

INSURANCE POLICY COVERING BOILERS AND PRESSURE VESSELS

SPECIFIC CONDITIONS

Subject to the General Conditions, Specific Conditions and Specification of the Policy, the Specific Conditions taking preference over the General Conditions, **Tokio Marine Compañía de Seguros, S.A. de C.V.**, hereinafter "the Company", insures the person named on the Specification of the Policy, hereinafter "the Insured", against damage and/or loss occasioned by the risks in which it has an insurable interest, in accordance with the terms, exclusions, provisions and conditions established or endorsed in the Policy. The Company undertakes to indemnify their value or have them, or part thereof, repaired or replaced, so as to leave them in a working condition similar to that in which they were immediately before the incident, up to the limits established in the Policy (*sic*).

CLAUSE 1. INSURED ITEMS

The Policy, as contracted, covers the following two types of machinery:

- 1.1. Boilers and pressure vessels with vent
- 1.2. Boilers and pressure vessels without vent

CLAUSE 2. RISKS COVERED.

The Policy covers the insured items against material damage caused by:

2.1. Boilers and pressure vessels with vent:

- 2.1.A. The sudden and violent breakage of any part of the boiler or vessel caused by the pressure of steam, water or any other liquid in the equipment insured.
- 2.1.B. The sudden and violent explosion of gas produced by unburnt fuel in the furnace of the boiler or vessel, or in the gas pipes between the furnace and the chimney, provided that the fuel established in the Specification is that being used.
- 2.1.C. The sudden and violent decomposition of any part of the boiler or vessel, caused by the pressure of water, steam or any other liquid in the boiler or vessel, or vacuum, that immediately renders it inoperable or unsafe.
- 2.1.D. The cracking of any part of low-pressure boilers (up to 1.05kg/cm² in steam and 2.10kg/cm² in water) made from iron, copper, bronze or any other forged material, provided that the liquid in the boiler leaks out through the crack.
- 2.1.E. Any burning caused by insufficient supply of water, steam or any other liquid in the boiler or vessel and that immediately renders it inoperable or unsafe.

2.2. Pressure vessels without vent

The Policy covers the items insured against material damage caused by:

- 2.2.A. Sudden and violent breakage caused by the pressure of air, water or liquid in the vessel.

- 2.2.B.** The sudden and violent decomposition of the vessel or any of its parts, caused by the pressure of steam, air, gas or liquid in the vessel, or by any vacuum.
- 2.2.C.** The cracking of any part made from iron, copper, bronze or any other forged material, provided that the air, gas or liquid in the vessel leaks out through the crack.

CLAUSE 3. EXCLUSIONS

IT IS UNDERSTOOD AND AGREED THAT IN NO EVENT DOES THE POLICY COVER:

3.1. ITEMS EXCLUDED:

- 1 FUEL, LUBRICANTS AND REFRIGERATING AGENTS, UNLESS THE DAMAGE IS CAUSED BY A RISK COVERED.**
- 2 CHIMNEYS THAT ARE NOT DIRECTLY SUPPORTED BY THE BOILERS' STRUCTURE.**
- 3 BURSTING DISCS, RUPTURING DIAPHRAGMS, PLUG FUSES AND JOINTS.**
- 4 FORCED-DRAUGHT FANS THAT ARE NOT PART OF THE BOILERS' BODY OR STRUCTURE.**
- 5 FUEL SUPPLY BELTS.**
- 6 WATER OR FUEL SUPPLY PUMPS AND ANY OTHER TYPE OF EQUIPMENT THAT IS NOT PART OF THE STRUCTURE OF THE EQUIPMENT INSURED.**
- 7 COAL GRINDERS.**
- 8 VESSELS OR EQUIPMENT NOT MADE OF METAL.**
- 9 COMPRESSORS OF ANY TYPE.**

3.2. RISKS EXCLUDED:

THE COMPANY SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED AS A CONSEQUENCE OF THE FOLLOWING CIRCUMSTANCES, WHATEVER THE REASON:

- 3.2.A. ANY DEFECTS IN THE EQUIPMENT THAT EXIST WHEN THE POLICY COMES INTO EFFECT.**
- 3.2.B. THE USE OF ATOMIC POWER OR RADIOACTIVE ENERGY, WHATEVER THEIR SOURCE; NUCLEAR REACTION OR RADIATION OR RADIOACTIVE CONTAMINATION, CONTROLLED OR NOT, REGARDLESS OF WHETHER THE MATERIAL DAMAGE CAUSED IS NEARBY OR REMOTE AND WHETHER THE INSURED ITEMS ARE AFFECTED BY IT OR CAUSE IT.**
- 3.2.C. EXPLOSION OUTSIDE THE BOILERS OR PRESSURE VESSELS.**

