



# Industrial special risks Insurance

**Product Disclosure Statement and Policy Wording**  
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Arranged by One Underwriting Pty Ltd  
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**one**  
UNDERWRITING

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# 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 or for **Damage** to which the **Insured** becomes legally responsible or assumes responsibility to insure after the commencement of the **Period of Insurance**.
- 1.4 **Situation** is the **Situation** or **Situations** shown in the **Schedule**. Where "The **Situation**" specified in the **Schedule** is other than a single address, each separate address at which the **Property Insured** is located shall be one **Situation** for the purposes of this **Policy**, particularly in relation to the **Limit** and **Sub-Limits of Liability** and the **Definition of Premises**.
- 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. The term "Local Time" means the time at the **Insured's** principal place of **Business**.
- 1.7 **Policy** means this document, the **Schedule** and any **Endorsement**.
- 1.8 **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-Limit of Liability** and the application of any **Deductible**. The **Limit of Liability** and **Sub-Limits of Liability**, which apply in excess of any applicable **Deductible**, 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** and related **Business** interruption values declared by the **Insured** and calculated in accordance with the **Basis of Settlement** Clauses 4.3, 4.14 to 4.25 (other than 4.17, 4.18 and 4.23), 10.1 to 10.10 as applicable. 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**.
- 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, 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 **Unspecified Damage** means, for the purpose of any **Limit** or **Sub-Limit of Liability** or **Deductible** as shown in the **Schedule**, **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 **Situation** or elsewhere.

- 1.14 **Flood** means the covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:
- (a) a lake (whether or not it has been altered or modified);
  - (b) a river (whether or not it has been altered or modified);
  - (c) a creek (whether or not it has been altered or modified);
  - (d) another natural watercourse (whether or not it has been altered or modified);
  - (e) a reservoir;
  - (f) a canal;
  - (g) a dam.
- 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, (which shall mean Certificates of Stocks, Bonds, Coupons and all other types of securities) negotiable instruments, pre-paid credit cards/ vouchers, 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 **Act of Terrorism** means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), which from its nature or context is done for, or in connection with, political, religious, ideological or similar purposes or reason, including the intention to influence any government and/or to put the public, or any section of the public, in fear.
- 1.18 **Electronic Data** means facts, concepts and information converted to a form useable for communications, display, distribution, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programs, software and other coded instructions for such equipment.

## Section 1 – Property Insurance

### 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 **Limits** and **Sub-Limits 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**, collision and/or overturning of the conveying vehicle, subject to there being no more specific insurance in place;  
or
  - 2.1.3 in the case only of **Money**, whilst at the **Situation** or elsewhere in Australia;
- 2.2 the **Limit** and **Sub-Limits of Liability** 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** 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 the theft of keys and combinations forming part of the **Property Insured**;
  - 3.1.5 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**;
  - 3.1.6 the removal, storage and disposal of **Debris** from premises, roadways, services, railways or waterways owned by any other person or entity (and not withstanding the provisions of **Exclusion 6.4**) 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 such **Damage** unless liability would have attached in the absence of such agreement;

- 3.1.7 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**;
- 3.1.8 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;
- 3.1.9 customs, excise and other duties which the **Insured** is liable to pay as a result of the **Damage**;
- 3.1.10 any liability to pay additional income tax or additional capital gains tax, pursuant to any Australian government taxation legislation, incurred solely consequent upon payment by the **Insurer** of any amount claimable under **Section 1** of this **Policy**;
- 3.1.11 any legal liability to make enquiries consequent upon **Damage Insured** by this **Policy**;
- 3.1.12 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**;
- 3.1.13 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**;
- 3.1.14 any statutory liability incurred by the **Insured** for fire brigade attendance fees solely because any part of the **Insured's** claim for **Damage** is within the amount of any **Deductible** applicable under this **Policy**, provided that the **Deductible** shall be applied to the sum of the **Damage** and the liability so incurred;
- 3.1.15 any amount payable to a recognised emergency service or any statutory authority (other than as provided in clause 3.1.14) including, but not limited to, police, ambulance and environmental protection services;
- 3.1.16 any costs and expenses incurred by the **Insured** as a result of statutory inquiries following **Damage** to **Property Insured**. For the purpose of this additional cover the term statutory inquiries shall mean any judicial, coronial or other form of inquiry or hearing established by or at the direction of any government, semi-government, local or planning authority as a direct result of **Damage** to **Property Insured**. Provided that the **Insurers** shall not be liable for payment of any fine or penalty imposed by any such authorities.
- 3.1.17 the payment of any reward by the **Insured** to protect or recover **Property Insured**.

Provided that:

- 3.1.17.1 no such payment shall be made by the **Insured** unless it contributes to the protection or recovery of such property,
- 3.1.17.2 the **Insurer** shall have agreed the terms of the reward before it is offered.

The **Insurer** will not unreasonably withhold or refuse its consent to the terms of any reward payable under this extension.

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 property (including **Money** and tools of trade) belonging to directors, employees, ministers, trustees and volunteers of the **Insured** and the property of welfare, sport, recreational and social clubs and childcare facilities 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 property belonging to the persons described above:
  - 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, employees and /or ministers are on authorised **Business** of the **Insured**;
  - 3.2.1.3 **Condition 7.2** shall not apply to the property described in Clause 3.2.1;
- 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 replacement 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 5.8** and **5.9** shall not apply to the cover granted by this additional cover;
- 3.2.5 in cleaning and decontamination of property (other than stock) used by the **Insured** for the purpose of the Business as result of the entry of contaminated water and/or in clearing and/or repairing blocked pipes, drains, gutters, sewers, fillers, pumping equipment and the like, including exploratory costs, at the premises used by the **Insured** provided that 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:
  - 4.2.1 where the **Damage** to any **Property Insured** can be repaired, the cost necessarily incurred to restore the property 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.; including the cost of dismantling and re-erection incurred for the purpose of effecting the repairs. Deductions will not be made for depreciation in respect of parts replaced, but the salvage value of such parts shall be taken into account;
  - 4.2.2 where the property is totally destroyed, lost or stolen, abandoned or cannot be satisfactorily repaired at a cost not exceeding the Market Value immediately before the **Damage**, the Market Value of the item at the time of the **Damage**. If due to the nature of the property, it is not possible to readily ascertain a Market Value, the **Basis of Settlement** shall be the replacement cost of the **Damaged** property less due allowance for depreciation taking into consideration age, condition and remaining useful life.  
  
Market Value is the estimated amount for which the **Property Insured** should exchange immediately before the **Damage**, between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion.
- 4.3 On buildings, machinery, plant and all other property and contents other than those specified in 4.14 to 4.25 below, the **Basis of Settlement** shall be the REINSTATEMENT VALUE and the provisions of 4.4 to 4.13 shall apply.
  - 4.3.1 **Leased Equipment (Residual Value)**  
  
Clause 4.3 is extended to include the following provision:  
  
Provided that in the case of **Property Insured** being machinery, plant and equipment leased on a Residual Value basis, if the Residual Value exceeds the Reinstatement Value, then in the event of actual or constructive total loss, the provisions of Clauses 4.4 to 4.6 shall apply and the **Basis of Settlement** shall be the amount for which the **Insured**, as lessee, is contractually liable to the lessor, but not exceeding the sum represented by rent payable under such lease(s) for the period commencing on the date of loss or destruction and ending on the retirement date(s) of such lease(s), plus the current market value of the property immediately before its loss or destruction or the Residual Value, whichever is the greater, less any salvage value.  
  
