Damage, fall short of the Standard Gross Rentals;
- 10.3.2 in respect of Increase in Cost of Working, the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the loss of Gross Rentals which, but for that expenditure, would have taken place during the Indemnity Period in consequence of the Damage, but not exceeding the amount of the reduction in Gross Rentals thereby avoided.
- 10.3.3 There shall be deducted from the amounts calculated in 10.3.1 and 10.3.2 any sum saved during the Indemnity Period in respect of such charges and expenses of the Business payable out of Gross Rentals as may cease or be reduced in consequence of the Damage.

10.4 ITEM NO 4 (INSURED PAY-ROLL BEING LOSS IN RESPECT OF PAY-ROLL CALCULATED BY REFERENCE TO REDUCTION OF TURNOVER)

- 10.4.1 The Insured is indemnified for loss of Pay-Roll, limited to loss due to Reduction in Turnover and Increase in Cost of Working, and the amount payable as indemnity shall be calculated in the following manner:

- 10.4.1.1 during the portion of the Indemnity Period beginning with the occurrence of the Damage and ending not later than the number of weeks thereafter specified in the Schedule calculated by applying the Rate of Pay-Roll to the Shortage in Turnover during that portion of the Indemnity Period less any saving during that portion through reduction in the amount of Pay-Roll paid in consequence of the Damage;
- 10.4.1.2 during the remaining portion of the Indemnity Period calculated by applying the Rate of Pay-Roll to the Shortage in Turnover during the remaining portion of the Indemnity Period less any saving during that portion through reduction in the amount of Pay-Roll paid in consequence of the Damage, but not exceeding the amount produced by applying the percentage of the Rate of Pay-Roll specified in the Schedule to the Shortage in Turnover during that remaining portion of the Indemnity Period, increased by such amount as is deducted for savings under clause 10.4.1.1 above.

10.4.2 The Insured may at its option increase the number of weeks referred in Clause 10.4.1.1 to the number of weeks specified in the Schedule under the heading "Consolidated Period", provided that the amount payable under Clause 10.4.1.2 shall not exceed such amount as is deducted under Clause 10.4.1.1 for savings effected during the increased number of weeks.

10.4.3 The Insured shall also be indemnified in addition to the amount payable under Clause 10.4.1 for so much of the additional expenditure described in Clause 10.1.2 as exceeds the amount payable under that Clause 10.2.1, but not more than the additional amount which would have been payable in respect of reduction in Turnover under the provisions in Clauses 10.4.1.1 and 10.4.1.2 had such expenditure not been incurred.

10.5 **ITEM NO 5 (ADDITIONAL INCREASED COST OF WORKING)**

The Insured is indemnified with respect to any additional Increased Cost of Working not otherwise recoverable under Section 2 of this Policy necessarily and reasonably incurred during the Indemnity Period in consequence of the Damage for the sole purpose of avoiding or diminishing reduction in Turnover, Gross Revenue or Gross Rentals (as applicable) or resuming and maintaining normal operation of the Business.

10.6 **ITEM NO 6 (AMOUNT PAYABLE WITH RESPECT TO FINES AND DAMAGES)**

The Insured is indemnified with respect to fines and damages for breach of contract and the amount payable as indemnity hereunder shall be such sum(s) as the Insured shall be legally liable to pay and shall pay in discharge of fines and/or damages incurred in consequence of the Damage, for non completion or late completion of orders, inability to meet contract specifications or cancellation of orders.

10.7 **ITEM NO 7 (AMOUNT PAYABLE IN RESPECT OF PURCHASES)**

The Insured is indemnified with respect to contractual commitments and the amount payable as indemnity hereunder shall be such sums as the Insured shall be legally liable to pay and shall pay under contracts for purchases not used during the Indemnity Period solely in consequence of the Damage less any sums received or receivable by the Insured in respect of such purchases through any salvage handling operations or resale.

