

MASTERINING COMPREHENSIVE MACHINERY INSURANCE



SHUMAIL IQBAL
ARe|AIDA|ACII|MBA

AGENDA

-
- Overview of Middle East Insurance Standing vs Pakistan Standing
 - Evolution of Machinery Insurance & Emergence of CMI
 - To whom and why it is important
 - What Can Be Insured?
 - Policy Structure and Layout of the policy.
 - Explore the product's coverage, structure, and benefits
 - Business Interruption under CMI
 - Machinery Breakdown, EEI, PAR vs. CMI – basic overview
 - Benefit of CMI from the Cost and administrative perspective
 - Basis of Claim & Indemnity Mechanism
 - Extensions and limitation
 - Comparison table: CMI vs. MB vs. EEI vs. PAR
 - Case example walkthrough of CMI wording
 - Real-life claim scenarios and how different policies respond
 - Identifying **coverage gaps** in traditional policies

Overview of Middle East Insurance Standing vs Pakistan Standing for the year 2024

Pakistan

GWP
(US)

0.96b+

GWP
(PKR)

270b+

Growth(YOY)

20%

No of Insurance Co

29



United Arab Emirates

GWP
(US)

13.10b+

Growth(YOY)

21%

GWP
(AED)

48.1+

No of Insurance Co

28



Kingdom of Saudi Arabia

GWP
(US)

19.59b+

Growth(YOY)

15%

GWP
(SAR)