The term "Residual Value" means the minimum amount which the **Insured**, as lessee, has guaranteed that the leased property will realise, being the same amount which the **Insured**, as lessee, has agreed would be payable to acquire such property upon the retirement date(s) of the lease(s).  
  
For the purpose of this extension, there shall be deemed to be a constructive total loss of a **Damaged** item of machinery, plant or equipment when the cost necessary to repair that item exceeds the cost necessary to replace it with similar property in a condition equal to, but not better or more extensive than, its condition when new.
- 4.4 **Reinstatement Provisions applying to buildings, machinery and all other property other than property referred to in 4.14 to 4.25**
  - 4.4.1 The replacement, repair or rebuilding may be carried out wholly or partially 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:
- 4.4.5.1 the cost of the dissimilar property, or
- 4.4.5.2 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 In the case of a building with architectural features and/or structural materials possessing an ornamental or historical character or for which the original materials are not available, which;
- 4.4.7.1 are legally protected for preservation by national, state or local legislation or regulation, **Basis of Settlement** Clause 4.1 shall be deemed to be amended to read as follows in relation to that building;
- REINSTATEMENT VALUE is the cost necessary to replace, repair, rebuild or restore the building to a reasonably equivalent appearance and capacity, using the original design and suitably equivalent modern materials.
- 4.4.7.2 is not legally protected for preservation by national, state or local legislation or regulation, **Basis of Settlement** Clause 4.1 shall be deemed to be amended to read as follows in relation to that building;
- If the building is **Damaged**, REINSTATEMENT VALUE is the cost, up to but not exceeding the Reinstatement Value if destroyed, necessary to repair the **Damage** and restore the **Damaged** portion to a condition substantially the same as, but not better or more extensive than, its condition when new. If the cost of repairing the **Damage** and restoring the **Damaged** portion exceeds the Reinstatement Value of the building if destroyed, the building may, at the **Insured's** option, be deemed to be destroyed. If the building is destroyed, or deemed to be destroyed, REINSTATEMENT VALUE is the cost necessary to replace the building with one that is no more expensive but of equivalent or improved utility, using current design techniques and modern materials.
- 4.4.8 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 the **Damaged Property Insured** 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 **Condition 7.2 Average/Underinsurance** 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 **Condition 7.2**;
- 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 **Damaged Property Insured**) 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 the **Sub-Limit** stated in the **Schedule** 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** had 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 greater 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 money payable by the **Insurer** under this **Policy**, whichever shall occur later.

The term "foundations", wherever it appears in **Basis of Settlement** Clause 4.9, is deemed to include services, such as, but not limited to, conduits, pipes, cables and wiring, built into footings and foundations (including concrete floor slabs).

#### 4.10 Loss of Land Value

Subject to the **Sub-Limit** specified in the **Schedule**, 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 government or other statutory authority to allow the reconstruction of the property following **Damage** in circumstances giving rise to indemnity under **Section 1** of this **Policy** the **Insurer** 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 government or other statutory authority allowing partial reconstruction only of the property after **Damage** giving rise to indemnity under **Section 1** of this **Policy** the **Insurer** 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 4.10.1 and 4.10.2 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 government or other statutory authority resulting in the loss of Land Value. Should settlement have been made however and subsequently the ruling of the competent 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**.

4.10.4 All differences relating to the Land Value arising out of the **Policy** should be dealt with by both parties appointing Certified Practising Valuers to agree the before and after values of the land and in the event that they are unable to agree, the President of the Australian Property Institute shall appoint a third valuer who shall act as an expert and whose decision shall be final.

#### 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 monies 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 5.13** and **6.1.12**, 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 including the replacement cost of labels, containers or wrappings calculated at the time and place of replacement, provided that replacement shall have been carried out with reasonable despatch, or if not replaced the INDEMNITY VALUE.
- 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 manufacturing costs 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 manufacturing costs expended on them including the replacement cost of labels, containers or wrappings 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 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 value of the salvage shall be deemed to be the INDEMNITY VALUE of the goods after brands, labels or names have been removed by or on behalf of the **Insured**.
- 4.18 Notwithstanding Clauses 4.14 to 4.17, 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, or any statute or at common law, the sale contract is cancelled whether wholly or in part by reason of the **Damage**, the **Basis of Settlement** shall be the contract price.
- 4.19 In the case of computer systems records (which includes **Electronic Data**), 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 or is not carried out with reasonable despatch the **Basis of Settlement** shall be the replacement cost of the materials as blank stationery calculated at the time and place of the **Damage**.
- 4.20 In the case of Securities the **Basis of Settlement** shall be:
- (a) if the Securities can, with the approval of the **Insurer**, be replaced, the cost of replacement paid or payable by the **Insured**; or
  - (b) if the Securities cannot or are not to be replaced by the **Insured**, the closing market value on the last **Business** day prior to the date of discovery by the **Insured** of the loss or destruction of the Securities, or if the time of discovery by the **Insured** is after the close of the market, their closing market value on the day of discovery by the **Insured** of the loss or destruction of the Securities,
- such valuation being in the currency in which the loss was sustained. Losses sustained in currencies other than Australian Dollars will be settled by converting the amount of loss to Australian Dollars at the market rate at the time of settlement of the loss or such other rates as may have been expressly agreed with the **Insurer**. If there is no market price or value on the relevant day stated herein, then the value should be agreed between the **Insured** and the **Insurer**, or in default thereof, the **Insured** and **Insurer** shall submit to arbitration and be bound by the decision of the umpire.
- 4.21 In the case of patterns, models, moulds, dies or casts, jigs or templates, 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.
- 4.22 In the case of glass, the **Basis of Settlement** shall be the cost incurred in repairing or replacing the broken glass in accordance with the Australian Standard applicable at the time of the replacement including the cost of temporary shuttering and hiring of security services pending replacement of the broken glass, the cost incurred in replacing signwriting, ornamentation, burglar alarm tapes or protective films on the glass, the removing and re-fixing of window and showcase frames and fittings and heat reflecting material or process on the glass.
- 4.23 In the case of personal property (including **Money** and tools of trade) belonging to directors and others as described in 3.2.1, and in the case of the property of welfare, sport, recreational and social clubs and childcare facilities, but only while at the **Situation**, the **Basis of Settlement** shall be the REINSTATEMENT VALUE.