- 3.2.D. SLOW LEAKS OR GRADUAL DECOMPOSITION, FORMATION OF BLISTERS OR OTHER IMPERFECTIONS OF THE MATERIAL FROM WHICH THE INSURED EQUIPMENT IS BUILT. Nevertheless, the Company shall be liable for any loss or damage under the additional risks covered, even when originating from any imperfection or deformation of the material.**
- 3.2.E. DAMAGE TO CLADDING NOT CAUSED BY THE RISK COVERED HEREUNDER.**
- 3.2.F. LOSS OR DAMAGE THAT IS A DIRECT CONSEQUENCE OF PROLONGED OR CONTINUOUS OPERATION, OR GRADUAL DETERIORATION DUE TO LOCAL WEATHER AND ENVIRONMENTAL CONDITIONS, SUCH AS WEAR, EROSION, CORROSION, RUSTING, SCALING, SEDIMENTATION, CRACKING AND CAVITATION.**
- 3.2.G. ANY DAMAGE CAUSED BY THE EFFECT OF TOXIC MOSS.**
- 3.2.H. CHANGES IN STRUCTURE OR DESIGN, EXTENSIONS, REDUCTIONS AND CHANGES IN AUXILIARY OPERATING EQUIPMENT, OR USE OF A FUEL OTHER THAN THAT ESTABLISHED IN THE SPECIFICATION OF THE POLICY, unless the Insured provides the Company 10 (ten) written days notice to such effect and the Company provides its written consent.**
- 3.2.I. EQUIPMENT REPAIRED TEMPORARILY, UNLESS THE REPAIRS ARE PART OF THE PERMANENT REPAIR.**
- 3.2.J. IF THE EQUIPMENT IS CONTINUALLY SUBJECTED TO A PRESSURE THAT IS HIGHER THAN THAT AUTHORIZED, OR SUBJECTED TO ANY TYPE OF TEST THAT IS NOT IN ACCORDANCE WITH ITS NORMAL OPERATION.**
- 3.2.K. COLLAPSE OF CHIMNEYS THAT ARE NOT DIRECTLY SUPPORTED BY THE BOILERS' STRUCTURE.**
- 3.2.L. ELECTRO-MECHANICAL FAILURE OF THE EQUIPMENT INSURED THAT IS DAMAGED BY ITS OWN OPERATION OR BY OUTSIDE INFLUENCES.**
- 3.2.M. DAMAGE CAUSED BY VIBRATION OR NATURAL GROUND MOVEMENT, SUCH AS SUBSIDENCE, DISPLACEMENT AND NORMAL GRADUAL SETTLING.**
- 3.2.N. DAMAGE CAUSED BY FILTRATION OF WATER, SUBTERRANEAN OR NOT, THAT CAUSES DAMP.**
- 3.2.O. DAMAGE CAUSED BY INTERRUPTION OR FAILURE OF THE PUBLIC GAS AND WATER SUPPLY.**
- 3.2.P. ANY EXPENSE INCURRED FOR MAINTENANCE CARRIED OUT BY THIRD PARTIES UNDER A MAINTENANCE CONTRACT, THE LATTER BEING UNDERSTOOD AS A CONTRACT UNDER WHICH A THIRD PARTY IS REQUIRED TO CARRY OUT CHECKS FROM TIME TO TIME AND REPLACE**

WORN OR FAULTY PARTS. PREVENTIVE MAINTENANCE EXPENSES INCURRED BY THE INSURED SHALL ALSO NOT BE COVERED.

- 3.2.Q. ANY EXPENSE INCURRED FOR CORRECTING OPERATING FAULTS OR THE CAPACITY OF THE INSURED ITEMS, UNLESS SAID FAULT IS CAUSED BY LOSS OF OR DAMAGE TO THE INSURED ITEMS CAUSED BY A RISK COVERED.**
- 3.2.R. LOSS RESULTING DIRECTLY OR INDIRECTLY FROM:**
 - 3.2.R.1. STOPPAGE OR INTERRUPTION OF BUSINESS OR MANUFACTURING PROCESSES.**
 - 3.2.R.2. LACK OF POWER, ELECTRICITY, HEAT, STEAM OR REFRIGERATION.**
 - 3.2.R.3. CLAIMS FOR LOSS OR DAMAGE CAUSED TO THIRD PARTIES.**
 - 3.2.R.4. ANY OTHER INDIRECT CONSEQUENCE OF THE RISK COVERED.**
 - 3.2.R.5. THE LEGAL OR CONTRACTUAL LIABILITY OF THE MANUFACTURER OR VENDOR OF THE ITEMS INSURED.**
 - 3.2.R.6. EXPENSES INCURRED BY THE INSURED IN ADDITION TO EXTRAORDINARY EXPENSES, AS A CONSEQUENCE OF A RISK COVERED UNDER THE POLICY, FOR EXTRAORDINARY BONUSES OR BENEFITS PAID TO EMPLOYEES OR WORKERS, OR FEES PAID TO TECHNICIANS WHOSE SERVICES HAVE NOT BEEN AUTHORIZED BY THE COMPANY.**
 - 3.2.R.7. LEAKAGE OF OR DAMAGE TO CONTENT, unless Additional Coverage 4.2 ("Content") mentioned in Clause 4 ("Additional Coverage") is included.**
- 3.2.S. DAMAGE TO OTHER ASSETS OF THE INSURED OR OF THIRD PARTIES CAUSED BY THE SPILLAGE OR LEAKAGE OF THE CONTENT OF BOILERS OR VESSELS.**
- 3.2.T. FIRES, EXTINGUISHING OF FIRES, REMOVAL OR COLLAPSE OF RUBBLE AFTER A FIRE; DIRECT LIGHTNING STRIKES.**
- 3.2.U. ACTS OF WAR, DECLARED OR NOT, HOSTILITIES, INVASION OF ENEMY TERRITORY, CIVIL WAR, REVOLUTION, REBELLION, INSURRECTION, SUSPENSION OF GUARANTEES, CONSPIRACY, CIVIL COMMOTION, RIOTS, COUPS D'ÉTAT AND USURPATION OF POWER.**
- 3.2.V. DECOMMISSIONING, FORECLOSURE, DETENTION, EXPROPRIATION, SEIZURE OR DESTRUCTION OF THE INSURED ITEMS ORDERED BY ANY LEGALLY RECOGNIZED AUTHORITY IN EXERCISING ITS ATTRIBUTES.**

3.2.W. ANY FRAUDULENT ACT OR FAULT ON THE PART OF THE INSURED, ITS ADMINISTRATORS OR ANY OTHER PERSON IN COMPANY MANAGEMENT, OR THE TECHNICAL DIRECTOR, ACTING IN THE NAME OF THE INSURED.