73.5b+

No of Insurance Co

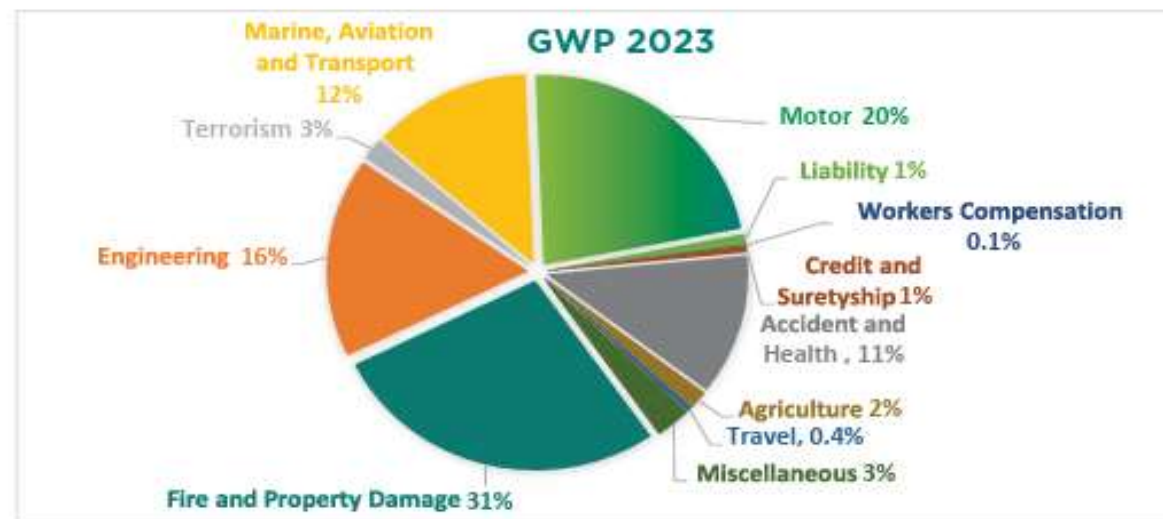
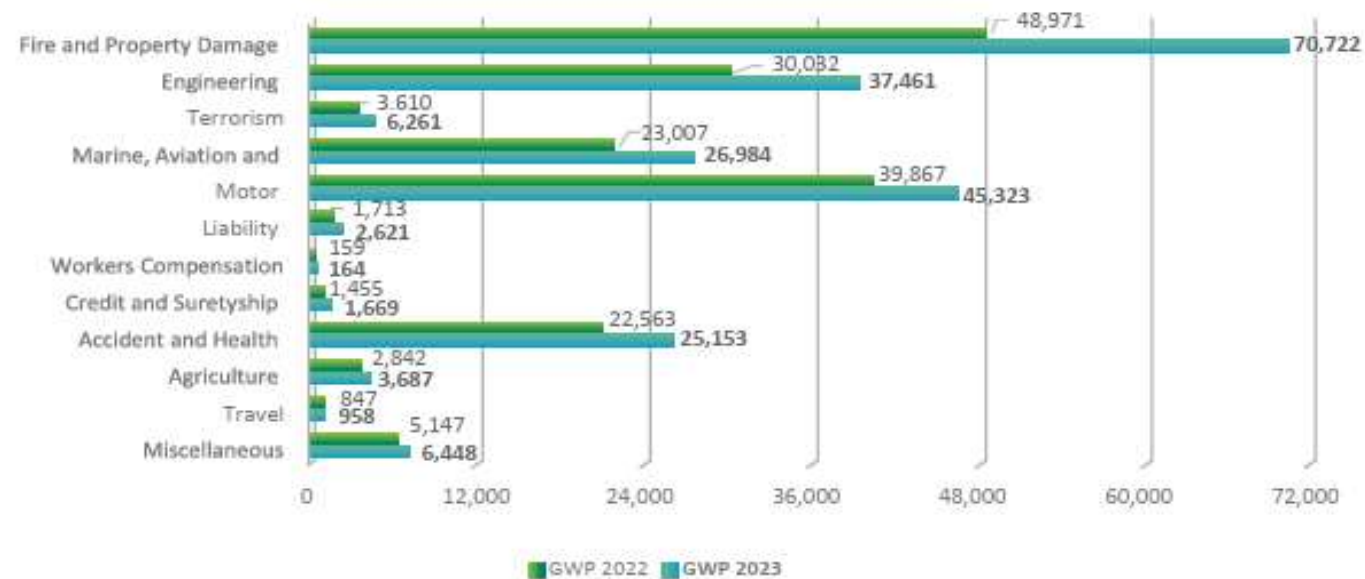
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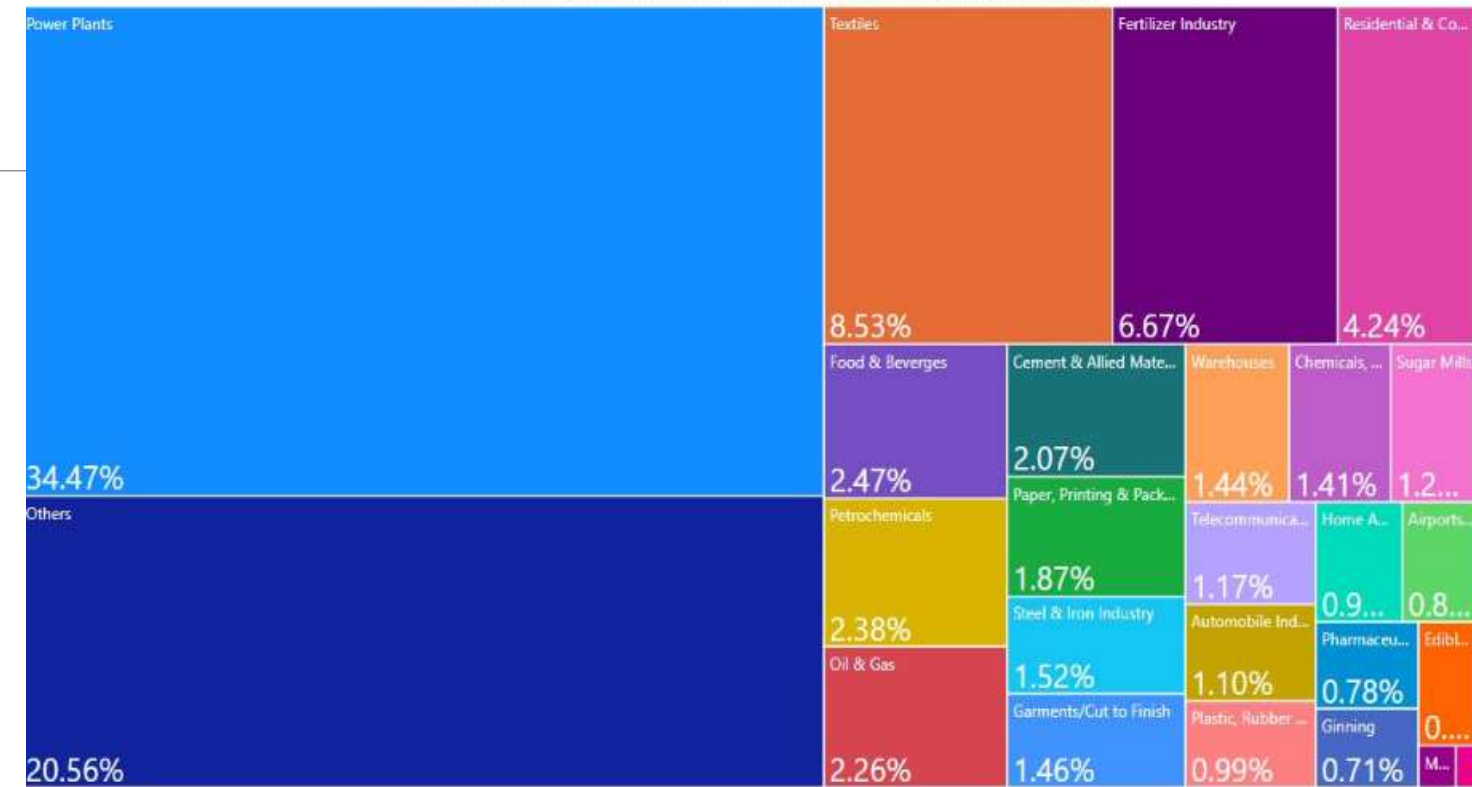
INDUSTRYWISE PERFORMANCE ANALYSIS

Industry's GWP - 2022 and 2023

Rs. in million



PROPERTY PREMIUM BY INDUSTRY FOR THE YEAR 2023



Energy industry (Power Generation) enjoying the leading position with approx. 35% of total property premium portfolio.

EVOLUTION OF COMPREHENSIVE INSURANCE

- In the 1920s, insurance for low-voltage installations was brought out in particular to cover telephones and telepointers
- In the 1950s, this evolved into electronic equipment insurance as developments in the areas of computing and electro medicine
- As businesses became increasingly dependent on technical equipment and machinery and therefore machinery business interruption insurance was introduced
- The CMI (Comprehensive Machinery Insurance) policy wording was introduced by Munich Re in the early 21st century.

TO WHOM AND WHY IT IS IMPORTANT

For Clients

- 1). Offers broader, simpler, and standardized cover for modern machinery “All risk cover”
- 2). Better Choice in terms of pricing as it’s a package policy.

For Agents and Brokers

- 1) GaP in existing prevailing cover i-e Fire and Allied perils.
- 2) Create a Unique Selling points (USP)

For Underwriting and Risk Carrier

- 1) Effectively manageable due to single policy covering various line of business.
- 2) Enhance the engagement and relationship with international underwriters and risk carriers.

WHICH INDUSTRIES ARE NOT SUITABLE

Designed for **both large** and **small industrial** clients However, few industries fall under the suitable vertical and few are less suitable .