- 4.24 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**.
- 4.25 In the case of empty premises awaiting demolition, the **Basis of Settlement** shall be the salvage value, immediately prior to the **Damage**, of the building materials and landlord's fixtures and fittings, all net of demolition costs.
- 4.26 **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

- 4.27 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 insure for and/or to claim the INDEMNITY VALUE of any property and, if so, the **Insurer** will pay that value or may, with the agreement of the **Insured**, 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.
- 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 and unattended vehicle;
  - 5.2.3 stolen from a safe or strongroom 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 (which for the purpose of this Exclusion 5.2.3 shall mean the period during which the **Insured's** premises are actually occupied for **Business** purposes and during which the **Insured** or employees of the **Insured** are in the premises), 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 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.
- 5.5 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 an aircraft during taxiing, take-off, flight or landing.
- 5.6 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**.
- 5.7 Live animals, birds or fish or any other living creature.
- 5.8 Standing timber, growing crops and pastures.
- 5.9 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**.

- 5.10 Bridges, canals, roadways, tunnels and railway tracks except if such property is on the premises occupied or used by the **Insured** for the purpose of its **Business**, dams and reservoirs (other than tanks) and their contents.
- 5.11 Docks, wharves and piers not forming part of any building.
- 5.12 Mining property and equipment located beneath the surface of the ground unless otherwise expressly **Insured** under this **Policy**.
- 5.13 Property whilst it is undergoing any process where the **Damage** results from its being processed.
- 5.14 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 \$1,000,000. 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**.
- 5.15 Empty premises on which demolition work has commenced.
- 5.16 Oil and gas drilling and production rigs while off shore.
- 5.17 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 arising out of an earthquake or seismological disturbance or unless an **Insured** building is **Damaged** at the same time.
- 5.18 Notwithstanding any provision to the contrary in the **Policy** or in any **Endorsement** thereto:
  - 5.18.1 This **Policy** does not insure:
    - 5.18.1.1 total or partial destruction, distortion, erasure, corruption, alteration, misinterpretation or misappropriation of **Electronic Data**;
    - 5.18.1.2 error in creating, amending, entering, deleting or using **Electronic Data**; or
    - 5.18.1.3 total or partial inability or failure to receive, send, access or use **Electronic Data** for any time or at all;

from any cause whatsoever, regardless of any other contributing cause or event whenever it may occur.

- 5.18.2 However, in the event that a peril listed in Clause 5.18.3 below (being a peril **Insured** by this **Policy** but for this **Exclusion**) is caused by any of the matters described in Clause 5.18.1 above, this **Policy**, subject to all its provisions, will insure:
  - 5.18.2.1 **Damage to Property Insured** directly caused by such listed peril or circumstance, and/or
  - 5.18.2.2 consequential loss **Insured** by **Section 2** of this **Policy**.

Further, this **Exclusion** does not apply in the event that a peril listed in Clause 5.18.3 below (being a peril insured by this **Policy** but for this **Exclusion**) causes any of the matters described in Clause 5.18.1 above.

- 5.18.3 For the purposes of this **Exclusion 5.18**, the following are deemed to be perils **Insured** by this **Policy**: fire, lightning, thunderbolt, explosion, implosion, earthquake, subterranean fire, volcanic eruption, impact by road vehicle or animal, impact by aircraft and/or other aerial device and /or articles dropped therefrom, sonic boom, breakage of glass, 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, 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 any apparatus, appliances, pipes or systems and theft of **Electronic Data** where such theft is accompanied by theft of computer hardware, firmware, medium, microchip, integrated circuit or similar device containing such **Electronic Data**.

However, **Damage to Electronic Data** caused by “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” is only insured by this **Policy** where such **Damage to Electronic Data** is as a direct result of physical **Damage** to computer hardware, firmware, medium, microchip, integrated circuit or similar device containing such **Electronic Data**.

Any **Act of Terrorism Exclusion** in this **Policy** or in any **Endorsement** thereto prevails over this **Exclusion**.

## 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 or war like operations (whether war be declared or not), civil war, mutiny, civil commotion assuming the proportions of or amounting to a popular rising, military rising, rebellion, revolution, insurrection, 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, except acts of destruction at the time and for the purpose of preventing the spread of fire or any other cause not excluded from cover by Clause 6, 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 **Situation** 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 any **Act of Terrorism** regardless of any other cause or event contributing concurrently or in any other sequence to the **Damage**.
  - 6.1.4 any action taken in controlling, preventing, suppressing or in any way relating to any **Act of Terrorism**.
  - 6.1.5 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;
  - 6.1.6 nuclear weapons materials;
  - 6.1.7 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;
  - 6.1.8 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;
  - 6.1.9 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**;
  - 6.1.10 heating or any process involving the direct application of heat. Provided, however, that the provisions of this **Exclusion 6.1.10** 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;
  - 6.1.11 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**;
  - 6.1.12 **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;  
  
In respect of the indemnity provided by **Section 2** of this **Policy**, the term "**Property Insured**", where it refers to the exempted circumstances listed in **Exclusion 6.1.12**, 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**.
  - 6.1.13 any circumstances other than those referred to in **Exclusion 6.1.12** 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 each 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 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** 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;

6.2.12 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;

6.2.13 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;

6.2.14 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 these circumstances may in turn have been caused by, or have been followed by, any of the circumstances referred to in **Exclusions 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.

6.4 **Section 1** of this **Policy** does not cover any legal liability of whatsoever nature other than as specifically provided;

## 7. Conditions Applying to Section 1

### 7.1 Interests of Other Parties

Any lessor, financier, mortgagee and any other person or entity disclosed in the business records of the **Insured** as having a financial interest in the **Property Insured** shall be deemed to be included as an additional **Insured** for their respective rights and interests.

### 7.2 Average/Underinsurance

7.2.1 The **Insured** is required to insure for full value calculated at the commencement of the **Period of Insurance** in accordance with **Definition 1.9 Declared Values**.

7.2.2 In the event of a claim, the money otherwise payable under **Section 1** of the **Policy** shall be the proportion that the **Insured's** declaration of the value of all **Property Insured** at the commencement of the **Period of Insurance** bears to 80% of the value of all such property as at the time of the commencement of the **Period of Insurance** calculated in accordance with **Definition 1.9 Declared Values**.

7.2.3 Should the **Insured** elect to settle a claim or any part thereof in accordance with **Basis of Settlement** Clause 4.28, for the purpose of the application of this **Condition 7.2** (and **Condition 7.3** insofar as it applies) the full value of such property at the time of the commencement of the **Period of Insurance** shall be the INDEMNITY VALUE.

7.2.4 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**.

### 7.3 Property Valued by an Approved Valuer

**Condition 7.2 Average / Underinsurance** shall not apply to property, forming part of the **Property Insured**, which the **Insured** has **Insured** under this **Policy** for its full value as stated in a Valuation, provided that a copy of that Valuation is given to the **Insurer** as soon as reasonably practical after the notification of a claim under the **Policy**.

Valuation means a valuation report by an Approved Valuer carried out less than three years before the commencement of the current **Period of Insurance** and which an Approved Valuer has updated, not more than twelve months prior to the commencement of the current **Period of Insurance**.

Approved Valuer means a Certified Practising Valuer registered with The Australian Property Institute within the relevant discipline.

### 7.4 Sprinkler Installations

7.4.1 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.

7.4.2 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.

7.4.3 The **Insured** shall exercise due diligence to ensure that any system and alarm signal are at all times maintained in good working order. However, disconnection of the automatic sprinkler system for the purposes of maintenance or repair is permitted by the **Insurer**, provided that the period of disconnection does not exceed forty-eight (48) hours.