10.8 **ITEM NO 8 (OUTSTANDING ACCOUNTS RECEIVABLE)**

The Insured is indemnified for loss in consequence of Damage to the Insured's books of account, other books and/or records which results in the Insured being unable to trace or establish the Outstanding Debit Balances in whole or in part, and the Insurer will pay to the Insured the amount of the Insured's resultant loss calculated in the following manner, namely:

10.8.1 In respect of loss of Outstanding Debit Balances, being the sum of the difference between the Outstanding Debit Balances and the total of the amounts received or traced in respect thereof;

10.8.2 In respect of additional expenditure, being the additional expenditure incurred with our prior consent, in tracing and establishing Customers' Debit Balances after the Damage.

10.9 **ITEM NO 9 (CLAIMS PREPARATION COSTS)**

The Insured is indemnified with respect to such reasonable professional fees payable by the Insured to their financial advisers (including fees of accountants, loss adjusters and/or valuers appointed by the Insured) and such other reasonable expenses as are necessarily incurred by the Insured and not otherwise recoverable, for preparation of claims under Sections 1 and 2 of this Policy.

11. **CONDITIONS APPLYING TO SECTION 2**

11.1 **TURNOVER/GROSS REVENUE ELSEWHERE AFTER DAMAGE**

If during the Indemnity Period goods shall be sold or services shall be rendered elsewhere than at the Premises for the benefit of the Business either by the Insured or by others on behalf of the Insured, moneys paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover/Gross Revenue (as applicable) during the Indemnity Period.

11.2 DEPARTMENTAL CLAUSE

If the Business is conducted in departments or business units the independent trading results of which are ascertainable, the provisions of Clauses 10.1.1, 10.1.2, 10.4.1.1, 10.4.1.2 and 10.4.2 shall apply separately to each department or unit affected by the Damage.

11.3 NEW BUSINESS

In the event of Damage occurring at the Premises before the completion of the first year's trading of the Business, the terms "Rate of Gross Profit", "Standard Turnover", "Standard Gross Revenue", "Standard Gross Rentals", and "Rate of Pay-Roll" shall bear the following meanings and not those as stated in Clause 8 (Definitions):

RATE OF GROSS PROFIT means the proportion which the Gross Profit bears to the Turnover during the period between the date of the commencement of the Business and the date of the Damage.

STANDARD TURNOVER means the proportional equivalent, for a period equal to the Indemnity Period of the Turnover realised during the period between the commencement of the Business and the date of the Damage.

STANDARD GROSS REVENUE means the proportional equivalent, for a period equal to the Indemnity Period, of the Gross Revenue realised during the period between the commencement of the Business and the date of the Damage.

STANDARD GROSS RENTALS means the proportional equivalent, for a period equal to the Indemnity Period, of the Gross Rentals realised during the period between the commencement of the Business and the date of the Damage.

RATE OF PAY-ROLL means the proportion which the Pay-Roll bears to the Turnover during the period between the date of commencement of the Business and the date of the Damage.

Adjustment shall be made to the Rate of Gross Profit, Standard Turnover, Standard Gross Revenue, Standard Gross Rentals, and Rate of Pay-Roll as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Damage or which would have affected the Business had the Damage not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Damage would have been obtained during the relative period after the Damage occurred.

11.4 ACCUMULATED STOCKS

In adjusting any loss, account shall be taken and equitable allowance made if any Shortage in Turnover resulting from the Damage is postponed by reason of the Turnover being temporarily maintained from accumulated stocks.

11.5 BOOKS OF ACCOUNT

11.5.1 Any particulars or details contained in the Insured's books of account or other business books or documents which may be required by the Insurer for the purpose of investigating or verifying any claim made under Section 2 of this Policy may be produced and certified by the Insured's auditors and their certificate shall be prima facie evidence of the particulars and details to which the certificate relates.

11.5.2 The words and expressions used in this Policy shall have the meanings usually attached to them in the books and accounts of the Insured unless otherwise defined in this Policy.

11.6 TURNOVER/OUTPUT ALTERNATIVE

At the option of the Insured, the word "Output" may be substituted for "Turnover" and, for the purpose of Section 2 of this Policy Output shall mean the sale value of goods manufactured or processed by the Insured in the course of carrying on the Business at the Premises.