Noticeable points is that the debate of offering to only specific industries **has come to and end.**

Suitable

- Power plants,
- Transformer stations,
- Cement factories,
- Machines for the construction industry and Breweries,
- Bottling plants
- Water supply systems

Less Suitable

- Fertilizer factories –
- Textile industry –
- Warehouses – Printing works, bookbinding works – Microprocessor production plants – Shopping centers –
- Automotive industry



CMI POLICY STRUCTURE

Section -1 Operational Material Damage (Compulsory)

Section: 2 Business Interruption (Loss of Profit)/Consequential Losses

NATURE OF ASSETS CAN BE ADDED OR EXCLUDED

POLICY SECTION-2- ASSEST CAN BE COVERED

1. Building and their contents.
2. All types of machineries, apparatus, electrical equipment's,
3. Boilers, Turbines, Generators, Transformer, Switchgear
4. Stocks, goods being processed and Finished Goods
(Owned, operated or held in the care, custody or control of the insured)

POLICY SECTION-8)- PROPERTY EXCLUDED

1. Property in the course of construction and erection
2. Motor vehicles licensed for public roads,
3. Ships, floating equipment's, Aircraft, Vessel,
4. Cash, Stamps, deeds, Art work, jewelleries, precious metals, stones
5. Lands, Roads, Runways, railways dams, reservoirs, canals, drilling rigs
6. Any property underground
7. Plants, livestock's
8. Connections with nuclear reactors, reactors buildings and plants.

TASK-1

Potential client Intend to insured their manufacturing unit assets against maximum line of business having the following risk exposure in PKR

- | | |
|--|--------------------------|
| 1. Building, Gates, Fences, Furniture, Fixture and Fittings | = 100,000,000/- |
| 2. All types of machineries, apparatus, electrical equipment's | = 150,000,000/- |
| 3. Turbines, Generators, Transformer, Switchgear | = 300,000,000/- |
| 4. Boilers | = 30,000,000/- |
| 5. Stock, in process and Finished Goods | = 420,000,000/- |
| 6. Total | = 1,000,000,000/- |

WHICH LINE OF BUSINESS OR WORDING PREVAILING IN THE THIS INDUSTRY CAN BE OFFERED AND WHAT WOULD BE PRICE

S.N	Line of Business	Sum Insuured	Rate	Gross Premium
1	PROPERTY INSURANCE	1,000,000,000	0.12	1,200,000
2	MACHINERY BREAKDOWN	450,000,000	0.55	2,475,000
3	BOILER	30,000,000	0.54	162,000
	TOTAL	1,480,000,000		3,837,000

TASK-1

WITH OFFERING THE CMI, YOU WILL BE COVERING ALL LINES OF BUSINESS ALTOGHETHER OFFERED IN TRADITIONAL WAY WILL BE COVERING IN ONE SINGAL POLICY

TRADITIONAL WAY OF OFFERRING

S.N	Line of Business	Sum Insuured	Rate	Gross Premium
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COMPREHENNSIVE MACHINERY INSURANCE

COMPREHENSIVE MACHINER INSURANCE		Rate	Gross Premium
Building	100,000,000	0.20%	2,000,000.00
Machinery	150,000,000		
Turnbines	300,000,000		
Boilers	30,000,000		
Stock, in process and Finished Goods	420,000,000		
Total	1,000,000,000		2,000,000.00

PRICE SAVING:

47%+

ADDITIONALS INSURANCE COVER (VALUE ADDED FEATURES)

Additional insurance cover If specified in the ***schedule***, the following *additional insurance cover* will be provided subject to the terms contained herein:

- 1) Capital additions: Building, machineries, equipment's, subject to notification within 3 months)
- 2) Expediting expenses: Reasonable extra costs for overtime, night-work, work etc
- 3) Fire, Fighting expenses: Prevent or minimise the extent of any loss or damage
- 4) Hazardous substances: Additional expenses incurred for clean-up, repair, replacement or disposal of any damaged, contaminated or polluted *property*
- 5) Professional fees: Costs necessarily incurred to reinstate loss of or damage to *property*
- 6) Removal of Debris : Costs and expenses necessarily incurred to remove and dispose of debris, to dismantle, demolish, shore or prop up *property insured*

POLICY SECTION- 4

The sum insured should always be the **new replacement value** of the insured machinery. This includes the value of the new item, customs duties, transportation and installation cost

Repairs account for by far the biggest proportion of claims. as machinery insurance indemnifies the full repair costs without making any deduction for old parts being replaced by new ones

POLICY SECTION-10

For machinery and equipment on new replacement value except older than years 5 to be insured settled on market value(depreciation to be applied)

(No deduction shall be made for depreciation in respect of parts replaced.)

Breakup of repairing and restoring cost includes also Dismantling, re-erection, freight and custom duties.

For Stock, good in process and finished good and raw material , the cost required to replace with similar kind and quality.

For plans and drawing, the cost of reproducing

PERILS EXCLUSIONS (APPLICABLE TO ALL SECTION)



- 1) War, Rebellion, **Riot Strike and Civil commotion**
- 2) ~~Act of Terrorism~~
- 3) Loss or damage for which a manufacturer, supplier, contractor or repairer is responsible.
- 4) Wear and tear, rust, corrosion, erosion, boiler scale, incrustation, deterioration, settling, gradual cracking, gradual deterioration due to atmospheric conditions
- 1) Disappearance which is discovered only during an inventory or stocktaking or which is not traceable to a specific occurrence of loss or damage
- 1) any malfunction or hardware, software or embedded chips as well as any loss, corruption or distortion of data.