### 7.5 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, **Flood** or atmospheric disturbance, 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 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 conditions, atmospheric disturbances, conditions or acts.

## Section 2 – Interruption 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** as being insured.
- 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 Definition**.)
- 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 **Payroll** 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 Payroll** means the proportion which the Pay-Roll bears to the **Turnover** during the financial year immediately before the date of the **Damage**.
- 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.

The **Definitions** of **Gross Revenue** and **Turnover** are extended to include grants or other monies derived from research and/or development projects and/or financial incentives or concessions granted to the **Insured** by any Australian or State Government Department in recognition of specific performance in the development of market opportunities or employment of disadvantaged persons.

Adjustments 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 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.

## 9. Extent of Cover

- 9.1 Subject to any applicable **Sub-Limit** specified 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 any gas supply undertaking or of any natural gas producer linked directly therewith) or water works 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**;
- For the purpose of this Clause 9.1.1.3, the distributive system from which the **Insured** obtains electric current and/or telecommunications services shall not include overhead transmission and distribution lines and their supporting structures which are beyond three hundred (300) metres from an insured structure.
- 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 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;
- 9.1.1.7 property in any commercial complex of which the **Premises** forms a part or in which the **Premises** are contained which results in cessation or diminution of trade, including any cessation or diminution of trade due to temporary falling away of potential custom;
- 9.1.1.8 a special attraction, being another business or facility in the immediate vicinity of the **Premises**, that the **Business** depends upon to attract people to the area which results in cessation or diminution of trade, including any cessation or diminution of trade due to temporary falling away of potential custom;

- 9.1.1.9 property within a 20 kilometre radius of the **Premises** which results in cessation or diminution of **Business** due to temporary falling away of potential custom; This Clause shall not apply where **Damage** is caused by **Flood**.
- 9.1.1.10 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;
- 9.1.2 is in consequence of:
  - 9.1.2.1 closure or evacuation of the whole or part of the **Premises** by order of a competent public authority as a result of an outbreak of a notifiable human infectious or contagious disease or bacterial infection or consequent upon vermin or pests or defects in the drains and/or sanitary arrangements at the **Premises** but specifically excluding losses arising from or in connection with highly Pathogenic Avian Influenza in Humans or any Diseases declared to be a Quarantinable Disease under the Quarantine Act 1908 and subsequent amendments;
  - 9.1.2.2 murder or suicide occurring at the **Premises**;
  - 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**;
  - 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**. Such events shall be deemed to be loss caused by **Damage**
- 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** (excluding depreciation and amortisation).

### 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** (excluding depreciation and amortisation).
- 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** (excluding depreciation and amortisation).
- 10.4 **Item No 4 (Insured Payroll being Loss in Respect of Payroll Calculated by Reference to Reduction of Turnover and Increase in Cost of Working)**
- 10.4.1 The **Insured** is indemnified for loss of **Payroll**, 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 Payroll** to the **Shortage in Turnover** during that portion of the **Indemnity Period** less any saving during that portion through reduction in the amount of **Payroll** paid in consequence of the **Damage**;
- 10.4.1.2 during the remaining portion of the **Indemnity Period**, calculated by applying the **Rate of Payroll** 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 **Payroll** paid in consequence of the **Damage**, but not exceeding the amount produced by applying the percentage of the **Rate of Payroll** 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 or 10.2.2 whichever is applicable as exceeds the amount payable under that Clause 10.1.2 or 10.2.2 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 (Severance Pay)**
- The **Insured** shall also be indemnified with respect to such further additional expenditure not otherwise recoverable under Clauses 10.4.1 and 10.4.2 as the **Insured** is obligated or has agreed to pay under industrial awards, determinations, decisions or agreements for severance pay and/or in lieu of notice to employees whose services are terminated during the **Indemnity Period** in consequence of the **Damage**.
- 10.6 **Item No 6 (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**.

#### 10.7 **Item No 7 (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.

#### 10.8 **Item No 8 (Amount Payable in Respect of Contracted 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** 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.

#### 10.9 **Item No 9 (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:

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

10.9.2 In respect of additional expenditure, being the additional expenditure incurred with the **Insurer's** prior consent, in tracing and establishing Customers' Debit Balances after the **Damage**.

#### 10.10 **Item No 10 (Claims Preparation Costs)**

The **Insured** is indemnified with respect to such reasonable professional fees as may be payable by the **Insured** and such other reasonable expenses necessarily incurred by the **Insured** and not otherwise recoverable, for preparation and negotiation of progress claims and/or final claims under **Sections 1** and/or **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 Payroll**" 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 Payroll** means the proportion which the **Payroll** 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 Payroll** 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 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**. Only one such meaning shall be operative in connection with any one occurrence involving **Damage**.

If the **Output Option** is selected:

11.6.1 the provisions of Clause 11.1 (**Turnover/Gross Revenue 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 10.4, 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 **Payroll** 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 the **Insured**:

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 9.1.1.10.

## 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**, except as described in Clause 6.2.14.

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 monies 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 payments 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 **Insurer's** 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** 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 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 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 4.3, 4.14 to 4.25 (other than 4.17, 4.18 and 4.23), 10.1 to 10.10 (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 **Condition 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 **Definition 1.9 Declared Values** 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 80% of the value of all such property as at the time of acquisition calculated in accordance with Clause 14.4.2.3.

- 14.4.6.3 Should the **Insured** elect to settle a claim or any part thereof in accordance with **Basis of Settlement** Clause 4.28, for the purpose of the application of this **Condition 14.4.6** (and **Condition 7.3** insofar as it applies) the full value of such property at the time of acquisition shall be the INDEMNITY VALUE.
- 14.4.6.4 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.

#### 14.5 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 **Gross Rentals** and **Insured Payroll** (as applicable), (or appropriately 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 **Definition 1.9 Declared Values**. 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 **Payroll** 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 **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 be entitled to a pro rata proportion of the **Premium**, subject to any adjustment in accordance with **Condition 14.5**, 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

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** named or described in this **Policy** (including its directors, officers, employees and servants).

#### 14.8 Observance of Terms and Conditions

- 14.8.1 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.

14.8.2 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.

#### 14.9 **Contractual Agreements**

When in the ordinary course of **Business** the **Insured** enters into a contractual agreement which provides that the **Insured** shall release from liability another party in respect of **Damage** which may occur as a result of any peril or circumstance insured by the **Policy**, this insurance shall not be prejudiced by the **Insured** entering into such agreement.

#### 14.10 **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**.

#### 14.11 **Goods and Services Tax**

GST, Input Tax Credit, Acquisition and Supply have the same meaning as given to those expressions in A New Tax System (Goods and Services Tax) Act 1999 and related legislation as amended from time to time.

Taxable Percentage is the **Insured's** entitlement to an Input Tax Credit on the **Premium** as a percentage of the total GST on that **Premium**.

14.11.1 Where the **Insurer** makes a payment under this **Policy** for the acquisition of goods, services or other Supply, the amount of the payment will be reduced by the amount of any Input Tax Credit that the **Insured** is, or will be, entitled to in relation to that Acquisition, whether or not the **Insured** makes that Acquisition.

