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The Jubilee Insurance Co. Ltd.,
Jubilee Insurance House
Wabera Street
NAIROBI

Attn: Mr. P. Macharia

28.12.1994
amw/jem

Dear Sirs,

80/93/0830/438 - MI/MLOP - General Plastics Ltd.
Policy No. H/MB/209476/89

We enclose herewith our Plant Visit Memo No. 22/94 dated
19.12.94 for your perusal and comments. Please keep us abreast
of all developments.

Yours faithfully,

A. M. Nanyohi
Engineer

Encls.

29.12

Purpose of Visit

To inspect the plant and to discuss the scope of coverage of the existing Machinery insurance (MI) policy, and also the Machinery Loss of Profits (MLOP) insurance. The visit was requested by the insured in view of the appointment of a new financial controller.

General Details

The insured's plant is located on Enterprise Road and was established in 1971.

The principal activity is the manufacture of plastic packaging containers for the food, oil and cosmetic industries. Their market share of this sector is 60 pct.

A two-shift, 18-hour production process is in place.

Machinery

The following are the main classes of machines observed at the plant.

- . Plastic blow moulding machines
- . Air receiver (1 no.)
- . Compressors (9 no.)
- . Chillers (8 no.)
- . Transformers (2 no.)
- . High Voltage Switchgear (2 no.)

The existing MI policy only covers six compressors. All the other items are NOT insured for breakdown.

During the visit, it was understood that the insured intends to cover under Machinery insurance policy all the compressors, air receivers, chillers, transformers and switchgear, leaving out the plastic blow moulding machines.

On this basis, the machinery to be covered is itemised below, including estimations concerning standby and reserve capacities and current sums insured.

A. Air Compressors

1. Atlas Copco GA308 S/No. APR717264	(Shs. 400,000.-)
2. Atlas Copco GA112 S/No. APR723718	(Shs. 400,000.-)
3. Atlas Copco GA112 S/No. APR723719	(Shs. 400,000.-)
4. Atlas Copco GA375 S/No. APR871453	(Shs. 1,100,000.-)
5. Atlas Copco GA75 S/No. APR440177	(Shs. 1,050,000.-)
6. Atlas Copco GA47 S/No. APR A 11302705	(Shs. 900,000.-)
7. Atlas Copco LT 1230 S/No. AML 287162)	
8. Atlas Copco LT1230 S/No. AML 287164)	
9. Atlas Copco LT1230 S/No. AML 296369)	

Notes

- i) the last three compressors are not insured.
- ii) two compressors are always on standby
- iii) a 30 pct reserve capacity is available within the operating compressors.

B. Air Receiver

1. Atlas Copco air receiver (Shs. 120,000.-)

C. Chillers

1. Dai Kin UWA - 63JA71 S/No. 6200003
2. Dai Kin UWA - 63JAY1 S/No. 6200001
3. Dai Kin UWA - 63JAY1 S/No. 6200002
4. Bitzer 4G S/No. 291 - 009
5. Bitzer 4G S/No. 289 - 021
6. Bitzer 4G 302 S/No. 412 - 012
7. Bitzer 4G 302 S/No. 412 - 013
8. Bitzer 4G 302 S/No. 410 - 016

Notes

1. 2 No. Chiller units on standby
2. Reserve capacity at 30 pct.

D. High Voltage Switchgear

1. Merlin Gerlin HV Switch
Type QMC.M6
Voltage 12 KV (400A)
2. Merlin Gerlin R. M. Unit
Type QMC.M6
Voltage 12 KV

Note: No Standby. Reserve Capacity at 30 pct.

E. Transformers

1. B.B.C. S/No. GB. BSI - 1000 NVW 36082
1000 KVA (Germany) 1981
11 KV - 450V
2. Tanelec TCO S/No. 7603
1250 KVA (Tanzania) 1991
11 KV - 450V

Note: No standby. Reserve capacity at 30 pct.

Maintenance and Operation Standards

Mr. Pai, the chief engineer, has been with the plant for over 15 years and he is responsible for both production and maintenance. All machines were said to be regularly serviced and records maintained. For the compressors and chillers, maintenance is carried out by the suppliers. For the transformers, Kenya Power and Lighting company visits the premises once a year for assessment and maintenance. . .

Going by visual observations, the general level of cleanliness and house keeping within the plant is above average. However, immediately at the base and rear of some few items (e.g. plastic moulding machines and the second-floor-located compressors units), pockets of dust, oil and water spillage were noticed.

In connection with spacing, the compressors, chillers and transformers are located in spacious and roomy enclosures. However, for the plastic moulding machines especially those on the ground floor, an element of congestion is discernible. However, it was understood that this problem is being addressed.

Machinery (MI) Insurance

General

It is designed to grant industry effective insurance cover for plant, machinery and mechanical equipment at work, at rest or during maintenance operations.

All types of machinery, plant, mechanical equipment and apparatus may be covered under Machinery insurance.

If possible, all the machines of a plant or a workshop should be included in the insurance in order to ensure that the risk is adequately balanced.