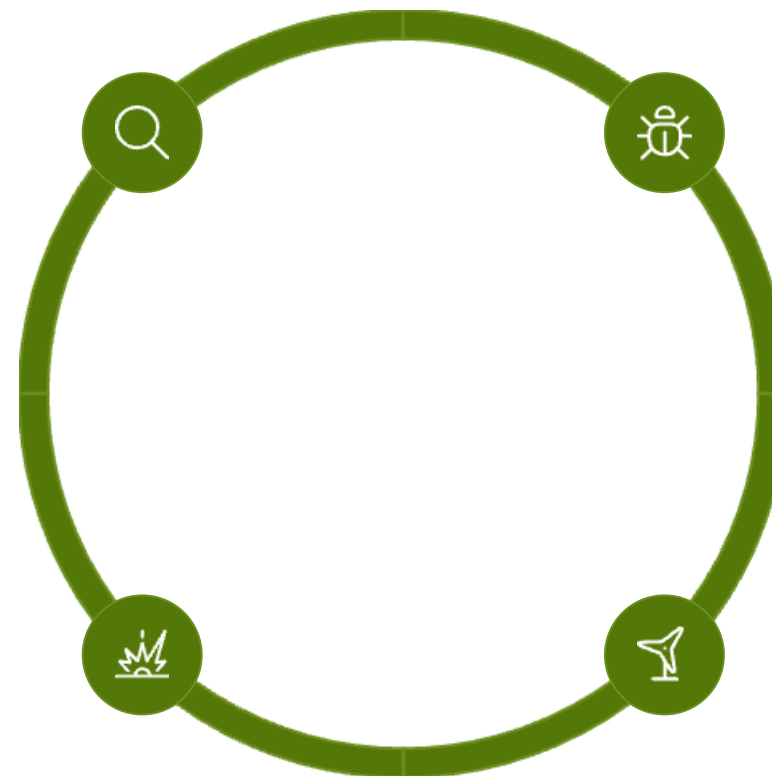
Common Causes of Machinery Claims

Design Faults

Faulty design, calculation, workmanship or material defects.

Physical Explosion

Rupture of pressure vessels causing sudden pressure release.



Operating Errors

Lack of skill, negligence, malicious acts.

Electrical Issues

Short circuit, overvoltage, insulation failure.

CMI Policy - Wordings

CM insurance -Endorsement 1372

Special conditions: overhauling of steam, water and gas turbines and turbo-generator set

This endorsement forms part of

Section 1 (Material damage)	yes
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section 2 (Business interruption)	no
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and is subject otherwise to the terms, provisions, condition and exclusions contained in the policy of insurance or endorsed thereon.

1.Conditions

1.1 The insured shall arrange at his own expense on overhaul in a completely opened-up state of the whole turbo-set or parts thereof at the intervals stipulated under clause 1.2 and shall inform the insurer of such an overhaul in good time so that the insurer's agent may be present during the overhaul at the insurer's expense. The insured shall provide the insurer with reports on this overhaul.

CMI Policy - Wordings

1.2 Unless agreed otherwise between insurer and insured the machine shall be overhauled at the following intervals:

1.2.1 steam turbines and steam turbo-generator sets that operate pre dominantly under continuous load conditions and are provided with comprehensive instrumentation in line with modern technology standards which allow full control of the operation state of the set , at least every six years or after 50,000 equivalent operating hours ,whichever occurs earlier,

1.2.2 steam turbine and steam turbo-generator sets which do not fall into the above category of clause 1.2.1 at least every four years of after 30,000 equivalent operating hours, whichever occurs earlier,

1.2.3 water turbine and water turbo-generator sets in accordance with the manufacturer's recommendations, however at least every four years,

1.2.4 gas turbine and gas-turbo generator sets in accordance with manufacturer's recommendations.

CMI Policy - Wordings

Endorsement 702

Special Warranty Regarding Operation/Maintenance Of The Insured Machinery

It is agreed and understood that otherwise subject to the terms, exclusions, provision and conditions contained in the policy or endorsed thereon, the Insurers shall only indemnify the Insured for loss of or damage to insured machinery if :

- it is operated only by qualified, trained and experienced operator
- a maintenance contract in respect of the above is inforce, or
- in-house maintenance personnel/Engineer are specifically employed to carry out the maintenance job during the currency of the policy and
- Recommendations of the Manufacturer and/or maintenance Contractors for preventive maintenance/safety checks are complied with.

BUSINESS INTERRUPTION - POLICY SECTION-2



EVOLUTION OF BUSINESS INTERRUPTION

- Consequential Loss (Fire) Insurance Policy/ Loss of Profits Insurance Policy/ Business Interruption Insurance Policy.
- Chomage Policies (French word for stoppage of work) – 1860 - %age of anticipated profits paid – same percentage as paid under fire policy.
- Early 1900's – Time lost policy – based on annual profits of business – For each day stoppage – proportional SI paid – only working days considered.
- Both policies – not based on indemnity. •
- Mid 1900's – Current form based on turnover/Output introduced

INTRODUCTION TO BUSINESS INTERRUPTION

- Business Interruption (BI) Insurance aims to replace the lost income/profit which would have been achieved by the business if the interruption to the business had never happened.
- Consequential Loss (Fire) Insurance Policy/ Loss of Profits Insurance Policy/ Business Interruption Insurance Policy.
- **Balance Sheet Protection**
- Good accounting and auditing systems to be in place example: Public limited, Private Companies
- FLOP (Fire loss of profit)
- MLOP/MILOP (Machinery loss of profit) against Machinery Breakdown

FUNCTIONAL OF BUSINESS INTERRUPTION

The usual BI cover deals with the **position of the future earnings** of an **existing business**.