14.11.2 Where the **Insurer** makes a payment under this **Policy** as compensation instead of payment for the acquisition of goods, services or other Supply, the **Insurer** will reduce the amount of the payment by the amount of any Input Tax Credit that the **Insured** would have been entitled to had the payment been applied to acquire such goods, services or other Supply.

Any GST amount paid by the **Insurer** shall be in addition to the **Limit(s) of Liability** specified in the **Schedule**.

No payment shall be made to the **Insured** for any GST liability that they may acquire upon settlement of a claim if the **Insured** has not informed the **Insurer** of its correct Taxable Percentage.

#### 14.12 **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.

#### 14.13 **Proper Law**

The **Insurer** and the **Insured** hereby submit to the jurisdiction of all Australian Courts in relation to all matters arising under this **Policy**.

## 15. Endorsements

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

### Extent of Cover – Section 1

#### 15.1 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, 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.

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

- 15.1.1 wearing away or wasting of the material of the plant whether by leakage, corrosion or by the action of the fuel or otherwise;
- 15.1.2 slowly developing deformation or distortion of any part of the plant;
- 15.1.3 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;
- 15.1.4 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:

- 15.1.5 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.
- 15.1.6 overheating, such **Damage** must be sudden and accidental to constitute a claim under this Extension.
- 15.1.7 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 6.2.4, 6.2.5, 6.2.6 and 6.2.8** are deemed to be inoperative.
- 15.1.8 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.
- 15.1.9 Any **Sub-Limit of Liability** or **Deductible** appearing in the **Schedule** against the term "**Unspecified Damage**" shall not apply to the cover granted by this **Endorsement**.
- 15.1.10 The liability of the Insurer shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Boiler and Pressure Vessel Explosion**".

## 15.2 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:

- 15.2.1 depreciation, wear and tear;
- 15.2.2 loss, destruction of or **Damage** to:
  - 15.2.2.1 lighting or heating elements, fuses or protective devices;
  - 15.2.2.2 electrical contacts at which sparking or arcing occurs in ordinary working.
- 15.2.3 For the purpose of this **Endorsement**, **Exclusions 6.2.1, 6.2.5, 6.2.6 and 6.2.8** are deemed to be inoperative and **Exclusions 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**.
- 15.2.4 any **Sub-Limit of Liability** or **Deductible** appearing in the **Schedule** against the term "**Unspecified Damage**" shall not apply to the cover granted by this **Endorsement**.
- 15.2.5 The liability of **Insurer** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Fusion**".

## 15.3 Machinery Breakdown

This **Policy** extends to indemnify the **Insured** against **Machinery Breakdown** which shall mean the actual breaking, seizing, deformation or burning out of any part of a **Machine** whilst in use arising from either mechanical or electrical or electronic defects in the **Machine** causing sudden stoppage of the functions thereof and necessitating repair or replacement before it can resume working.

For the purpose of this **Endorsement**:

- 15.3.1 "**Machine**" shall mean any apparatus, including electronic control equipment, whether functioning independently or as part of a collection of apparatus which generates, contains, controls, transmits, receives, transforms or utilises any form or source of energy or power.
- 15.3.2 The **Insurer** shall not be liable for **Damage** (as provided under this Extension) arising in relation to:
  - 15.3.2.1 any x-ray machine, electron microscope, particle accelerator, beat gauge or spectrograph;
  - 15.3.2.2 electric wiring and fittings associated with lighting and power circuits;
  - 15.3.2.3 any vehicle or mobile equipment whilst being driven on a public thoroughfare (but **Damage** to such property whilst being used on the **Premises** as a tool of trade is not excluded) aircraft or floating vessel.
  - 15.3.2.4 any penstock, draught tube or well casing;
  - 15.3.2.5 any steam or gas turbine generator unit of capacity exceeding 250 horse power or equivalent;
  - 15.3.2.6 any sewer piping, underground gas piping, piping forming part of a sprinkler system or any water piping other than air, steam and feed water piping systems attaching to boilers, pressure vessels and air-conditioning systems.
- 15.3.3 The **Insurer** shall not be liable for:
  - 15.3.3.1 **Damage** caused directly and solely by:
    - 15.3.3.1.1 wear and tear and gradual deterioration (whether by wasting, grooving, rust, corrosion, erosion or otherwise) nor for the cost of maintenance work generally;
    - 15.3.3.1.2 gradually developing flaws, deformation, distortion, cracks or partial fractures;
    - 15.3.3.1.3 loose parts or defective joints or seams;

This **Exclusion 15.3.3.1** shall be limited to that part of the **Machine** immediately affected and shall not apply to any other part(s) of the **Machine Damaged** in consequence.

- 15.3.3.2 Repair or renewal of non-metallic parts and expendable tools, blades, edges, moulds, dies, templates, screens, sieves, ropes, belts and like items subject to rapid wear and tear unless such repair or renewal thereof is necessitated by **Damage** to any other part(s) of the **Damaged Machine**.
  - 15.3.3.3 **Damage** arising from the intentional direct application of any tool or process to a **Machine** during the course of repair, alteration, modification, maintenance or overhaul thereof.
  - 15.3.3.4 **Damage** to a **Machine** which, at the time of the occurrence, is undergoing the application of hydraulic test or any other form of testing involving abnormal stress or intentional overloading except with the prior consent of the **Insurer**.
- 15.3.4 The **Basis of Settlement** shall be in accordance with Clause 4.3 REINSTATEMENT VALUE and provisions 4.4, 4.5 and 4.6 provided that:
- In the event that the **Insured** does not elect to request settlement of any loss under the abovementioned clause and provisions the **Basis of Settlement** shall be:
- 15.3.4.1 In the case of repairable damage - the cost of restoration to normal working order comprising the value of replacement parts, labour charges at standard rates of wages, transport costs at ordinary rates and customs dues or other imports if levied. The value of any damaged parts replaced which can be reused in any way whatsoever may be deducted.
  - 15.3.4.2 In the case of total loss - the market value of the **Machine** immediately prior to the occurrence of the **Damage** plus the cost of dismantling necessary to remove the item from its installed position but minus the value of any salvage. An item will be deemed a total loss if the cost of repair as defined in Clause 15.3.4.1 equals or exceeds the market value immediately prior to the occurrence of **Damage**.
- 15.3.5 In respect of each claim for **Damage** to any **Machine** for which the **Insurer** shall have admitted liability the **Insurers**, upon the request of the **Insured**, shall also pay:
- 15.3.5.1 penalty rates for wages during overtime, shift, night, Sunday or holiday working;
  - 15.3.5.2 payment for carriage by express passenger, fast goods or other rail or road transport; and
  - 15.3.5.3 payment for carriage by air freight via a licensed airline operating a regular schedule service but not by aircraft chartered for such carriage unless agreed in writing by the **Insurer**;
- which will expedite repair or replacement of the **Damaged Machine**, provided that such expediting costs shall not exceed 50% of the normal cost of repair of the **Damaged Machine**.
- 15.3.6 **Exclusions 6.2.1, 6.2.4, 6.2.5, 6.2.6 and 6.2.8** 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 machinery 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**.
- 15.3.7 Any **Sub-Limit of Liability** or **Deductible** appearing in the **Schedule** of this **Policy** against the term "**Unspecified Damage**" shall not apply to the cover granted by this **Endorsement**.
- 15.3.8 The liability of **Insurer** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Machinery Breakdown**".