If the Output Option is selected:

11.6.1 the provisions of Clause 11.1 (Turnover Elsewhere after Damage) shall read as follows:

If during the Indemnity Period goods shall be manufactured or processed other than at the Premises for the benefit of the Business either by the Insured or by others on behalf of the Insured, the sale value of the goods so manufactured or processed shall be brought into account in arriving at the Output during the Indemnity Period.

and

11.6.2 the definition of Gross Profit shall read as follows:

the difference between sale value of production and the amount of the Uninsured Working Expenses;
and

11.6.3 the provision of Clause 11.4 (Accumulated Stocks) shall read as follows:

in adjusting any loss, account shall be taken and equitable allowance made if any Shortage in Output resulting from the Damage is postponed by reason of the Output being temporarily maintained from accumulated stocks.

11.7 **SALVAGE SALE**

If Damage gives rise to a claim under Section 2 of this Policy and the Insured holds a salvage sale during the Indemnity Period:

11.7.1 Clause 10.1 shall be varied to provide that the amount of the indemnity shall be calculated by reference to the sum produced by applying the Rate of Gross Profit to the amount by which the Turnover during the Indemnity Period (less the Turnover for the period of the salvage sale) shall, in consequence of the Damage, fall short of the Standard Turnover, from which shall be deducted the Gross Profit actually earned during the period of the salvage sale.

11.7.2 For the purposes of Clause 11.7.1 a Shortage in Turnover means the amount by which the Turnover during a period (less the Turnover for the period of the salvage sale) shall, in consequence of the Damage, fall short of the part of the Standard Turnover which relates to that period from which shall be deducted the amount of any portion of the Pay-Roll actually paid out of the proceeds of the salvage sale.

11.8 **REDUCED MARGIN**

If, in consequence of Damage giving rise to a claim under this Policy, Turnover is maintained at a reduced Rate of Gross Profit, an equitable allowance shall be made for the loss of Gross Profit resulting from an increase in the ratio to Turnover of stock usage or purchases (adjusted for stock variations). No allowance shall be made for an increase in the ratio to Turnover of any other uninsured expenses.

11.9 **TERMINATION OF COVER**

Notwithstanding anything contained in this Policy to the contrary, if during any period in respect of which this Policy is in force:

11.9.1 permanently discontinues or ceases to carry on the Business or if the Insured's proprietary interest in the Business ceases otherwise than by death, or

11.9.2 (being a corporation) is placed in liquidation, provisional liquidation, under official management, under the control of a receiver and manager or if control over its assets is assumed by a receiver, or

11.9.3 (being a natural person) becomes bankrupt,

then the insurance under Section 2 shall cease unless its continuance is admitted in writing by the Insurer.

Such termination of cover shall not apply if any of the events stated in clauses 11.9.1, 11.9.2 or 11.9.3 are caused by loss, insured by Section 2 of the Policy, resulting from interruption of or interference with the Business in consequence of Damage to property used by the Insured at the Premises.

11.10 **MITIGATION OF LOSS**

The Insured shall use due diligence and do and concur in doing all things reasonably practicable to minimise any interruption of or interference with the Business and to avoid or diminish the loss and shall also deliver to the Insurer a statement in writing of any claim certified by the Insured's auditors or accountants with all particulars and details reasonably practicable as to the loss and shall produce and furnish all books of account and other business books, invoices, vouchers and all other documents, proofs, information, explanations and other evidence and facilities as may reasonably be required to enable the Insurer to investigate and verify the claim and such information or documentation shall be verified on oath if required by the Insurer.

12. PROPERTY EXCLUDED

Section 2 of this Policy does not cover any loss resulting from Damage to any property described in Clause 5 of Section 1 of this Policy in the circumstances set out in that Clause other than Damage to Property the subject of indemnity as described in Clause 9.1.1.7.

13. CIRCUMSTANCES WHERE COVER IS EXCLUDED

13.1 Section 2 of this Policy does not cover any loss resulting from any Damage to any property in the circumstances described in Clause 6 of Section 1 of this Policy.