When a property is destroyed or damaged (whether by fire or any other insured contingency) the owner of the property is indemnified by the payment of a sum of money which will enable them to repair or replace it. This **is not, however, the full extent of their loss**.

Repairs to or replacement of the assets will take time during that time we

1. Losing income/profits.
2. Losing orders/customers.
3. Ongoing costs and expenses such as rent, taxes, insurance premiums, some of which may increase.
4. Having to continue to pay salaries and wages.

SCOPE OF COVER

1. Loss of **Gross Profit** due to reduction in **Turnover**.
2. In addition, Increased Cost of Working(ICOW) will be payable.
3. Working expenses/Variable expenses
4. Standing charges/Fixed expenses
5. Uninsured working expenses.

The Business Interruption policy achieves this by:

- Continuing to pay that part of the ongoing costs and expenses which cannot be paid out of the reduced income;
- making up the shortfall in net profit; and
- paying for extra costs incurred in order to prevent or reduce the loss in income such as:(Increase Cost of Working –ICOW)
 - overtime payments,
 - – the cost of provisional repairs,
 - – installation of temporary machinery,
 - – the cost of subcontracting work, and
 - – the cost of alternative premises.

GROSS PROFIT(DIFFERENCE BASIS)

The usual description of the insurance for a manufacturing concern is **Insured profit**. This is defined as:

- a) The combined value of the Turnover, closing stock and work in progress less
- b) The combined value of opening stock and work in progress and Uninsured Working Expenses.

The uninsured working expenses are those which vary in direct proportion to turnover, i.e. purchases, Wages etc

Turnover/Sale	\$	1,060,000
Closing stock and work in process	\$	140,000
Total (A)	\$	1,200,000
Opening Stock and work in process	\$	100,000
Uninsured working expenses(Purchase)	\$	440,000
Power	\$	50,000
Production Wages	\$	250,000
Total (B)	\$	840,000
Insured Profit/Gross Profit	\$	360,000

STANDING CHARGES

What is a standing charges or not a standing charge varies from business to business. Hence, it is insured right to decide what is a standing charge

The key test is whether the charges *do not varies in direct proportion to Turnover / sales or output*

Not covering a standing charge means that in a claim for loss of GP, the same will not be allowed.

Few examples

- 1) Rents, rates, taxes
- 2) Duties, License fees, Patent fees.
- 3) Directors fees, Professional fees.
- 4) Power & Electricity charges, Water Charges.
- 5) Travelling, Vehicle running charges
- 6) Stationery, Postage, Telephones, Computer expenses.
- 7) Insurance premium
- 8) Salaries and wages
- 9) Depreciation
- 10) Interest

GROSS PREMIUM CALCULATION(DIFFERENCE BASIS) (TASK-2)-CALCULATE GROSS PROFIT

Profit (1ST April 2023 to 31st March 2024)

Opening Stock	: USD 85 million
Purchases	: USD 300 million
Sales	: USD 500 million
Closing Stock	: USD 85 million
Salaries	: USD 65 million
Rent:	:USD 25 million
Fixed Utilities expenses	:USD: 8 million
Taxes	:USD 9.5 million
Insurance Premium	: USD 2 million
Auditor's Fees	: USD 2.5 million
Subscriptions	: USD 1.5 million
Telephone, Postage, Stationery	: USD 3.5 million
Advertising	: USD 3 million

GROSS PREMIUM CALCULATION

Profit (1ST April 2023 to 31st March 2024)

Pre-Fire Incident

Sales :

USD 500m

Variable expenses (purchases) : USD 300 million (Uninsured working expenses)

Fixed Expenses : USD 120 million (Standing Charges)

Gross Profit : USD 200 million

Net Profit : USD 80 million.

Fire to Insured building on 1st June 2020

Reinstatement took 6 months.

At the close of financial year, sales were 50% below normal although additional expenditure of USD 25m had to be incurred to bring the same product

What happened to the profit and loss account statement ?

GROSS PREMIUM CALCULATION

	Pre- Fire	Post Fire Incident
Sales :	500m	250 million
Variable expenses	300m	150 million
Gross Profit	200m	100 million
Fixed Expenses	120m	120m
ICOW	-	25m
Net Profit	80m	(45m)

Business Interruption purchase for Gross profit of USD 200M

Insurance paid Rs. 100M against gross profit

Insured paid additional ICOW Rs. 25M Hence total paid 125m

Minus 45M plus 125m = USD 80m

SUM INSURED

If Maximum Indemnity period is 12 months or lower- SI should be annual gross profit.

- If Maximum Indemnity period is greater than 12 months- SI should be annual gross profit multiplied by maximum indemnity period in years.

Example-18 months, then 1.5 times annual gross profit.

24 months – 2 times annual gross profit and so on.

Period of Indemnity	Sum to be Insured
3 Months	Annual Gross Profit
6 months or less	Equivalent of Annual Gross Profit
9 months	Equivalent of Annual Gross Profit
12 months	Equivalent of Annual Gross Profit
15 months	One & Quarter times the Annual Gross Profit
18 months	One & half times the Annual Gross Profit
24 months	Twice the Annual Gross Profit

POLICY PERIOD VS INDEMNITY PERIOD

Policy Period & Indemnity Period

- Policy Period: Usually one year though short period policies are possible.
- Such Damage is caused at any time after payment of the premium during the period of insurance named in the Schedule.
- Policy period not to be confused with indemnity period.

The only relation between these two periods is that the loss must occur and therefore the indemnity period commences to run within the policy period.

Indemnity Period : the period beginning with the occurrence of the Damage and ending not later than _____ months thereafter during which the results of the Business shall be affected in consequence of the Damage.

- ----- months is called the “Maximum Indemnity Period”. This has to be selected by the insured.