#### 15.4 Data Processing/Media/Computer Breakdown

This **Policy** extends to cover electronic data processing system(s) including peripheral equipment and media against any sudden and unforeseen **Damage** whilst such property is within the precincts of the **Situation** and/or **Premises** and working or at rest or being dismantled, moved, reassembled or reinstalled for the purpose of cleaning, adjustment, inspection, repair, overhaul or relocation but only after successful commissioning at the **Situation** and/or **Premises**.

It is further agreed that:

- 15.4.1 **Exclusions 5.1, 6.2.1, 6.2.3, 6.2.5, 6.2.6, 6.2.8, 6.2.12 and 6.2.13** shall not apply to the cover granted by this **Endorsement**;
- 15.4.2 **Exclusion 6.2.6** shall be limited to that part of the system/equipment immediately effected and shall not apply to other part(s) **Damaged** in consequence;
- 15.4.3 the **Insurer** shall not be liable for costs otherwise recoverable under any service/maintenance contract or under any maker's or manufacturer's warranty but the **Insurer** shall be liable for consequential loss as **Insured** by this **Policy**;
- 15.4.4 the word "tangible" is deleted from **Definition 1.3**;
- 15.4.5 Clause 2.1.2 is amended to read "in transit";
- 15.4.6 Clauses 12 and 13.1 shall not apply to loss (as provided for in **Section 2** of this **Policy**) resulting from **Damage to Property Insured** 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**;
- 15.4.7 any **Sub-Limit of Liability** or **Deductible** appearing in the **Schedule** against the term "**Unspecified Damage**" shall not apply to the cover granted by this **Endorsement**.

#### 15.5 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**;

- 15.5.1 Clause 2.1.2 is amended to read "in the case of property other than **Money**, stock and merchandise, whilst in transit";
- 15.5.2 **Exclusion 5.1** is deemed inoperative and **Exclusions 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:

- 15.5.3 ordinary leakage, ordinary loss in weight or volume of any **Property Insured**;
- 15.5.4 loss, **Damage** or expense proximately caused by delay;
- 15.5.5 loss, **Damage** or expense arising from insolvency or financial default of the owners, managers, charterers or operators of any vessel;
- 15.5.6 loss, **Damage** or expense arising from:
  - 15.5.6.1 unseaworthiness of a vessel or craft;
  - 15.5.6.2 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.
- 15.5.7 The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Property in Transit**".

## 15.6 Spoilage of Stock and/or Merchandise

This **Policy** extends to cover **Damage** to stock and/or merchandise caused by deterioration, putrefaction, contamination or changes in temperature arising from any cause whatsoever other than work bans, shortage of fuel or the deliberate withholding of electricity supply.

## 15.7 Crime Split Clause

### 15.7.1 Crime Split Clause (Money & Theft Excluded)

**Section 1** of this **Policy** does not cover loss of **Property Insured** (including **Money**) as a result of Theft.

For the purpose of this **Endorsement**, Theft shall mean:

15.7.1.1 theft with or without actual forcible and violent entry upon any premises;

15.7.1.2 theft by a person feloniously concealed on any premises;

15.7.1.3 theft consequent upon threat of violence or violent intimidation.

Nothing contained in this **Endorsement** shall preclude the **Insured** from making a claim under **Section 2 Interruption Insurance** of this **Policy** provided that the **Insured** has suffered loss as described in Clause 9.1 and has in particular satisfied Clause 9.2. Except to the extent provided herein the terms, **Conditions** and limitations of this **Policy** shall apply.

### 15.7.2 Crime Split Clause (Money & Theft Included)

This **Policy** only covers loss of **Property Insured** (including **Money**) as a result of Theft.

Theft shall mean:

15.7.2.1 theft with or without actual forcible or violent entry upon any premises;

15.7.2.2 theft by a person concealed on any premises;

15.7.2.3 theft consequent upon threat of violence or violent intimidation

Further this Theft cover applies only as provided for in **Section 1** of this **Policy**.

## Additional Cover – Section 1

### 15.8 Temporary Accommodation Expenses

This **Policy** extends to include under Clause 3.2 the following additional cover.

The temporary accommodation of persons following **Damage** to premises used solely or principally for residential purposes, but only where the **Insured** has been providing accommodation prior to the **Damage** and only in so far as such cost(s) are not otherwise insured. Any single claim resulting from this extension shall be limited to the rentable value of such premises **Damaged** proportioned to the time reasonably necessary for reinstatement of such premises but not exceeding twelve (12) months in respect of any one loss.

## Basis of Settlement – Section 1

### 15.9 Extra Cost of Reinstatement

The Extra Cost of Reinstatement Clause 4.5 is amended by deleting Provision 4.5.3.

### 15.10 Constructive Total Loss

This **Policy** includes constructive total loss of **Property Insured**.

There shall be deemed to be a constructive total loss when the **Property Insured** or any part thereof is reasonably abandoned:

15.10.1 because its actual total loss seems unavoidable, or

15.10.2 because it could not be preserved from actual total loss without an expenditure which would exceed its repaired and/or recovered value.

The words “actual total loss” shall mean loss, destruction or damage (and not merely physical loss, destruction or damage) of or to the **Property Insured** or any part thereof.

## Exclusions – Section 1

### 15.11 Motor Vehicles on Premises

**Property Exclusion 5.6** is amended to read:

- 5.6 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 otherwise insured) while on any premises occupied or used by the **Insured**.

### 15.12 Livestock – Fire or Lighting

**Property Exclusion 5.7** is amended to read:

- 5.7 Live animals, birds or fish, or any other living creature, other than livestock by fire or lightning or humane slaughter directly resulting from one of these causes.

### 15.13 Docks, Wharves and Piers

**Property Exclusion 5.11** and **Circumstances Exclusion 13.2.2** are deleted

### 15.14 Flood Exclusion

This **Policy** is amended to exclude **Flood** as follows;

This **Policy** does not cover **Damage** to any **Property Insured** located at the **Situation** designated in the **Schedule** under this **Endorsement 15.14** caused by or occasioned through **Flood** or loss under **Section 2** resulting therefrom.

### 15.15 Action of the Sea, Tidal Wave or High Water (Storm Surge Deleted)

The Proviso to Clause 6.2.2 and 6.2.3 of the **Policy** is amended, in relation to Clause 6.2.3 only, to the extent that the words “or storm and tempest having a wind force of scale II on the “Beaufort Scale of Wind Force” or greater,” are deleted.