13.2 Section 2 of this Policy does not cover any interruption to or interference with the Business caused by or happening through:

13.2.1 the stranding or sinking of any vessel in any canal, waterway or port; or

13.2.2 the impact by any vessel to any wharf, dock or pier.

14. CONDITIONS APPLYING TO SECTIONS 1, AND 2

14.1 PRECAUTIONS TO PREVENT LOSS

The Insured shall take all reasonable precautions to prevent Damage to Property Insured which may give rise to a claim under this Policy.

14.2 CLAIMS AND CLAIMS PROCEDURES

14.2.1 On the discovery of any Damage giving rise to a claim under this Policy, the Insured shall forthwith give notice thereof in writing to the Insurer and shall as soon as reasonably practicable deliver to the Insurer a statement of claim in writing containing as particular an account as may be reasonably practicable of the items of property Damaged, and of the amount of Damage having regard to their value at the time this occurred and of the amount of any claim made under Section 2 of this Policy, together with details of any other insurances which may apply to the claim.

14.2.2 The Insured shall, upon becoming aware of any loss by theft of or any wilful or malicious damage which may give rise to a claim under this Policy, take all practicable steps to trace and recover any missing property and to discover by whom the property was stolen or damaged, including reporting the matter to the police and any other responsible authority.

14.2.3 If the Insurer elects or becomes bound to replace, repair or rebuild any item of property, the Insured shall deliver to the Insurer all such plans, documents and information as the Insurer may reasonably require.

14.2.4 The Insured shall not be entitled to abandon any property to the Insurer whether taken possession of by the Insurer or not.

14.2.5 Any person claiming under this Policy shall at the request and at the expense of the Insurer do and concur in doing and permit to be done all such acts and things as may be necessary or reasonably required by the Insurer for the purpose of enforcing any rights and remedies, or of obtaining relief or indemnity from other parties to which the Insurer shall be or would become entitled or subrogated upon the Insurer paying for or making good any Damage under this Policy or paying any moneys under Section 2 of this Policy.

If the Insurer makes any recovery as a result of such action, the Insured may only recover from the Insurer any amount by which the amount recovered by the Insurer exceeds the amount paid to the Insured by the Insurer in relation to the loss.

14.2.6 Provided that liability has been admitted, the Insurer shall make reasonable progress payments on account of any claim to the Insured at such intervals and for such amounts as may be agreed upon production of a report by any loss adjuster appointed by the Insurer. Any such payment shall be deducted from the amount finally determined upon adjustment of the claim.

14.2.7 If the Insured is in breach of any of the provisions of this Policy, the Insurers remedies shall be in accordance with the Insurance Contracts Act 1984, as amended.

14.3 REINSTATEMENT OF INSURANCE AFTER LOSS

The insurance under this Policy and the Limit of Liability shall be automatically reinstated in the event of any loss unless the Insured requests otherwise. The Insured must pay any additional premium calculated pro rata by reference to the amount of the loss and the outstanding Period of Insurance. The premium shall be calculated at the Insurer's current premium rates applicable to the current Period of Insurance.