3.2.X. TERRORISM AND/OR

3.2.X.1. MEASURES TAKEN TO IMPEDE, PREVENT, CONTROL OR REDUCE THE CONSEQUENCES OF ANY ACT OF TERRORISM AND/OR

3.2.X.2. ANY CONSEQUENTIAL DAMAGE RESULTING FROM AN ACT OF TERRORISM.

3.2.Y. STRIKES, POPULAR UPRISINGS, RIOTS AND CIVIL COMMOTIONS.

3.2.Z. LOSS OR DAMAGE DIRECTLY OR INDIRECTLY CAUSED BY OR RESULTING FROM NATURAL PHENOMENA, SUCH AS EARTHQUAKES, EARTH TREMORS, VOLCANIC ERUPTION, HURRICANES, CYCLONES, STORMS, WIND, HAIL, FREEZING, FLOODING, OVERFLOWS AND RISING OF WATER LEVEL, MUD SLIDES, SUBSIDENCE, EARTH MOVEMENT OR ROCK SLIDES.

3.2.AA. ALL TYPES OF THEFT.

CLAUSE 4. ADDITIONAL COVERAGE

Subject to payment of the relevant premium, the Policy may be extended to cover the following risks, which shall be established in the Specification of the Policy:

4.1. Extraordinary Expenses.

The insurance covers expenses incurred for overtime, namely, extraordinary wages and expenses for the transport of parts and spare parts required to speed up the permanent repair of the insured items, in accordance with the basic and additional coverage, except for the additional coverage for "Content", that are damaged as a consequence of any of the risks covered under the Policy, without in any event exceeding 15% of the value of the material damage to each boiler or pressure vessel, nor 10% of the Insured Sum of the boiler or pressure vessel being repaired.

4.2. Content.

The insurance covers the leakage of or damage to the liquids or substances in any part of the insured items that occurs as a consequence of any risk that may be claimed for under the Policy.

For this coverage, the Insured shall contribute the co-insurance, to be applied to the amount claimed, and a deductible, to be applied to the Insured Sum, both of which are detailed in the Specification of the Policy.

4.2.A. EXCLUSION FOR CONTENT:

DAMAGE TO CONTENT IS EXCLUDED, AS IS MATERIAL LOSS OR DAMAGE CAUSED BY LEAKAGE OR BY:

- 4.2.A.1. INCORRECT OPERATION OF THE EQUIPMENT, VALVES AND CONNECTIONS.**
- 4.2.A.2. OPENING OVER-PRESSURE SAFETY DEVICES.**
- 4.2.A.3. FAULTY JOINTS, SEALS, PRESS-CAULKING, CONNECTIONS OR VALVES, BURSTING DISCS, RUPTURING DIAPHRAGMS AND PLUG FUSES.**
- 4.2.A.4. FISSURES OR CRACKS IN BOILERS, VESSELS OR PIPES, UNLESS INCLUDED IN CLAUSE 2 (“RISKS COVERED”) IN POINT 2.1.D. AND 2.2.C. OF THE SPECIFIC CONDITIONS.**

4.3. Pipes

The insurance covers pipes against the risk of sudden and violent rupture or decomposition caused by the pressure of steam, air gas or liquid contained therein.

CLAUSE 5. OBLIGATIONS OF THE INSURED

Coverage under the Policy shall be subject to the Insured meeting the following requirements:

- 5.1.** To keep the items insured in good operating condition.
- 5.2.** To not habitually or intentionally overload the equipment insured or use it for work for which it is not designed.
- 5.3.** To meet applicable technical and administrative requirements and the manufacturer’s installation, operating and maintenance instructions for the equipment.

IF THE INSURED FAILS TO MEET THESE CONDITIONS, THE COMPANY SHALL BE RELEASED FROM ALL LIABILITY, PROVIDED THAT ANY BREACH ON THE PART OF THE INSURED HAS HAD A DIRECT EFFECT ON THE INCIDENT.

CLAUSE 6. INITIAL LOCATION AND INSTALLATION

The boilers, pressure vessels and pipes described in the Specification attached hereto, whether in operation or not, or that have been disassembled, repaired and reassembled, shall be covered exclusively after being installed and successfully passing all initial operating tests, and while they are on the premises mentioned in the Specification.

CLAUSE 7. INSURED SUM

7.1. Insured Sum.

The Insured Sum that the Insured shall establish for the validity period of the Policy must be equivalent to the replacement value of each piece of equipment insured. At the written request of the Insured, the Company may adjust the Insured Sum by charging the relevant additional premium.

If the Insured Sum is not equivalent to the replacement value of the items insured, Clause 4 of the General Conditions of the Policy (“Claimable Proportion”) shall apply.

7.2. Insured Sum for content

The Insured Sum that the Insured shall establish for the validity period of the Policy for the content of each vessel or boiler must be equivalent to the replacement value of the substances or liquids therein, including the manufacturing cost for the process for which the equipment is used.

If the Insured Sum is not equivalent to the replacement value of the items insured, Clause 4 of the General Conditions of the Policy ("Claimable Proportion") shall apply.

CLAUSE 8. INSPECTION OF DAMAGE

When the Company is immediately advised of the incident, it may optionally authorize the Insured in writing to make any repairs necessary to leave the equipment in the same condition in which it was before the incident occurred.

In any case, the Company reserves the right to appoint a representative, who will inspect the damage, however, the Insured may take all measures that are absolutely necessary to keep its business running, provided that these measures do not alter the nature of the incident before the inspection is made, without detriment to the provisions of Clause 5 of the General Conditions of the Policy ("Procedure in the Event of an Incident").

If the inspection is not conducted within 7 (seven) days as from when the incident is notified, the Insured shall be authorized to make any necessary repairs or alterations.

CLAUSE 9. PARTIAL LOSS.

9.1. Claimable Expenses:

In the event of partial loss, in other words, those cases in which damage caused to the insured items may be repaired, the claim must include all expenses incurred for leaving the insured items in normal operating condition, similar to that in which they were before the event occurred.