POLICY PERIOD VS INDEMNITY PERIOD

Aspects to consider in arriving at **maximum indemnity period**

- Temporary premises – can it be obtained and equipped?
- How long it will take to get back market share?
- Is business seasonal?
- Availability of Buffer stocks of finished goods?
- Imported machinery? From which Country? .

RATE OF GROSS PROFIT

RATE OF GROSS PROFIT – the Rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the damage.

- Turnover from 1st April 2019 to 31st March 2020 : USD 100 million
- Variable expenses: USD 30 million
- Standing charges: USD 35 million
- Assume opening stock and closing stock is USD 10 million
- Date of Loss: 1ST June 2020. • Gross Profit = $(100+10)-(10+30) = \text{USD } 70 \text{ million}$
- Rate of Gross Profit = $70/100 = 70\%$

ICOW & AICOW

Coverage is Loss of Gross Profit due to reduction in Turnover.

In addition, Increased Cost of Working will be payable.

How does the insured arrive at Sum Insured for Increased cost of working?

2) What does the “Economic Principle” in ICOW mean?

3) Give examples of expenses that come under ICOW.

4) Is AICOW a basic cover or an add on cover?

How is it different from ICOW?.

ICOW

No need to declare any Sum Insured for ICOW.

It is automatically covered.

However, cover limit is determined by the “Economic Principle”.

What does the “Economic Principle” in ICOW mean? • 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.

overtime payments,

- the cost of provisional repairs,
- installation of temporary machinery,
- the cost of subcontracting work, and
- the cost of alternative premises.

AICOW

Is AICOW a basic cover or an add on cover?

How is it different from ICOW? •

It is an add on cover.

First loss limit has to be selected by insured.

- Some insured must try to continue their production or services without a break whatever the cost involved in doing so in order to keep competitors out or retain goodwill of their customers.

Public utility companies, newspaper publishers, milk factories fall in this category.

- Economic principle is not applicable to ICOW

CMI Policy - Exclusions

7. Exclusions The following shall be excluded from the cover provided by this *section*:

7.1 loss of *interest insured* due to an interruption or interference with the *business insured* resulting from

7.1.1 loss or damage covered under the operational material damage *section* by way of endorsement, unless expressly specified as covered in the *schedule*;

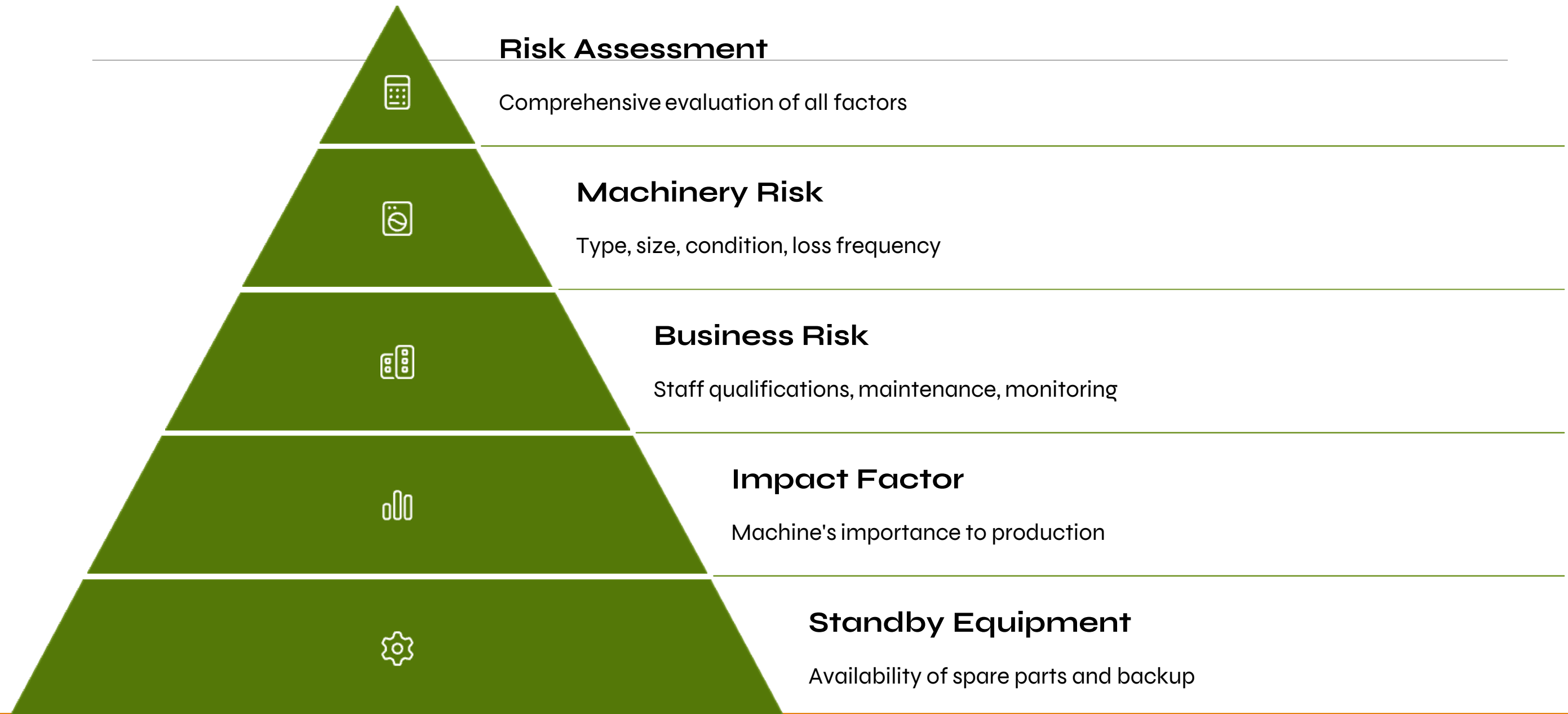
7.1.2 **earthquake, volcanic eruption or tsunami**, unless expressly specified as covered in the *schedule*;