14.4 ACQUIRED COMPANIES

- 14.4.1 This Policy extends to include:
- 14.4.1.1 property located in Australia belonging to companies and other organisations a controlling interest in which is acquired by the Insured during the Period of Insurance;
 - 14.4.1.2 property located in Australia for Damage to which such companies or other organisations are legally responsible or for which they have assumed responsibility to insure prior to the occurrence of the Damage; and
 - 14.4.1.3 any loss suffered by any such companies or organisations which is the subject of indemnity under Section 2 of this Policy.
- 14.4.2 The Insured must, within one (1) month of acquisition declare in writing to the Insurer,
- 14.4.2.1 the name of the company or other organisation and the nature of its business;
 - 14.4.2.2 the nature and extent of the property to be insured;
 - 14.4.2.3 the value of the indemnity provided calculated in accordance with the applicable Basis of Settlement Clauses 4, 10.1, 10.2, 10.3 and 10.4 (as applicable);
- and must pay the rateable proportion of the premium from the date of acquisition(s) to the expiry of the Period of Insurance calculated at the agreed rate applied to the values declared in 14.4.2.3.
- 14.4.3 The Business of the acquired company or other organisation must be similar to the Business stated in the Schedule.
- 14.4.4 For the purpose of this Condition, a controlling interest shall, in the case of a company, mean the acquisition of shares carrying more than 50% of votes capable of being cast at a general meeting of all shareholders in the company.
- 14.4.5 The Insured shall not be required to include the values declared in 14.4.2.3 in the declaration required under clause 14.5 (Adjustment of Premium).
- 14.4.6 The property described in clause 14.4.1.1 is separately subject to the following Average/Underinsurance condition;
- 14.4.6.1 The Insured is required to insure acquired property for full value calculated in accordance with the Basis of Settlement Clause 4 as applicable at the time of acquisition.
 - 14.4.6.2 In the event of damage to property described in clause 14.4.1.1 resulting in a claim the moneys otherwise payable under Section 1 of this Policy shall be the proportion that the Insured's declaration at the time of acquisition of the value of all Property Insured described in clause 14.4.1.1 bears to 85% of the value of all such property (other than Money) as at the time of acquisition calculated in accordance with the Basis of Settlement Clause 4.
 - 14.4.6.3 This Condition 14.4.6 shall not apply if the amount of the Damage does not exceed 5% of the amount of the Insured's declaration of value of all Property Insured described in clause 14.4.1.1.
 - 14.4.6.4 For the purpose of the application of this Condition 14.4.6 the Insured's declared values shall not include any allowance for Money, the Extra Cost of Reinstatement referred to in clauses 4.5 and 4.6 or for the costs and expenses referred to in the Additional Cover provided in clause 3 (other than clause 3.1.1 Architects etc).

14.5 ADJUSTMENT OF PREMIUM

- 14.5.1 The premium for Sections 1 and 2 is provisional and is calculated on the Declared Values of..
- 14.5.1.1 the Property Insured; and
 - 14.5.1.2 the Annual Gross Profit, Gross Revenue and/or Standard Gross Rentals and Insured Pay-Roll (as applicable), (or approximately increased if the Indemnity Period exceeds twelve (12) months) estimated to apply during the period referred to in Clause 14.5.2.2 below
- on the day of commencement of each Period of Insurance.
- 14.5.2 The Insured undertakes to declare to the Insurer within a reasonable time after the expiry of the Period of Insurance:

14.5.2.1 the value of Property Insured on the day of expiry of the Period of Insurance calculated in accordance with the Basis of Settlement Conditions. For the purpose of this declaration, stock in trade and merchandise shall be taken at their average monthly value during the Period of Insurance;

14.5.2.2 the amount of the Gross Profit, Gross Revenue and/or Gross Rentals, earned and Pay-Roll paid (as applicable) in accordance with the indemnity afforded **in** respect of Clauses 10.1, 10.2, 10.3 and/or 10.4 (as applicable) of Section 2, in the course of the Business during the accounting period of twelve (12) months most nearly concurrent with the Period of Insurance (or appropriately increased if the Indemnity Period exceeds twelve (12) months).

14.5.3 The provisional premium for Sections 1 and 2 shall be adjusted by payment to the Insurer of an additional premium or by allowance to the Insured of a return premium, as the case may be, calculated at the agreed rate on 50% of the difference between property declared in accordance with Clauses 14.5.1.1 and 14.5.2.1 and the full agreed rate on the difference between the amounts declared under Clauses 14.5.1.2 and 14.5.2.2.

14.5.4 The Insured agrees to pay to the Insurer an additional premium commensurate with any allowance for any abnormal fluctuation in values commensurate with the risk insured by the Insurer.

14.5.5 The Declaration of Values made at the expiry of the Period of Insurance in accordance with this Condition 14.5 shall not be reduced as a result of any loss, damage or destruction in respect of which a claim has been paid or is payable under this Policy.

14.6 **CANCELLATION**

14.6.1 This Policy may be cancelled at any time at the written request of the Insured, in which case the Insurer will retain its customary short-period rate for the time this Policy has been in force.