Only those items having a short service life compared to the entire plant are normally excluded from Machinery insurance.

By its very nature, Machinery insurance is an all risk "Accident" insurance for machinery supplementing the coverage afforded by Fire insurance. Thus it covers unforeseen and sudden physical loss of or damage to the insured items, necessitating their repair or replacement: .

Scope of Cover

Loss or damage covered under Machinery insurance is mainly due to one of the following causes:

- . Faulty design (calculations, plans, drawings and specifications), faults at workshop or in erection, defects in casting and material.
- . Faulty operation, lack of skill, negligence, malicious acts
- . Tearing apart on account of centrifugal force

- . Physical explosion, flue gas explosion in boilers
- . Short circuit and other electrical causes
- . Shortage of water in boilers
- . Storm.

Exclusions

The individual exclusions from the cover mainly comprises loss or damage caused by:

- . Fire, lightning, chemical explosion, burglary and theft, i.e. perils covered or coverable under other policies (loss or damage indirectly caused by lightning being included in the cover)
- . Inundation, flood, earthquake, subsidence, landslide, impact of landborne, waterborne or airborne craft.
- . Wear and tear as a consequence of ordinary use or operation as well as cavitation, erosion, corrosion (e.g. rust) or boiler scale (this exclusion relates, however, only to the parts immediately affected).
- . War or warlike operations, civil commotion of any kind as well as acts on the part of strikers and locked-out persons.
- . Wilful acts or gross negligence on the part of the Insured or of his representatives
- . Faults or defects existing at the time of commencement of the insurance which ought to have been or were known to the Insured.

- . Faults or defects for which the supplier is responsible either by law or under contract (losses covered by warranty)
- . Nuclear reaction, nuclear radiation or radioactive contamination

Sum Insured

The sum insured should always be the replacement value of the insured machinery (value of the new item plus customs duties plus transportation and installation charges).

Indemnification

In the event of damage which may be repaired, the Insurers will indemnify the Insured in respect of the expenses incurred for restoring the damaged machinery to its working condition prior to the damage. These expenses mainly include the costs for repair work and the necessary spares, disassembly and re-assembly costs, ordinary freight charges, customs duties, expenses for the employment of specialists and other charges contained in the sum insured.

In the event where an insured item is totally destroyed or where the repair cost would exceed the actual value of the insured item, the Insurers will indemnify the Insured the actual value of the insured item immediately before the loss occurrence less the agreed deductible and the value of any salvage.

Machinery Loss of Profits (MLOP) Insurance

General

MLOP insurance indemnifies the actual loss of gross profit sustained as a result of a business interruption caused by an accident covered under Machinery insurance

Scope of Cover

MLOP insurance compensates for:

- . The continuing business expenses (standing charges) including the salaries and wages paid to employees
- . The net profit
- . The increase in cost of working, i.e. the additional expenditure necessarily and reasonably incurred for avoiding or diminishing a reduction in turnover

Sum Insured .,

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The sum insured is the gross profit obtained from the turnover of goods produced or handled in the course of the insured's business for a period of twelve successive calendar months (i.e., normally for the business year).

Increase in costs of working may also be covered under MLOP insurance, for instance, the additional expenditure incurred for the use of external power if the Insured's own power generation breaks down.

Indemnity Period

The period during which the insurance will make good losses is defined as the indemnity period. This period - normally 3 to 12 months - is determined by the Insured depending upon the replacement period for the machinery to be insured

Instead of a monetary deductible, this type of insurance is subject to a time excess of a minimum of 7 (seven) days. The higher the time excess the lower the premium rate. Losses corresponding to the period of time excess are not indemnified under this insurance.

Plant Insured

MLOP insurance is of special interest for all bottleneck equipment used in the field of power generation, like boilers, steam turbines, generators, transformers, and for important process machinery, such as paper machines, printing machines, presses, rolling mill equipment, refiners, crushers, compressors, pumps, etc, including their drives.

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RECOMMENDATIONS/CONCLUSIONS

1. New Replacement Values

With reference to the machinery itemised earlier, corresponding individual new replacement values should be obtained to enable new terms and conditions to be calculated.

2. Dust, Water and Oil Spillage

As described earlier, the overall situation as concerns cleanliness and house keeping appeared above average. However, the dust, water and oil observed near the basis and towards the rear of some compressor units should be eradicated, with emphasis being the determination of the sources of such oil and water. A continuous monitoring programme for these hazards should be instituted, if not already in place.

3. Machinery Loss of Profits (MLOP) Insurance

With reference to the MLOP section of this Memo, consideration should now be given to acquisition of this cover. To this end, we attach the MLOP questionnaire and proposal form for completion.

4. Third Party Liability (TPL)

The existence of TPL risks associated with both bodily injury and property damage is manifest in consideration of the use of compressed air and high voltage electricity. In order to cater for these risks, an extension should be added to the MI policy at a suitable limit in the region of between KShs. 1,000,000 to Shs. 5,000,000.-, in exchange for a small additional premium.

Enclosures

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