These expenses include:

9.1.A. Boilers, pressure vessels and pipes:

9.1.A.1. Cost of repair:

- 9.1.A.1.a). If a claim is accepted, it shall be paid against the invoice that the Insured submits, and the invoice shall include construction, disassembly, reassembly, ordinary freight and customs charges, if any. Nevertheless, **THE COMPANY SHALL NOT BE LIABLE FOR ANY DAMAGE CAUSED TO THE INSURED ITEMS TO BE REPAIRED WHILE THEY ARE BEING TRANSPORTED**, and it shall only cover the premium for the insurance that the Insured must take out to cover the damaged items while being transported from the workshop at which they are repaired to the premises of the Insured.
- 9.1.A.1.b). Extraordinary express courier charges, overtime, work carried out on Sundays and public holidays and extra charges or air transport shall only be paid when specifically insured by coverage for extraordinary expenses.
- 9.1.A.1.c). For partial loss, there shall be no reduction whatsoever for depreciation of spare parts, although the value of any recovery shall be taken into account in order to set the amount of compensation.
- 9.1.A.1.d). The Company may repair or replace the items insured, or pay them in cash.

- 9.1.A.1.e). When any repair or part thereof is made in the workshop of the Insured, expenses shall include the cost of materials and labor required for the repair, plus any necessary administrative costs.
- 9.1.A.1.f). The Company shall only pay compensation for damage when it receives invoices and documents that prove that the repair or replacement has been made.
- 9.1.A.1.g). If the cost of repair is the same as or greater than the current value of the insured items immediately before the damage was caused, then an adjustment shall be made in accordance with Clause 10 ("Total Loss").

9.1.A.2. Expenses to be paid by the Insured:

- 9.1.A.2.a). The Insured shall pay the cost of any temporary repairs, unless they are part of permanent repair costs, or if the Company has authorized them in writing.
- 9.1.A.2.b). The Insured shall pay all costs for reconditioning, alterations and improvements not needed for repair of the damage.
- 9.1.A.2.c). If the Insured temporarily repairs any of the insured items after they have been damaged and they continue functioning, **UNDER NO CIRCUMSTANCES SHALL THE COMPANY BE LIABLE FOR ANY DAMAGE THAT THEY MAY SUFFER SUBSEQUENTLY, UNTIL THE PERMANENT REPAIR IS MADE.**
- 9.1.A.2.d). **THE LIABILITY OF THE COMPANY SHALL CEASE IF ANY PERMANENT REPAIR OF THE INSURED ITEMS MADE BY THE INSURED IS NOT TO THE SATISFACTION OF THE COMPANY.**

The deductible established in the Specification of the Policy shall apply for all compensation for partial loss.

9.1.B. Content

Claims must include the replacement value immediately before the incident of the substances or liquids lost or damaged, plus any manufacturing costs.

Expenses incurred for reducing the loss may also be included, provided that they do not exceed the reduction in loss thereby obtained.

For each claim that the Company pays for loss of or damage to content, it shall apply the contribution of the Insured, as stipulated in the Specification of the Policy.

The **amount of each claim** shall be calculated as follows:

- 9.1.B.1. Any loss or damage the value of which is less than the amount of the deductible established shall be to the account of the Insured.
- 9.1.B.2. If the value of the loss or damage is greater than the amount of the deductible, the claim shall be calculated as follows:
 - 9.1.B.2.a). The co-insurance shall be applied to the value of the loss suffered by the Insured.
 - 9.1.B.2.b). If applicable, Clause 4 of the General Conditions ("Claimable Proportion") shall be applied to the figure arrived at.
 - 9.1.B.2.c). Finally, the deductible established in the Specification of the Policy, shall be discounted from the figure arrived at thereby, taking the Insured Sum at 75%.

CLAUSE 10. TOTAL LOSS

- 10.1. In the event of total loss or destruction of the items insured, the liability of the Company shall not exceed their **actual value**, less the recovery value, if any, without exceeding the Insured Sum.
- 10.2. If the parties agree, the Company may retain the effects recovered, provided that it pays the Insured their actual value, in accordance with an expert valuation.
- 10.3. When the repair cost of damaged items insured is the same as or greater than their actual value, the loss shall be considered as total.
- 10.4. After compensation has been paid for total loss, insurance of the damaged items shall cease. All details of the items that replace them must be provided, so that they may be incorporated into the Policy as an endorsement, with the relevant premium being charged accordingly.
- 10.5. In the event of the total loss of the items insured, compensation shall be paid at the Actual Value if the Insured decides not to replace the damaged or lost items.
- 10.6. If additional coverage for "Content" is included, the contribution of the Insured shall be applied in accordance with point 9.1.B of Clause 9 of the Specification of the Policy ("Partial Loss").

CLAUSE 11. PARTICIPATION OF THE INSURED

The Insured shall always pay the deductible established in the Specification of the Policy for each claimable incident. The deductible shall be applicable to each type of coverage and to each piece of equipment damaged, whether insured by basic or additional coverage.

If the provisions of Clause 4 of the General Conditions of the Policy ("Claimable Proportion) are applicable, the Insured shall only pay part of the deductible, in the same proportion that the Company covers the damage caused.

When an incident is caused by a risk covered by express agreement and when the relevant endorsement establishes another deductible, the latter shall apply.

CLAUSE 12. COMPENSATION

The amount of any loss claimable hereunder shall be set based on the value of the insured interest at the time of the incident, in accordance with Clause 9 ("Partial Loss"), Clause 10 ("Total Loss") and Clause 4 ("Claimable Proportion") of the General Conditions of the Policy.

The maximum liability of the Company for one or more incidents that occur during the validity period of the Policy shall not exceed in total the Insured Sum for the items damaged when the incident occurs, less the respective deductible.