14.6.2 The Insurer may cancel this Policy by giving the Insured not less than thirty (30) days prior written notice to that effect where the Insured is in breach of any of the provisions of this Policy, including any provision relating to the payment of premium or for any other reason available to the Insurer at law. In the event of cancellation by the Insurer, the Insurer will repay to the Insured a rateable proportion of the premium applicable to the unexpired Period of Insurance.

14.7 **WAIVER OF SUBROGATION**

14.7.1 The Insurer shall waive any rights and remedies or relief to which it is or may become entitled by subrogation against any corporation or organisation (including its directors, officers, employees and servants) owned or controlled by or subsidiary to any Insured named in this policy, any co-owner of property hereby insured and any Insured names or described in this policy (including its directors, officers, employees and servants);

14.7.2 The Insured may without prejudicing its position under this Policy release any statutory governmental, semi-governmental, or municipal authority from any liability if required by any contract to do so.

14.8 **BREACH OF CONDITION OR WARRANTY OR DESCRIPTION**

Any breach of condition or warranty without the knowledge or consent of the Insured, or error in name, description or location or omission to state a material fact, shall not invalidate the Policy provided notice in writing be given to the Insurer when such breach or error or omission comes to the knowledge of the Insured's officer responsible for insurance and additional premium for any increased hazard as the Insurer may require shall be paid from the date of such breach or error or omission.

14.9 **ALTERATIONS**

The Insured undertakes to advise the Insurer of any alteration in the trade or processes of manufacture carried on at the Situation or in the nature of the occupation whereby the risk of Damage shall have been materially increased and shall pay any additional premium required by the Insurer commensurate with the increased risk. Failure to advise the Insurer shall not prejudice the insurance provided by this Policy. This condition does not negate the Insured's duty of disclosure on renewal of this Policy.

14.10 **HEADINGS**

Headings have been included for ease of reference only. The provisions of this Policy are not to be construed or interpreted by reference to such headings.

15. ENDORSEMENTS

The following endorsements to the standard cover will be deemed to be incorporated in this contract only when specified in the Schedule by the appropriate number and title.

15.1 FLOOD

This Policy is amended to exclude Flood as follows;

This Policy does not cover Damage to any Property Insured situated at the location(s) designated in the Schedule under this endorsement 15.1 caused by or occasioned through Flood or loss under Section 2 resulting there from.

15.2 PROPERTY IN TRANSIT

This Policy extends to cover Property Insured, other than Stock and Merchandise, whilst in transit between a port or ports or a place or places in Australia (including whilst being loaded on to or unloaded from a conveying vessel, vehicle or aircraft).

For the purpose of this endorsement;

1. Clause 2.1.2 is amended to read "in the case of property other than money, stock and merchandise, whilst in transit";
2. Exclusion 5.1 is deemed inoperative and Clauses 12 and 13 shall not apply to loss (as provided for in Section 2 of this Policy) resulting from Damage to Property described herein in the circumstances in which such Damage is the subject of indemnity under this extension other than indemnity not applying only because of the application of a Deductible.

The following special exclusions shall apply to this endorsement:

The Insurer shall not be liable under this insurance for:

1. ordinary leakage, ordinary loss in weight or volume of any Property Insured;
2. loss, damage or expense proximately caused by delay;
3. loss, damage or expense arising from insolvency or financial default of the owners, managers, charterers or operators of any vessel;
4. loss, damage or expense arising from:
 - 4.1 unseaworthiness of a vessel or craft;
 - 4.2 unfitness of a vessel, craft, conveyance, container or lift van for the safe carriage of Property Insured;
where the Insured or their servants are aware of the unseaworthiness or unfitness at the time the Property Insured is loaded therein.

The liability of Insurers shall be limited to the Sub-Limit of Liability stated in the Schedule against "Property in Transit".

15.3 FUSION

This Policy extends to cover any part or parts of the electrical, electromechanical and electronic machines, switchboards, installations or apparatus forming part of the Property Insured (excluding rectifiers, radio, television or amplifying equipment of any description) caused by the actual burning out of such part or parts by the electric current therein.

