

cc Aw

Insurance Co. of EA Ltd.,
ICEA Building
Kenyatta Avenue
NAIROBI

28.3.1995

amw/jos

Dear Sirs,

60/1400/436 - MI - Smithkline Beecham
Consumer Healthcare Ltd.
Policy No. 21EN1393E

We enclose herewith our Plant Visit Memo No. 06/95 dated
24.03.1995 for your perusal and comments.

Please obtain the new replacement values for the various
machines to enable us to suggest applicable terms. Please note
that it is not possible to suggest a premium rate without this
information as had been requested during the visit.

Yours faithfully,

A. M. Wanjohi
Engineer

Encls.

c.c. Clarkson Motcott Ins. Brokers Ltd.
Stanbank House
NAIROBI

Attn: Mr. Musunzar

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24.03.1994

PLANT VISIT MEMO NO. 06/94

Insured : Smithkline Beecham Consumer Healthcare Ltd.
Insurer : Insurance Co. of E. A. Ltd.
Policy No. : 21EN 13938
Reference : 80/1400/438
Date of Visit : 8.3.94
Contact : Mr. N. N. Aggarwal : Head of Operations
Mr. Tom Kibe : Production Engineer
Accompanied by : Mr. D. Musunzar : Clarkson Notcutt
Insurance Brokers Ltd.,
Prepared by : A. M. Wanjohi : Technical Office
Munich Re

Purpose of Visit

To physically inspect the Insured's machinery and identify those not currently insured but insurable under the existing machinery insurance policy.

We were also to report on the scope of coverage afforded by the machinery insurance policy.

General Details

The Insured is a leading manufacturer of healthcare products such as Ribena, Locozone, Eno, Phensic, Aquafresh toothpaste and Scotts Emulsion (cod liver oil).

The manufacturing plant and administrative offices are located off Enterprise Road on Funzi Road in Nairobi's Industrial Area. The Factory was established in 1973.

The general outlook of the premises is that of cleanliness and good organisation. We especially noted the good housekeeping in relation to the various machinery.

The staff complement was said to be 110 with the production staff numbering 65. The staff members seen appeared content with the existing working environment.

Staff engaged in machinery maintenance operations number 5.

Only one shift 8 a.m. to 5 p.m. is in operation.

Scope of Coverage Machinery Insurance

This is an industry effective insurance cover for plant, machinery and mechanical equipment at work, at rest or during maintenance operations.

It is recommendable that all machines of a factory be included in the insurance. Even for those machines that the Insured knows to be less prone to breakdown, the Insurers recognise this by charging only a small premium, and this is of greater benefit to the Insured when compared to leaving same un-insured and taking a chance that a breakdown will never take place.

Only these items having a short life compared to the entire plant are excluded from machinery insurance, and these include:-

- all types of interchangeable tools;
- sieves, engraved cylinders, stamps, dies, ropes, chains, belts;
- parts made of glass, ceramic, wood, rubber tyres;
- Operating media e.g. fuel, gas, refrigerants, catalysts, liquids, lubricants;

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

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, frost, drifting ice;

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

- . Fire, lightning, chemical explosion, burglary and theft, i.e. hazards covered or coverable under other policies;
- . 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.
- . The deductible (or excess) which is a small percentage of the sum insured of each item (around one to five pct.) subject to a given minimum amount. The purpose of the deductible is to stimulate the Insured's interest in loss prevention as well as relieving the Insurers the burden of dealing with small losses that pose an insignificant risk to the 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).

Risk assessment and premium calculation for the items to be insured considers the following factors:

- . The new replacement value
- . Technical specification
- . Present condition, maintenance standards
- . Operating environment
- . Past loss experience

The premium rates charged are calculated separately for each type of machine on the basis of statistics kept over a period of many years.

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 reassembly 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

1. Stevenson Weldgun Automatic Boiler including one Grundfoss Vertical Pump and Nuway Burner. Manufactured in 1950.
2. Gnesa Refrigeration Compressor unit (cold room)
3. Redring Immersion Heater
4. Pasteurizing plant APV 2.5 Bar
5. Air Compressor - Kell Log American
6. Perkins Diesel Generator. 100 KVA S/No. VB 50367 U 540726W. Standby.
7. Glucose Filter. Meta 917/25/1.5 S/No. 90419
8. 2 No. Silverson Syrup Mixing Vessels
9. Norden toothpaste filling machine. Sweden. type 1200M S/No. 51929
10. 2 no. Giutsi Vacuum toothpaste mixers 500 Lt. and 300 Lt. respect.
11. Cobert Filler (Verona) Italia (Ribena and Locozade)
12. Bran Lubbe Proportional pump.
13. Gardner Blender/Mixer type 200E S/No. 06187g
15. 3 No. Wolkogon Powder Packaging machine
2 for "Eno" and one for "Hot Lemon"
16. Bitzer Refrigeration Chiller Unit (10 Hp)

The Boiler

This is an old automatic boiler manufactured in 1950. It comprises of a fire chamber and smoke tubes. It has only one automatic mobrey water level controller. It does not have water level gauges.

This type of boiler is now not very common. Compared with the modern boilers, this boiler lacks the following important features:

- a) A second independent automatic water level controller and burner lock-out.
- b) two water level gauges.
- c) Audio and visual alarms for low water level conditions.

The boiler is in use for approximately only 10 days in any month.

The condensate return was said to be almost 100 pct. with little make-up water being obtained from the Nairobi City Council water supply. No indication was provided that the make-up water was being treated for hardness as should be the case. This should be confirmed.

Annual statutory inspections of the boiler are being carried out.

A second independent extra low level water level controller should be installed in order for the boiler to satisfy condition "Engineering no. 2" which is normally compulsory in all machinery covers insuring steam boilers.

Housekeeping and Maintenance

Housekeeping is of a high standard. Cleanliness is being maintained.

Maintenance of the machines is carried out regularly, but no records are being kept as should be the case. However, we were told by the Head of Operations that maintenance record keeping is to begin soon for each machine.

Operation of the various machines was in general said not to exceed approximately 15 days a month with the exception of the chiller and refrigeration compressor units which run almost throughout. During the idle time, maintenance is being carried out.

RECOMMENDATIONS

In the memo we have endeavoured to discuss areas that we thought improvements could be made. We highlight these once more below.

1. A second automatic independent water level controller should be installed on the boiler to comply with the attached "Engineering 2" clause.
2. Maintenance records should commence being kept for each item of plant and machinery.
3. New replacement values for all machinery items should be obtained.
4. All of machines should be covered under the machinery insurance policy. However, for the boiler, one modification (see recommendation no. 1 above) is necessary to satisfy coverage conditions. Advices on the method being used to treat boiler feed water should also be sought.

Enclosures

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