### 15.16 Subsidence

**Exclusion 6.2.2** is deleted and the **Policy** is extended to include **Damage to Property Insured** caused by or occasioned through subsidence, earth movement, landslip, erosion or collapse resulting from any of the foregoing circumstances, but excluding

- 15.16.1 all loss or damage if signs of subsidence, earth movement, landslip or erosion were apparent on the site before this insurance commenced,
- 15.16.2 **Damage** arising from coastal erosion, settlement of newly made up ground or settlement caused by the bedding down of new structures.
- 15.16.3 **Damage** to paths, paved areas, drives, fences, gates, boundary and retaining walls unless an insured building is **Damaged** by the same event.
- 15.16.4 loss to the extent that compensation is recoverable under legislation

**Exclusions 6.2.5** and **6.2.8** shall not apply to the cover provided by this **Endorsement**.

Provided always that the limitations and exclusions applicable to this **Endorsement 15.16** shall not apply if **Damage** is caused by or arises out of an earthquake or seismological disturbance or storm and tempest or rainwater or **Flood**.

- 15.16.5 The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against “**Subsidence**”.

### 15.17 Action of Water from the Sea, Tidal Wave or High Water

**Exclusion 6.2.3** is deleted.

The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against “**Action of Water from the Sea, Tidal Wave or High Water**”.

### 15.18 Transmission and Distribution lines the property of the Insured Exclusion

This **Policy** is amended to exclude **Damage** to transmission and distribution lines and their supporting structures as follows:

This **Policy** does not cover **Damage** to overhead transmission and distribution lines and their supporting structures the property of the **Insured** that carry electric current and/or telecommunication services which are beyond three hundred (300) metres from an insured structure or loss under **Section 2** resulting therefrom.

## Conditions – Section 1

### 15.19 Average/Underinsurance

Conditions 7.2 and 14.4.6 are deleted.

## Extent of Cover – Section 2

### 15.20 Suppliers' and/or Customers' Premises

Cover provided under Clause 9.1.1.6 **Extent of Cover** is extended to apply in respect of premises and/or property situated anywhere in the World.

### 15.21 General Area Damage - Flood Included.

**Extent of Cover** Clause 9.1.1.9 is amended by deleting the final sentence " This Clause shall not apply to **Damage** caused by **Flood**."

### 15.22 Other Contributing Properties

The following extension is added to **Extent of Cover** clause 9.1.1

any other property (not more specifically mentioned in **Section 2** of this **Policy**) situated anywhere in Australia including but not limited to roads, railway tracks and/or bridges not owned or operated by the **Insured** but which wholly or partly prevents delivery of materials goods or services to the **Insured** and/or **Insured's** Suppliers or Customers (whether the **Premises** or any property of the **Insured** shall be the subject of **Damage** or not).

**Property Exclusions** 5.4, 5.6, 5.10 and 5.11 shall not apply to the cover provided under this extension.

The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Other Contributing Properties**".

### 15.23 Trade Exhibitions

The following extension is added to **Extent of Cover** clause 9.1.2

the curtailment, cancellation or postponement of any trade exhibition anywhere in the World as a result of **Damage** to the exhibition building and/or property exhibited therein.

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

### 15.24 Court Injunction

The following extension is added to **Extent of Cover** clause 9.1.2

closure of the whole or part of the Premises by injunction or order of a competent court of law or magistrate, pending litigation.

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

### 15.25 Port Blockage

The following extension is added to **Extent of Cover** Clause 9.1.2.

Notwithstanding the provisions of **Excluded Circumstance** 13.2 or **Property Exclusions** 5.4, 5.10 and 5.11, for the purposes of this additional Clause, the term "Damage" is extended to include partial or total blockage of the local port, harbour or wharf, which causes disruption to shipping and is caused by:

15.25.1 stranding, grounding, sinking or capsize and/or through collision or contact of any vessel or craft with any other vessel, craft, structure or other object of any kind;

15.25.2 damage to or collapse of any bridge;

15.25.3 damage to or collapse of any dock, wharf or pier or the foundering of any materials handling equipment, locomotive, rolling stock or vehicle falling overboard from any dock, wharf or pier.

Any such blockage shall be deemed to be **Damage** to property used by the **Insured** at the **Premises**.

15.25.4 The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against "**Port Blockage**".

#### 15.26 Interdependency

The following extension is added to **Extent of Cover** Clause 9.1.1.

any property at any premises in the world of related corporations (as defined by Australian Companies Codes) or subsidiary companies of the **Insured**.

This endorsement only applies to those related companies or subsidiary companies who are not already an **Insured** under this **Policy**.

Clause 9.2 shall not apply to this Endorsement.

## Basis of Settlement – Section 2

#### 15.27 Cancelled Programme Expenses

**Section 2** of this Policy is extended to cover the following additional item:

##### **Basis of Settlement**

##### **Actual Loss of Expenses in Respect of Cancelled programmes**

The **Insured** is indemnified with respect to loss of expenses in respect of cancelled programmes and the amount payable as indemnity shall be the expenditure unavoidably incurred in connection with programme events not televised in consequence of the **Damage** (or due allowance of such total expenditure for programmes partially televised) less any salvage value of the recordings made or the work done.

#### 15.28 Rents Payable

**Section 2** of the **Policy** is extended to cover the following additional item:

##### **Basis of Settlement**

##### **Amount of Rent(s) Payable**

The insurance under this Item is in respect of rent and other expenses payable, or insurable, by the **Insured** in accordance with the terms of any lease agreement and the amount payable as indemnity thereunder, in the event of **Damage**, shall be such amount(s) as the **Insured** shall be legally liable to pay and/or insure or the Lessor shall be legally entitled to receive, under the terms of the lease; together with the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the amount otherwise payable under this Item.

#### 15.29 Research Establishment Expenditure

**Section 2** of this Policy is extended to cover the following additional item:

##### **Basis of Settlement**

The **Insured** is indemnified with respect to the **Research Establishment Expenditure** necessarily and reasonably incurred during the Indemnity Period to rework and/or recreate research and/or development project(s) affected by the **Damage** to return the project(s) to the same stage as it/they was/were at immediately prior to the **Damage**.

For the purpose of this Endorsement Definition 8.6 is amended to read:

**Indemnity Period:** The Period beginning with the occurrence of the **Damage** and ending not later than the Maximum **Indemnity Period** stated in the Schedule thereafter during which the results of the **Research Establishment** shall be affected in consequence thereof.

And the following **Definitions** are added:

**Research Establishment** means any section or department within the **Insured** that undertakes research or development projects.

**Research Establishment Expenditure** means the total expenditure on research or development by the **Insured**.

The liability of **Insurers** shall be limited to the **Sub-Limit of Liability** stated in the **Schedule** against “**Research Establishment Expenditure**”.

### 15.30 Royalties Receivable

Section 2 of the Policy is extended to cover the following additional Item:

#### Basis of Settlement

##### Actual Loss of Royalties Receivable

The **Insured** is indemnified with respect to loss of Royalties receivable during the **Indemnity Period** in consequence of **Damage** to property at the premises anywhere in the World of any company from whom the **Insured** derives Royalties. This **Policy** also extends to cover the expenditure necessarily incurred for the purpose of reducing any loss not exceeding however the amount by which the loss is thereby reduced. For the purpose of this **Endorsement**, Royalties receivable shall be deemed to be loss resulting from **Damage to Property Insured**.