With regard to content, the contribution of the Insured in the value of the claim, as established in the specification of the Policy, should be also taken into account.

CLAUSE 13. DEFINITIONS

The definition of the following terms shall apply throughout the Policy:

- 13.1. **Aggravation of risk.**- A situation that occurs when the risk covered by the Policy is greater than that foreseen, due to certain events that are within or beyond the control of the Insured.
- 13.2. **Insured.**- The person named who is subject to the risk and to whom the rights and obligations under the agreement correspond.

- 13.3. Beneficiary.-** Person who the Insured recognizes as being entitled to receive the payment of any claim made for the occurrence of a risk covered by the Policy.
- 13.4. Boilers and pressure vessels with vent:** A sealed vessel in which water or another liquid is heated or is converted to steam by the heat generated by any fuel or by electricity. The insurance covers any auxiliary equipment of the boilers or vessels insured that is incorporated into their structure, including gas pipes that lead to the chimney, and is extended to the supply pipes that run between supply pumps, injectors, boilers and vessels, and to all boiler steam discharge pipes, up to and including the nearest valve.
- 13.5. Cavitation.-** The formation of holes or cavities filled with steam or gas in the hollow of a liquid in motion, when the pressure at a certain point of the liquid is lower than the steam tension, causing damage to metal.
- 13.6. Deductible.-** The expressly agreed sum or percentage that the Insured shall contribute to the loss and that shall be discounted from the claim payable in each case.
- 13.7. Fraud or bad faith.-** The act or omission of any person that induces another person to error, or the fraudulent or deceitful conduct of one party before the other, in a contractual relationship, either during the preparatory stage or during its effective term. The deception or simulation on the part of one person to deliberately commit an act to the detriment of another person.
- 13.8. Auxiliary equipment.-** Fuel burners, grates, economizers, air pre-heaters, control panels and equipment and injectors incorporated into the structure of boilers and vessels with vent. This also includes fuel heaters and forced-draught fans of smoketube boilers that are incorporated into the body or structure of the boiler.
- 13.9. Physical explosion.-** The physical explosion of a receptacle filled with gas, steam and/or liquid is understood to take place as a consequence of the tendency of the gas and steam therein to expand. The receptacle shall break when the escape of gas or leak of liquid causes a sudden balance (*sic*) between the internal and external pressure of the receptacle. An explosion caused or accompanied by chemical reactions shall not be considered as a physical explosion.
- 13.10. Extra expenses.-** The total expenses in which the Insured incurs to keep its business running, less the total expenses in which it would normally incur for running its business during the same period, if the incident had not occurred.
- In all cases, extra expenses include those incurred for obtaining the use of the assets and premises of other companies, or other emergency expenses.
- 13.11. Detriment.-** The provable, licit economic loss suffered by third parties, due to the loss of use of damaged assets, during the time in which they are being repaired or replaced.
- 13.12. Premium.-** The sum that the Insured pays the Company as consideration for coverage of the risks stated in the Policy.
- 13.13. Pressure vessel without vent.** A sealed vessel in which water or another liquid is heated or converted to steam that usually works under pressure or in a vacuum, but that is not heated directly by flame or by combustion gases; intake and outlet pipes, seals, valves and their attachments are not included.
- 13.14. Sudden risk:-** Any fortuitous, sudden and unexpected cause or action. This means that any cause or action that has a gradual effect or that is intentional, is completely excluded (for example: use, wear, gradual deterioration, rusting and corrosion).
- 13.15. Recovery.-** A group of material assets that is recovered during or after the occurrence of an incident.
- 13.16. Insured Sum.-** A sum set by the Insured for each item of the Policy that it is the maximum liability of the Company in the event of a claim. Unless otherwise agreed, the Insured Sum shall be the replacement value of the items insured, immediately before the incident occurred.
- 13.17. Terrorism.-** For the purpose of the Policy, terrorism shall be understood as:
- 13.17.A. An act perpetrated by a person or persons, either on their own account, in representation of another person, or in connection with any organization, who use force, violence or any other means for political, religious, ideological or ethnic ends, or any other end, in order to influence or pressure a government to take a certain decision, or to undermine the authority of the State.

- 13.17.B. Direct and indirect loss or material damage, with a mediate or immediate point of origin, caused by the use of explosives, toxic substances, firearms or any other violent means, suffered by persons, objects and public services and that, in the face of the threat or possibility of being repeated, provoke alarm, fear, fright or panic in the community, or a group or sector thereof, in order to disturb the peace.
- 13.18. Pipes.-** The network of metal pipes of any diameter through which a liquid under pressure is transported between the boiler or pressure vessel and the equipment that uses said liquid, including connections, supports and valves, although not including lagging. Steam pipe networks shall be considered as an integral part of the steam trap or separator network.
- In no event shall equipment and or apparatus that use liquid be considered as part of the network, these including tanks, radiators and other equipment, even though the aforementioned apparatus has coil tubes through which the liquid flows. These apparatus may be insured as a separate item.
- 13.19. Replacement Value:** The sum that needs to be spent to build and/or repair and/or install the item affected with another of the same type, quality, size and/or production capacity as the insured items (*sic*), including freight, customs duty and assembly charges, if any, without taking into account any deduction for physical depreciation.
- 13.20. Actual Value:** The Actual Value is arrived at by subtracting the “Depreciation” value (calculated on the basis of the operating life and the condition of the equipment in question) from the Replacement Value of the damaged item on the date of the incident.