The following special exclusions shall apply to this endorsement:

The Insurer shall not be liable under this endorsement for:

1. depreciation, wear and tear;
2. loss, destruction of or damage to:
 - 2.1 lighting or heating elements, fuses or protective devices;
 - 2.2 electrical contacts at which sparking or arcing occurs in ordinary working.

For the purpose of this endorsement Exclusions 6.2.1, 6.2.7 and 6.2.9 are deemed to be inoperative and Clauses 12 and 13.1 shall not apply to loss (as provided for in Section 2 of this Policy) resulting from Damage

to Property described herein in the circumstances in which such Damage is the subject of indemnity under this extension other than indemnity not applying only because of the application of a Deductible.

The liability of Insurers shall be limited to the Sub-Limit of Liability stated in the Schedule against "Fusion.

15.4 **BOILER PRESSURE VESSEL EXPLOSION**

This Policy extends to cover the Insured against Damage to any boiler economiser or other vessel, including pipes, valves and other apparatus (hereinafter referred to as plant) forming part of any of these and in respect of which a certificate is required to be issued under the terms of any statute or regulation caused by or in connection with or arising from or occasioned through their own Explosion, implosion, rupture, Collapse, bursting, cracking, fracturing or overheating thereof.

Explosion shall mean the sudden and violent rending of the permanent structure of the plant by force of internal steam or fluid pressure or bodily displacement of any part of such structure together with forcible ejection of its contents. Except in the case of a steam test at a pressure not exceeding the maximum pressure permitted by the inspecting authority, the term Explosion shall mean failure under any test.

Collapse shall mean the sudden and dangerous distortion of any part of the permanent structure of plant by bending or crushing caused by force of steam or fluid pressure whether attended by rupture or not. Except in the case of a steam test at a pressure not exceeding the maximum pressure permitted by the inspecting authority, the term Collapse shall not mean failure under any test.

The following defects do not constitute Explosion, implosion, rupture, Collapse or bursting even though repair or replacement may be necessary:

1. wearing away or wasting of the material of the plant whether by leakage, corrosion or by the action of the fuel or otherwise;
2. slowly developing deformation or distortion of any part of the plant;
3. crack, fractures, blisters, laminations, flaws or grooving even when accompanied by leakage or damage to tubes, headers or other parts of the plant caused by overheating or leakage at seams, tubes or other parts of the plant;
4. failure of joints;

but Explosion, implosion, rupture, Collapse, or bursting arising from any such defect is not excluded hereby.

Furthermore in respect of damage to plant arising from:

1. cracking or fracturing, such damage must be caused by the plant's own sudden cracking or fracturing which immediately prevents or makes unsafe the continued use of the plant or in the case of a boiler which prevents the plant from working satisfactorily to constitute a claim under this extension.
2. overheating such damage must be sudden and accidental to constitute a claim under this extension.

For the purpose of this endorsement, Exclusion 6.2.14 is hereby modified to the extent of the cover provided by this endorsement and Exclusions 6.2.5, 6.2.6, 6.2.7 and 6.2.9 are deemed to be inoperative. The definition of "Explosion" and "Collapse" contained herein shall also apply to Exclusion 6.2.14.

The following special exclusion shall apply to this endorsement:

The Insurer shall not be liable if at the time of Explosion or Collapse or other damage insured by this extension any safety valve limiting the pressure is removed or rendered inoperative.

The liability of Insurers shall be limited to the Sub-Limit of Liability stated in the Schedule against "Boiler and Pressure Vessel Explosion".

15.5 **MOTOR VEHICLES ON PREMISES** Property Exclusion 5.5 is amended to read:

- 5.5 Vehicles or trailers registered or licensed to travel on a public road, provided this exclusion shall not apply to such vehicles or trailers (to the extent that they are not other-wise insured) while on any premises occupied or used by the Insured.

15.6 **SUPPLIERS' AND/OR CUSTOMERS' PREMISES**

Cover provided under clause 9.1.1.8 "Extent of Cover" is extended to apply in respect of premises and/or property situated anywhere in the World.

Aon Risk Services Australia Limited A.C.N. 000 434 720
Offices located throughout Australia

