

## INSURANCE POLICY FOR DAMAGE TO MACHINERY

### 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 Cover Sheet 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.

### CLAUSE 1. INSURED ITEMS

The machinery described in the Specification attached hereto, while it is installed on the premises established in the Specification, once it has successfully passed all initial operating tests, and that is in operation, being checked or serviced, or idle, but that may be put into operation at any time, including, but not limited to:

All types of electrical, mechanical, hydraulic or pneumatic machinery, or a combination thereof, regardless of its use, features or mechanisms.

The Insured must advise the Company if the machinery is new, used, rebuilt, original or altered, and if it is of special manufacture, own manufacture, leased, financed, loaned, and whether it was manufactured locally or has been imported.

All power or driving machinery, such as processing machines and fixed and mobile equipment, is also insurable under the policy.

The Policy also covers auxiliary equipment, including, but not limited to: panels, switches, engines, pumps, compressors and the cables and pipes incorporated into each machine, but only if the auxiliary equipment:

- Is integrated with the machinery insured, or its supporting structure.
- Is supported by the foundation of the machinery and/or
- If it exclusively services this machinery.

The foundation of insured machinery and equipment is covered, but only when its value is itemized as part of the Insured Sum for each piece of machinery, for which the Insured shall submit the relevant invoices in accordance with Clause 5 of the General Conditions of the Policy ("Procedure in the event of an incident"), and provided that the damage to the foundation is caused by a risk covered by the Policy.

Parts, spare parts, replacement machinery, except as provided for in Clause 3 of the General Conditions of the Policy ("Exclusions").

## **CLAUSE 2. RISKS COVERED.**

The Policy covers loss or direct material damage, except as established hereinafter, caused by an unforeseen and sudden incident, that requires the insured items, or part thereof, listed in the Specification hereto, to be repaired or replaced, so as to leave them in a working condition similar to that in which they were immediately before the incident, including damage caused by:

- 2.1. The lack of skill, or negligence or sabotage on the part of the staff of the Insured or third parties.
- 2.2. The direct action of electricity as a consequence of short-circuits, voltaic arcs, insulation failure and transitory over-voltage caused by electrical disturbances, either for natural or artificial causes.
- 2.3. Design errors, manufacturing and casting flaws and the use of defective materials.
- 2.4. Flaws in labor and incorrect assembly.
- 2.5. Insufficient water in boilers or other heat-producing apparatus.
- 2.6. Damage caused by centrifugal force, limited to loss of or damage to the machinery itself.
- 2.7. Foreign bodies introduced into the insured items.
- 2.8. Insufficient greasing, loose pieces, abnormal stress and self-heating.
- 2.9. Failure of regulating devices
- 2.10. Other accidents in which the insured items are involved that are not specifically excluded under the Policy.

## **CLAUSE 3. EXCLUSIONS**

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

### **3.1.- ITEMS EXCLUDED:**

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

- 3.1.A. **FUEL, LUBRICANTS, REFRIGERATING AGENTS, METALIZERS, CATALYSTS AND OTHER OPERATION MEDIA, EXCEPT FOR OIL USED IN TRANSFORMERS AND ELECTRICAL SWITCHES AND MERCURY USED IN ELECTRIC CURRENT RECTIFIERS, WHICH SHALL BE COVERED UNDER THE POLICY, PROVIDED THAT DAMAGE IS CAUSED BY A RISK COVERED.**
- 3.1.B. **ALL TYPES OF CONVEYOR BELTS, STEEL CHAINS AND CABLES, HOSES, TRAVELING BANDS, SIEVES, DIES, SWAGES, STAMPERS, PUNCHES, STAMPING ROLLS, RUBBER TIRES AND MOBILE EQUIPMENT PLATFORMS.**
- 3.1.C. **CHANGEABLE AND CUTTING TOOLS SUCH AS: DRILL BITS, BARS, HAMMERS, PUNCHES, KNIVES, FUSES, FILTERS, CLOTHS, SIEVES, MOLDS, JOINTS, FOUNDATIONS (FOUNDATIONS ARE COVERED PROVIDED THAT THEY MEET THE CONDITIONS OF CLAUSE 1 OF THE SPECIFIC CONDITIONS OF THE POLICY (“INSURED ITEMS”), REFRACTORY, GLAZED AND PORCELAINIZED LININGS.**

**3.1.D. ALL TYPES OF GLASS AND PEWTER, EXCEPT CHINA USED FOR ELECTRICAL INSULATORS.**

**3.1.E. UNPATENTED OR UNMARKED EQUIPMENT, IN OTHER WORDS, EQUIPMENT THAT DOES NOT INCLUDE THE NAME OF THE MANUFACTURER THAT BACKS UP THE RELIABILITY THEREOF, AS FAR AS DESIGN AND SERVICE IS CONCERNED.**

**3.2.- RISKS EXCLUDED:**

**3.2.A. 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.1. ANY DAMAGE, FLAWS OR DEFECTS IN THE EQUIPMENT THAT EXIST WHEN THE POLICY COMES INTO EFFECT.**

**3.2.A.2. FIRES, EXTINGUISHING OF FIRES, REMOVAL OR COLLAPSE OF RUBBLE AFTER A FIRE; DIRECT LIGHTNING STRIKES.**

**3.2.A.3. PHYSICAL OR CHEMICAL EXPLOSIONS AND 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.A.4. ALL FORMS OF THEFT.**