GENERAL CONDITIONS

CLAUSE 1. PREMIUM

- 1.1. The premium charged to the Insured becomes due at the time of issuing of the contract, and any subsequent agreement that may affect the Policy, which gives rise to the payment of any such additional premiums.
- 1.2. Should the Insured choose to make installments payments of the premium, the installments shall be payable in equal periods no less than a month, and the installments shall be due at the inception of each period thereto agreed upon. The financial rate of the premium shall be applied to the installment payment in force at the time of issuance or renewal of the Policy, which shall be made known to the Insured in writing.
- 1.3. The time for the payment of premium or any installment may not be greater than 30 (thirty) calendar days following the expiry date of the premium. The effects of this contract shall automatically end at the 12:00 (twelve) noon on the last day of this period. The hours shown in this item shall be the local official time in the place whereby the corresponding insurance policies are issued.
- 1.4. The agreed premium shall be paid in the Company's offices upon delivery of the corresponding receipt thereof.
- 1.5. In the event of loss, the Company shall deduct from the indemnity the total premium pending or outstanding installments not paid, until the total premium corresponding to the period of insurance contracted is completed.

CLAUSE 2. REINSTATEMENT

Notwithstanding the provisions in Clause 1 "Premium" of these General Conditions of the Policy, the Insured may, within the 15 (fifteen) days following the last day of the aforementioned grace period, pay the premium for this insurance or the corresponding part should installment payments have been agreed upon. In this case, upon making such payment, the effects of this insurance shall be reinstated as of the hour and day shown in the payment voucher, and the Company shall refund at pro rata, at the time of receiving the payment, the corresponding premium to the period during which the effects of this insurance ended, in accordance with provisions in Article 40 of the Insurance Contract Law.

Moreover, if the Insured requests in writing at the time of making such payment, that the insurance term is to be extended, this shall be automatically accepted by the Company, and extended for a period equal to that comprised between the last day of such grace period and the hour and date in which such reinstatement becomes effective.

In case that the hour is not clearly shown in the payment voucher, it shall be understood that the insurance is reinstated at midnight on the date of payment. The hours shown in this item shall be the official local time in the place whereby the corresponding insurance policies are issued

The reinstatement referred to in this Clause shall be registered by the Company on the receipt issued for the corresponding payment for administrative purposes, and in any subsequent document issued.

IN NO EVENT SHALL THE COMPANY BE LIABLE FOR LOSSES OCCURRED DURING THE PERIOD COMPRISED BETWEEN THE EXPIRY OF SUCH GRACE PERIOD AND THE HOUR AND DAY OF SUCH PAYMENT REFERRED TO IN THIS CLAUSE.

CLAUSE 3. INSPECTION

The Company shall have at all times the right to inspect the property covered, during working hours and by duly authorized persons thereby.

The Insured is obliged to furnish the Company's surveyor with all necessary details and information for the appraisal of the risk.

Should the inspection disclose an essential increase of hazard in any covered property, the Company shall request in writing to the Insured the elimination of such increase of hazard. If whereby the Insured fails to comply with these change notifications during a period stipulated therein, the Company shall not be liable for loss or damage caused by such increase of hazard, if such fact is a direct contribution to the occurrence of the loss.

CLAUSE 4. PROPORTIONAL RULE

The Sum Insured has been fixed by the Insured, and such shall be neither a proof of existence of nor the value of the property. They are to be used exclusively as a basis to determine the maximum liability of the Company.

If, at the time of the occurrence of a loss, the property has a total value greater than the amount covered, the Company shall only be liable proportionally for the damage caused. Should the policy include various items, this provision shall be applied separately to each item.

CLAUSE 5. PROCEDURE IN THE EVENT OF LOSS

Should the covered property be damaged by a peril not excluded, the Company shall indemnify the Insured for the value of such property, or at its option choose to replace or repair to the Insured's satisfaction, or otherwise pay in cash the value of such property; within the limits or sublimits of liability, together with the terms and conditions set forth in this Policy.

5.1. Protection or Recovery Measures

When the Insured has knowledge of any such loss caused by any of the perils covered by this Policy, he is obliged to take action to lessen and avoid further damage. If delay is not considered dangerous, the Insured shall request and adhere to instructions given by the Company.

Expenses borne by the Insured and not considered inappropriate shall be covered by the Company, if and when they are given in writing and thereafter anticipate such expenses.

Should the Insured omit to give such advice or provoke an essential increase of hazard, the Company's obligations shall thereafter terminate, thus affecting the Insured's rights in the terms of the Insurance Contract Law (Article 52).

5.2. Notice of Loss

Upon the occurrence of a loss giving rise to an indemnity in accordance with this insurance, the Insured or loss payee shall have a maximum period of 5 (five) days to give such notice in writing, such period starts when the Insured or loss payees have knowledge thereof, except in the case of an act of God or force majeure, which notice may be given as soon as ends one or other cause.

Failure to give prompt notice may result in a reduction to the amount of the original indemnity, if however the Company had received prompt notice thereof

5.3. Transfer of Property

Should the Insured, with the purpose to safeguard the property from loss or damage, transfer such property to any building, property or premises not mentioned in the Policy, in order to continue cover in the new location, he shall give written notice within the following 5 (five) working days.

5.4. Documents, data, and information that the Insured shall render to the Company

The Insured shall prove the exactness of his claim. The Company shall have the right to demand from the Insured or loss payee, all information concerning any event related to the loss, by which the circumstances and consequences may be determined. The Insured shall deliver to the Company, as soon as possible, the following documents and data:

- 5.4.A. An original statement addressed to the Insurance Company and signed by the Insured formalizing his claim.
- 5.4.B. A statement of the damage caused by the loss indicating in the most detailed and exact manner what property was destroyed or damaged, together with the amount of the corresponding loss, taking into consideration the value of said property at the time of loss.
- 5.4.C. Estimate for the repair of damage.
- 5.4.D. A detailed list of all existing insurances of the property.
- 5.4.E. All plans, projects, books, receipts, invoices, railway guides, supporting documents, records and any other accounting-fiscal document that sustains legal possession of the property whereby giving support to such claim.
- 5.4.F. All data with respect to the origin and cause of the loss, including the circumstances giving rise thereto. At the Company's request, and at the Insured's expense, supply certified copies of investigations carried out by the Public Prosecutor or his officers, fire brigade, or by any other authority pursuing the investigation of the loss or facts related thereto.
- 5.4.G. Prompt notice of stock salvage, if any.
- 5.4.H. Any other information or documents required by the Company.
- 5.4.I. Penal Report.