7.1.3 any restrictions imposed by public authority

7.1.4 *consequential loss* which occurs after the date when the items lost, destroyed or damaged are in operating condition again and the *business insured* could have been resumed;

7.1.5 loss or damage due to abnormal conditions directly or indirectly resulting from testing, intentional overloading or experiments;

Premium Calculation Factors



REAL LIFE CMI POLICY CASES

INSURED:

MEAT INDUSTRY

RISK LOCATION:

Plant Site: Chak 1, Tako Gharo, Taluka, Mirpur Sakro, District Thatta

TYPE OF COVER:

All Risk Insurance

SUM INSURED:

Description	Sum Insured (PKR)
-Building	PKR 3,335,685,887/-
-Office Equipment's	PKR 25,606,020/-
Furniture	PKR 35,173,158/-
Retail shop Equipment's	PKR 23,935,403/-
Plant & Machinery	PKR 5,436,007,394/-
Total Sum Insured	PKR 8,856,407,862/-

PERIOD OF INSURANCE:

From: Twelve Month from the date to be agreed

SUB LIMIT:

Section - 1: Operational Material Damage:

- Capital Addition Clause PKR 100,000,000/-
- Debris Removal Sub Limit PKR 10,000,000/- any one occurrence.
- Property in course of construction PKR 100,000,000/-
- Temporary Removal Limit & Inland Transit PKR 50,000,000/-
- Expediting Expenses including air freight Sub limit PKR 50,000,000/- any one occurrence.
- Fire fighting expenses Sub limit PKR 15,000,000/- anyone occurrence.
- Public Authorities Clause PKR 10,000,000/-
- Plans Documents & Valuable Paper PKR 5,000,000/-
- Professional fees sub limit PKR 5,000,000/- any one occurrence.
- Hazardous substance sub limit PKR 50,000,000/- any one occurrence.
- Decontamination costs following Physical Damage only PKR 10,000,000/-
- Claims preparation Costs PKR 5,000,000/-

Extended to cover Meat Lying in the Cold Storage in following manner:

- FLEXA Cover: PKR 40,000,000/-
- Burglary: PKR 10,000,000/-
- PKR 10,000,000/- in respect of loss or damage to meat due to variation in temperature resulting directly from loss or damage to cold storage due to Fire & Machinery Breakdown.

Identify Gap In existing
CMI policy

REAL LIFE CMI POLICY CASES



INSURED:

MEAT INDUSTRY

RISK LOCATION:

Plant Site: Chak 1, Tako Gharo, Taluka, Mirpur Sakro, District Thatta

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Identify Gap In
existing CMI policy ?

REAL LIFE CMI POLICY CASE

Section 1 - Property Damage: PKR 15,655,000,000 /-

Section 2 - Business Interruption: PKR 2,541,500,000/- Indemnity Period: 12 months

Total: PKR 18,196,500,000

Limit of Liability

=====

PKR 6,000,000,000/- each and every loss and in annual aggregate for both section 1 and section 2

Deductible

=====

Section 1 - Operational Material Damage: Plant and Machinery

Acts of God: 2% of actual value of the property being affected at the time of loss with minimum of PKR 10,000,000 on each and every loss.

Quay: PKR 2,000,000 on each and every loss

Other Perils: PKR. 2,000,000 on each and every loss

Strike, Riot and Civil Commotion: 10% of loss with minimum of PKR. 2,000,000 on each and every loss

Machinery Breakdown: 10% of loss amount minimum of PKR. 2,000,000 on each and every loss

Vessel Impact Damage: PKR 7,500,000 on each and every loss

Electronic Equipment Insurance: PKR 100,000 on each and every loss

Section 2 - Business Interruption

14 Days for Machinery Breakdown

14 Days for Acts of God / Catastrophe each and every interruption

7 Days for other perils each and every interruption

SUB LIMITS:

=====

?Capital additions (Limit PKR 1,000,000,000 in the annual aggregate)

?Expediting Expenses (Limit PKR 100,000,000 in the annual aggregate)

?Fire Fighting Expenses (Limit PKR 100,000,000 in the annual aggregate)

?Hazardous Substances (limit PKR 10,000,000 in the annual aggregate)

?Professional Fees (Limit PKR 10,000,000 in the annual aggregate)

?Removal of Debris (Limit PKR 50,000,000 in the annual aggregate)

?Strike Riot and Civil Commotion as per Mre endorsement 1300 (Limit PKR in an annual 1,000,000,000 aggregate for both section 1 and 2)

?Warehouse at Terminal and Backup Area (Limit PKR. 2,300,000,000)

?Port Blockage (Limit PKR. 500,000,000 any one occurrence and PKR 1,000,000,000 in the aggregate)

?Closure by orders of competent authority (Limit PKR. 558,000,000 in an annual aggregate)

?Increase Cost of Working (limit PKR. 1,000,000,000 in an annual aggregate)

?Supplier premises extension as per Mre Endorsement 1310 (Limit PKR. 558,000,000 in an annual aggregate)

?Marine Vessel Impact (Limit PKR. 2,300,000,000)