#### Definition

Royalties means the income derived by the **Insured** from the use by others of patents, rights and/or formulae of the **Insured** for which compensation or payment is made.

### 15.31 Accommodation Bond Expenses

Section 2 of the Policy is extended to cover the following additional Item:

#### Basis of Settlement

The **Insured** is also indemnified with respect to:

- 15.31.1 any additional interest paid or payable and other costs incurred by the **Insured** during the **Indemnity Period** in consequence of the **Damage** to finance the reimbursement of any accommodation bonds and / or any other refunds required; and
- 15.31.2 any lost interest income of the **Insured** during the **Indemnity Period** in consequence of the **Damage** due to the **Insured** having to reimburse any accommodation bonds,

under the terms of any tenancy agreement entered into by the **Insured** to comply with the requirements of any statute or regulation.

#### Conditions applying to Sections 1 and 2

### 15.32 Cancellation

The period of prior written notice required to be given by the **Insurer** under Clause 14.6.2 is amended from thirty (30) days to ninety (90) days.

### 15.33 World-Wide Cover

This Policy is extended to provide cover anywhere in the World except for in prohibited countries specified herein. The following additional **Conditions** shall apply:

- 15.33.1 References to "Australia" wherever appearing in this **Policy** (other than in **Condition 14.13 Proper Law**) shall be substituted by references to "The World" or, where applicable, by references to those countries designated in **The Situation** in the **Schedule**.
- 15.33.2 **Prohibited Countries** - Afghanistan, Albania, Angola, Armenia, Azerbaijan, Balkans, Bulgaria, Belarus, Bosnia-Herzegovina, Caribbean, Caribbean-Macquiladora, Cambodia, Croatia, Cuba, Democratic Republic of Congo, El Salvador, Georgia, Guam, Haiti, Iran, Iraq, Kazakhstan, Kampuchea (Cambodia), Kyrgyzstan, Laos, Lebanon, Liberia, Libya, Macedonia, Mongolia, Moldova, Montenegro, Myanmar, Nicaragua, North Korea, Pakistan, Romania, Rwanda, Serbia, Sierra Leone, Somalia, Sudan, Syria, Tajikistan, Tibet, Turkmenistan, Ukraine, Uzbekistan, Yugoslavia, Zaire, Zimbabwe and all former countries of the USSR.
- 15.33.3 **Tenants' and Neighbour's Liability**

Notwithstanding Exclusion 6.4 where **Property Insured** is located in a country which is subject to the Napoleonic or similar civil code, in the event of **Damage** to such property or any part thereof, the **Insurer** will indemnify the **Insured** for liability imposed by that code in respect of

  - 15.33.3.1 tenants' liability, being those financial consequences of the liability which the **Insured** may incur as tenant, in respect of **Damage**, under articles of any civil code;
  - 15.33.3.2 neighbours' liability, being those financial consequences of the liability which the **Insured** may incur under articles of any civil code for any **Damage** caused to the property of neighbours and co-tenants.
  - 15.33.3.3 tenants' claims against the **Insured** as landlord, being those financial consequences of the liability incurred under articles of any civil code by the **Insured**, for any **Damage** caused to property of the said tenant(s), as a result of constructional defects or lack of maintenance.

#### 15.33.4 **Representation Overseas**

In each territory outside Australia to which this **Policy** applies, the **Insurer** (or if there is more than one **Insurer**, any one of the **Insurer** represented there and authorised by the **Insured**) or its accredited representative shall act on behalf of the **Insurer(s)** of this **Policy** and shall issue a local **Policy** in that territory if necessary. All such policies shall be subordinate to this **Policy** except to the extent that the terms and conditions of any such **Policy** are wider in scope than this **Policy**.

#### 15.33.5 **Difference in Conditions**

Subject to the limitations expressed elsewhere in this **Policy** and in this clause, loss sustained by the **Insured** in any territory outside Australia in which the **Insured** carries on business shall be covered by this **Policy**:

- 15.33.5.1 when no local Property Insurance and/or Interruption Insurance policy/ies protecting the **Insured's** interests are in force; and
- 15.33.5.2 to the extent that the amount recoverable under the local Property Insurance and/or Interruption Insurance , policy/ies is less than the loss sustained by the **Insured**, whether due to the application, exhaustion or aggregation of any limit of liability, sum insured or indemnity period or the application of a under insurance or average clause or condition; and
- 15.33.5.3 when the terms and conditions set forth in this **Policy** are broader in meaning and/or scope than those contained in any other policy or policies issued to comply with local statutory requirements or to provide local coverage underlying this **Policy**.

Unless prior consent is given by the **Insurer** of this **Policy**, all such local coverage shall be maintained in force by the **Insured** during the currency of this **Policy** and any such local policies issued by the accredited representative(s) of the **Insurer** of this **Policy** shall be renewed without restricting their coverage. The failure of the **Insured** to comply with the foregoing shall not invalidate this **Policy** but in the event of such failure the **Insurer** shall only be liable to the same extent as if the **Insured** had complied with this condition.

In respect of any claim payable under this Clause, the **Insured** shall bear as a self insured loss the greater of any applicable **Deductibles** under this **Policy** and any underlying local policy.

#### 15.33.6 **Jurisdiction**

Except as otherwise specifically indicated elsewhere in this **Policy**, any dispute concerning interpretation of the terms, conditions, limitations and/or exclusions of this **Policy** shall be subject to Australian law, unless any other legal code shall be mutually agreed between the **Insured** and the **Insurer** more appropriate.

Each party hereby agrees to submit to the jurisdiction of any Court of competent jurisdiction within Australia (unless any other jurisdiction shall be mutually deemed by the **Insured** and the **Insurer** as more appropriate) and will comply with all requirements necessary to give such Court jurisdiction and all matters arising hereunder shall be determined in accordance with the law and practice of such Court.

Service of process in such suit in a territory outside Australia may be made upon the accredited representative of the **Insurer** in that territory, who is duly authorised to accept service of process on behalf of the **Insurer** of this **Policy**.

It is further agreed that in any suit instituted against any one **Insurer** upon this **Policy**, the **Insurer** will abide by the final decision of such Court or of any Appellate Court in the event of an Appeal.

At the request of the **Insured**, the person authorised to accept service of process shall give a written undertaking to the **Insured** that he will enter a general appearance upon behalf of the **Insurer** in the event such suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States of America which so provides, the **Insurer** of this **Policy** hereby designate the Superintendent, Commissioner or Director of Insurance or other successors in office as their true and lawful attorney, upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the **Insured** arising out of this contract of insurance and hereby designate their accredited representative in the United States of America as the person to whom that officer is authorised to mail such process or a true copy thereof.

#### 15.33.7 **Currency**

The currency applicable to this **Policy** shall be Australian dollars. When conversion from or to any other currency is required, the exchange rate applicable shall be:

- 15.33.7.1 in respect of claims; the market rate at the time of settlement,
- 15.33.7.2 in respect of premiums; the market rate at the time of payment by the **Insured**.
- 15.33.7.3 in respect of **Declared Values**; the market rate at the date on which such declarations are made, in accordance with **Definition 1.9** of the **Policy**.

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