Without prejudice to the aforementioned documents and information, in the event of unlawful cases, the Insured shall render the penal report, the confirmation thereof, and evidence of ownership and pre-existence.

The prompt advice, the information provided by the Insured to the Company or their representatives, together with the assistance that the Company may give to the Insured for determining the loss; in no event whatsoever shall be construed as an acceptance of liability by the Company.

In no case, the Company may demand that the loss is proven in lawsuit, according to provisions in Article 71 of the Insurance Contract Law.

CLAUSE 6. MEASURES THAT THE COMPANY MAY TAKE IN THE EVENT OF LOSS

In all cases of loss that destroys or damages the property or whilst the amount of the corresponding indemnity has not been fixed definitely, the Company may:

- 6.1. Enter into the buildings or locations where the loss occurred in order to determine the cause and consequence thereof.
- 6.2. Examine, classify and appraise the property wherever so located.

In no event shall the Company be compelled to undertake the sale or settlement of the property or remnants thereof, or shall the Insured be entitled to abandon such property to the Company.

CLAUSE 7. ARBITRATION

In the event of dispute between the Insured and the Company as to the amount of any loss or damage, the matter shall be given over in writing to an Arbitrator of mutual agreement; however, in such cases where no single Arbitrator can be agreed upon, two such arbitrators shall be named; one for each party, within a period of 10 (ten) days from the date on which either of the parties has required the other to do so in writing. Moreover, before commencement of arbitration, the two arbitrators shall name an umpire in case of further disagreement.

If either of the parties shall refuse or simply neglect to designate his arbitrator at the request of the other, or if the arbitrators do not agree upon the umpire, then the judicial authority shall, at the request of either of the parties, make the appointment of the arbitrator or the umpire, or both if necessary.

The death of any party, if an individual; or the dissolution, if a corporation, during the arbitration process shall not cancel or affect the authority or powers of the arbitrator, or arbitrators or umpire, as the case may be; or in the event of the death of an arbitrator or umpire of either of the parties die before a decision is made, another shall be appointed by such respective (party, arbitrator, judicial Authority) as a substitution thereinof.

Expenses and fees originated by the arbitration shall be divided equally between the Insured and the Company, but each party shall pay the fees of his own arbitrator.

The arbitration referred to in this Clause shall not be construed as an admission of liability by the Company; it shall only determine the amount of the loss which shall eventually be payable by the Company, and while giving both parties liberty to exercise the corresponding objections.

CLAUSE 8. PLACE AND PAYMENT OF INDEMNITY

The Company shall pay any indemnity at its office, within the 30 (thirty) days following the date of receipt of the documents and information, which are the fundamental base of the claim, in the terms of Clause 5 "Procedures in the Event of Loss" of the General Conditions of the Policy.

CLAUSE 9. REDUCTION AND REINSTATEMENT OF THE SUM INSURED IN THE EVENT OF LOSS

All partial indemnities paid by the Company, and according to provisions in Clause 8 "Total Loss" of the Individual Conditions of this Policy, shall be reduced in the same amount as the insured sum; however, this may be reinstated upon previous acceptance of the Company, and at the request of the Insured, who shall be obliged to pay the corresponding additional premium.

Should the Policy consist of various limits and sublimits, the reduction or reinstatement shall apply to such affected limits and sublimits.

CLAUSE 10. SUBROGATION OF RIGHTS

In all terms of Law, the Company shall be subrogated, up to the amount paid, to the Insured's rights, together with the corresponding actions against those liable or responsible for the loss. Should the Company so request, and at the Insured's expense, the Insured shall place in record such subrogation in notarized documents. If due

to acts or omissions of the Insured, such subrogation is inhibited, the Company shall be wholly or in part released from its obligations forthwith.

If only a part of the damage is paid, the Insured and the Company agree to exercise their rights in the same corresponding proportion.

There shall be no subrogation of rights in case the Insured has a marital or blood relationship or kinship up to the second degree with the person(s) that are known to have committed the damage; otherwise, the Insured may be liable for the acts of the aforementioned persons under civil litigation.

CLAUSE 11. FRAUD, DECEIT, BAD FAITH OR GROSS NEGLIGENCE

THE COMPANY'S OBLIGATIONS SHALL TERMINATE:

- 11.1. IF THE INSURED, LOSS PAYEE OR THEIR REPRESENTATIVES WITH THE OBJECT OF INDUCING THE COMPANY TO COMMIT AN ERROR, DISSIMULATE OR MAKE INEXACT DECLARATIONS, WHEREBY EXCLUDING OR RESTRICTING SUCH OBLIGATIONS.**
- 11.2. MOREOVER, IF WITH THE SAME INTENTION THEY DO NOT FURNISH, IN DUE TIME, TO THE COMPANY THE DOCUMENTS NECESSARY FOR THE CORRECT PROCEDURE OF THE PAYMENT OF THE LOSS (BASED ON PROVISIONS IN CLAUSE 5 "PROCEDURE IN THE EVENT OF LOSS" OF THE GENERAL CONDITIONS OF THE POLICY).**
- 11.3. DECEIT OR GROSS NEGLIGENCE ON THE PART OF THE INSURED OR LOSS PAYEE OR ASSIGNEES OR ATTORNEYS, HIS REPRESENTATIVES OR PERSONS LIABLE FOR THE TECHNICAL DIRECTION; IF AND WHEN SUCH ACT OR NEGLIGENCE IS DIRECTLY ATTRIBUTABLE TO SUCH PERSONS.**

CLAUSE 12. INCREASE OF HAZARD

When the premium has been fixed in accordance with the characteristics of the risk, described in this policy, the Insured shall advise the Company of any essential increase of hazard during the validity of this insurance, within a period of 24 (twenty four) hours upon having such knowledge thereof. **SHOULD THE INSURED OMIT TO GIVE SUCH ADVICE OR PROVOKE AN ESSENTIAL INCREASE OF HAZARD, THE COMPANY'S OBLIGATIONS SHALL TERMINATE HEREINAFTER.**

CLAUSE 13. ADVANCE TERMINATION OF CONTRACT

Notwithstanding the term of the Policy, the parties agree that such Policy may be terminated in advance by means of written notice.