COMPARISON WITH INDUSTRIAL ALL RISK

INDUSTRIAL ALL RISK	COMPREHENSIVE MACHINER INSURANCE
<p>ALL RISK ARE COVERED WHICH ARE NOT SPECIFICALLY EXCLUDED</p> <p>.FLEXA- FIRE, LIGHTNING, EXPLOSION, AIRCRAFT, IMPACT INCLUDED</p> <p>NatCat- Earthquake, Flood, Inundation, Subsidence, Landslide, Hurricane, Cyclone, Volcanic Eruption or similar nature catastrophic included</p> <p>Transit Risk inside industrial compound covered</p> <ul style="list-style-type: none"> • No depreciation deducted from MB loss (Total or Partial) for Limited Life Equipment's. • Boiler explosion, EEI covered. <p>BI due to Machinery Breakdown / Boiler Explosion / Electronic Equipment - Optional. Insurance under IAR on Reinstatement value basis only except Stocks. Stocks on Market Value basis.</p> <ul style="list-style-type: none"> • Special Condition of average 	<p>ALL RISK ARE COVERED WHICH ARE NOT SPECIFICALLY EXCLUDED</p> <p>FLEXA- FIRE, LIGHTNING, EXPLOSION, AIRCRAFT IMPACT INCLUDED</p> <p>NatCat- Earthquake, Flood, Inundation, Subsidence, Landslide, Hurricane, Cyclone, Volcanic Eruption or similar nature catastrophic included</p> <p>No depreciation to apply upto 5 years' of machinery Boiler explosion, EEI covered</p> <p>MLOP is covered</p> <p>RSD, civil commotion and earthquake can be covered through endorsement</p>

Comparison to Manuscript Wording

Normal Fire Policy

CMI

Marsh All Risk

Basis of Indemnity :

Market Value

For all property 5 years from age of manufacture the basis is Actual Value (ie depreciation for age shall apply – also a similar depreciation for technological obsolescence if applicable).

New Replacement value on all assets, Current Technology is allowed

Undamaged Property - Not covered

Undamaged Property - Not covered

Replacement of undamaged property allowed

Depreciation applied in any case

Depreciation considering same age, kind and capacity

No depreciation applied

Average condition / Under Insurance shall apply where applicable

Average condition / Under Insurance shall apply where applicable

Average condition/ Under Insurance DOES NOT apply

Obsolescence not covered

Obsolescence not covered

Cover for parts and spares of lost property that has become obsolete

Loss to be covered under warranty/ guarantee is not recoverable

Loss to be covered under warranty/ guarantee is not recoverable

Marsh Form is silent on this and may indemnify and then seek recourse to other parties from which compensation could be due

Comparison to Manuscript Wording

Normal Fire Policy

CMI

Marsh All Risk

Extensions:

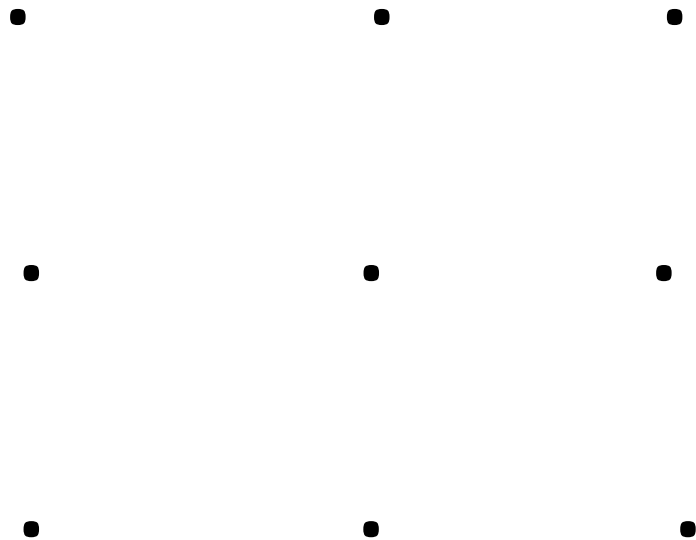
Fee / expenses not covered	Not part of standard CMI unless specifically agreed at additional premium	Architects, surveyor's, engineer's fee incurred for reinstatement
Cost associated with public municipal authorities not covered	Not part of standard CMI unless specifically agreed at additional premium	Public Authorities: this caters for costs following an insured loss to comply with requirements of public/ municipal authorities.
Deliberate Damage not covered	Not part of standard CMI Policy	Deliberate Damage to comply with public authority's directions following an insured loss.
Shut-down/start-up cost not covered	Not part of standard CMI Policy	Shut-down/ Start-up Cost following insured loss
Property in course of construction not covered	Not part of standard CMI unless specifically agreed at additional premium	Property in course of construction – including testing and commissioning for construction projects up to project value of USD 10 million.
	Not part of standard CMI unless specifically agreed at additional premium	Claims Preparation cost. This covers expense incurred for utilizing services of forensic accountants/ engineers/ experts to substantiate the loss to be an 'insured loss'.

Comparison to Manuscript Wording

Normal Fire Policy	CMI	Marsh All Risk
Exclusions:		
Any 'underground property' is excluded	Any 'underground property' is excluded property under standard CMI	Underground storage facility including stocks therein are explicitly covered.
Pipelines is an excluded property	Pipelines is an excluded property under standard CMI	Pipelines is explicitly covered under Marsh Form.
Property in course of construction is excluded	Property in course of construction is excluded	This is covered under the Extension 'Property in course of Construction'
Only limited Riot & Strike coverage is available	Strike, Riot and Civil Commotion is a standard exclusion under CMI – 1.1	Strike, Riot and Civil Commotion is covered
Faults / defects not covered	Faults/ defects including those of which Insured was not aware of BUT should have been aware of	Marsh form does not have this as a stated condition and is likely to be catered for by 'inadvertent errors & omissions' clause

CREATIVE THINKING

Connects up the dots with four consecutive straight lines. That is without taking your pencil off. You have 1 minute to complete the task.



Thank you!



We value your feedback