When the Insured terminates the Policy, the Company shall have the right to retain that part of the premium corresponding to the time during which the insurance had been in force, in accordance with the following short term tariff (percentage of the annual premium):

SHORT TERM TARIFF	
Up to 7 days	10%
Up to 15 days	15%
Up to 1 month	25%
Up to 2 months	35%
Up to 3 months	45%
Up to 4 months	55%
Up to 5 months	65%
Up to 6 months	70%
Up to 7 months	75%
Up to 8 months	80%
Up to 9 months	85%
Up to 10 months	90%
Up to 11 months	95%
Up to 12 months	100%

When the Company requests the termination of the contract, such shall be by means of written notice to the Insured. The insurance termination shall become effective 15 (fifteen) days after the corresponding notice; and the Company shall return such part of the premium in proportion to the unexpired term, at the moment when giving such notice. Consequently, the cancellation shall not be effective without such herefore stated requirement.

CLAUSE 14. STATUTE OF LIMITATIONS

All actions derived from this insurance contract shall prescribe in **2 (two) years**, in the terms of Article 81 of the Insurance Contract Law, as of the date of the occurrence thereof, unless exceptions consigned in Article 82 of the same law.

The prescription shall be interrupted not only by ordinary causes, but also by those referred to in the **Law of Protection and Defense of the Financial Service User (CONDUSEF)**.

Article 81 and 82 of the Insurance Contract Law:

Article 81: All actions derived from an insurance contract shall prescribe in two years, as of the date of the occurrence giving rise thereto.

Article 82: The term referred to in the previous article shall not be effective in case of omission, false or inexact declarations of the risk. However, in such case, where loss has occurred it shall be effective when the interested parties have proven that they had no previous knowledge of such loss occurrence taking place but on such date when the company has knowledge thereof. With respect to third party loss payees, they should also be aware of the vested rights in their favour.

CLAUSE 15. NOTIFICATIONS

Any declaration or notification in respect to this contract shall be submitted in writing to the Company's registered address indicated in the Specification of this Policy.

In all such cases where the address of the offices of the Insurance Company is different from such indicated in the issued Policy, the Company shall advise the Insured the new address in the Republic of Mexico for all requests and notifications that should be sent to the Insurance Company for any legal effect.

The requirements and notifications that the Insurance Company shall make to the Insured or his assignees shall be valid to the last known address given to the Insurer.

CLAUSE 16. OTHER INSURANCE

If the covered property is insured, wholly or in part, by other insurance covering the same peril, whether acquired on the same date or another, the Insured is under the obligation to declare such immediately in writing to the Company and/or they should be mentioned in the Policy or enclosure thereto; indicating the name of the insurance companies and the sums insured.

Should the Insured intentionally omit to give such notice, or acquire other insurance in order to obtain an illicit gain, the Company shall be released from its obligations.

When the Company has been duly notified that the same covered interests by this Policy are insured by other companies, the Company is obliged to pay the full value of the damage sustained within the limits of the Sum Insured, and thereafter shall be repeated proportionally against other companies which have issued coverage for the amount insured.

CLAUSE 17. BENEFITS FOR THE INSURED

If during the period of the insurance, the General Conditions are modified in similar contracts, the Insured shall have the right to request in writing to the Company the corresponding modifications in his Policy in order that the new conditions are applied thereto, but if such modifications grant higher benefits for the Company, the Insured is obliged to cover the equivalent increase in the corresponding premium.

CLAUSE 18. JURISDICTION

In the event of controversy, the plaintiff may enforce his rights in the terms provided by the **Law of Protection and Defense of the Financial Service User (CONDUSEF)**.

CLAUSE 19. ARREARS INTEREST

In the event that the Company, even though it has received the documents and information with reference to the basis for the claim made, does not fulfil the obligation of paying the indemnity, capital or rent, in the terms of Article 71 of the Insurance Contract Law, then, by fault of paying the legal interest applicable, the Company is obliged to pay the Insured, loss payee or third party sustaining damage, an arrears interest under the terms provided in Article 135 Bis of the General Law of Insurance Institutions and Mutual Societies, covering the delay period. Such interest shall be calculated as of the following day in which such obligation is so demanded.

CLAUSE 20. INCEPTION AND TERMINATION OF TERM

The policy term shall begin and terminate in the dates indicated therein at twelve hours in the place where the covered property is located.

CLAUSE 21. TERRITORIAL LIMIT

This Policy has been contracted in accordance with Mexican Laws and to cover damage and/or loss occurred within the territory of the Republic of Mexico.

CLAUSE 22. CURRENCY

Both the payment of the premium and indemnity, if any under this Policy, are payable according to the terms of the Monetary Law in force at the date of payment.

CLAUSE 23. ARTICLE 25 OF THE INSURANCE CONTRACT LAW

“Should the wording of the Policy or its modifications not agree with the offer, the Insured may request the necessary amendment within the 30 (thirty) days following receipt thereof. After expiry of this period, the provisions or amendments of the Policy shall be considered as accepted”