**3.2.A.5. DAMAGE CAUSED BY VIBRATION OR NATURAL GROUND MOVEMENT, SUCH AS SUBSIDENCE, DISPLACEMENT AND NORMAL GRADUAL SETTLING.**

**3.2.A.6. DAMAGE CAUSED BY FILTRATION OF WATER, SUBTERRANEAN OR NOT, THAT CAUSES DAMP.**

**3.2.A.7. 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.A.8. GRADUAL DETERIORATION CAUSED BY LOCAL PREVAILING WEATHER AND ENVIRONMENTAL CONDITIONS, SUCH AS: WEAR, EROSION, CORROSION, RUSTING, SCALING, SEDIMENTATION, CRACKING AND CAVITATION.**

- 3.2.A.9. ANY DAMAGE CAUSED BY THE EFFECT OF TOXIC MOSS.**
- 3.2.A.10. DAMAGE CAUSED BY INTERRUPTION OR FAILURE OF THE PUBLIC ELECTRICITY SUPPLY (PUBLIC ELECTRICITY SUPPLY SHALL NOT INCLUDE OVER-VOLTAGE CAUSED BY LIGHTNING STRIKES ON ELECTRICITY CABLES OR PHENOMENA CAUSED BY ATMOSPHERIC ELECTRICITY).**
- 3.2.A.11. DAMAGE CAUSED BY INTERRUPTION OR FAILURE OF THE PUBLIC GAS AND WATER SUPPLY.**
- 3.2.A.12. LOSS OR DAMAGE THAT IS A DIRECT CONSEQUENCE OF PROLONGED OR CONTINUOUS OPERATION.**
- 3.2.A.13. EXPERIMENTS, TESTS OR TRIALS DURING WHICH THE MACHINERY INSURED IS SUBJECT TO STRESS THAT IS ABOVE ITS NORMAL TOLERANCE.**
- 3.2.A.14. 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.A.15. DAMAGE CAUSED BY THE INSTALLATION OF SPARE PARTS OTHER THAN THOSE SPECIFIED BY THE MANUFACTURER, OR BY OPERATING THE MACHINERY IN A MANNER OTHER THAN THAT SPECIFIED BY THE MANUFACTURER.**
- 3.2.A.16. AESTHETIC DEFECTS, SUCH AS SCRATCHES AND MARKS ON POLISHED, PAINTED OR VARNISHED SURFACES. NEVERTHELESS, THE COMPANY AGREES TO COVER THE DAMAGE OR LOSS MENTIONED IN THIS SECTION WHEN THE PARTS IN QUESTION HAVE BEEN AFFECTED BY LOSS OF OR DAMAGE TO THE INSURED ITEMS COVERED BY THE POLICY.**
- 3.2.B. THE COMPANY SHALL ALSO NOT BE LIABLE FOR DAMAGE CAUSED AS A CONSEQUENCE OF:**
- 3.2.B.1. 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.B.2. ANY LOSS OR DAMAGE FOR WHICH THE MANUFACTURER OR THE VENDOR OF THE INSURED ITEMS, OR THE MAINTENANCE SERVICE PROVIDER, IF NOT THE STAFF OF THE INSURED, IS LEGALLY OR CONTRACTUALLY RESPONSIBLE.**
- 3.2.B.3. ANY FRAUDULENT ACT OR FAULT ON THE PART OF THE INSURED, ITS ADMINISTRATORS OR ANY OTHER PERSON ACTING IN THE NAME OF THE INSURED, COMPANY MANAGEMENT, OR THE TECHNICAL DIRECTOR.**
- 3.2.B.4. ANY APPARENT INTENTIONAL ACT OR NEGLIGENCE ON THE PART OF THE INSURED OR ITS REPRESENTATIVES.**
- 3.2.B.5. LOSS AND/OR DAMAGE CAUSED BY HOSTILITIES AND ACTS OF WAR, DECLARED OR NOT, INVASION OF ENEMY TERRITORY, CIVIL WAR, REVOLUTION, REBELLION, INSURRECTION, SUSPENSION OF GUARANTEES, CONSPIRACY, COUP D'ÉTAT, OR EVENTS THAT BRING ABOUT THESE *DE FACTO OR JURE* SITUATIONS.**
- 3.2.B.6. TERRORISM AND/OR**
  - 3.2.B.6.a). MEASURES TAKEN TO IMPEDE, PREVENT, CONTROL OR REDUCE THE CONSEQUENCES OF ANY ACT OF TERRORISM AND/OR**
  - 3.2.B.6.b). ANY CONSEQUENTIAL DAMAGE RESULTING FROM AN ACT OF TERRORISM.**
- 3.2.B.7. STRIKES, POPULAR UPRISINGS, RIOTS AND CIVIL COMMOTIONS.**
- 3.2.B.8. CONSEQUENTIAL LOSS OF ANY TYPE, SUCH AS: LACK OF USE OR HIRE, SUSPENSION OR STOPPAGE OF WORK, BREACH OR RESCISSION OF CONTRACTS, CONTRACTUAL PENALTIES AND, IN GENERAL, ANY RESULTING LOSS OF BENEFITS, AND CIVIL LIABILITY OF ANY TYPE.**

#### **CLAUSE 4 COMMENCEMENT AND CONTINUATION OF COVERAGE**

- 4.1.** The insurance policy shall come into effect once the insured items listed in the Policy Specification have been installed on the site mentioned in the Specification, and once their initial operating testes have been completed satisfactorily.
- 4.2.** Coverage shall remain valid even when the machinery is out of service or being checked, repaired, assembled and disassembled, for its maintenance or movement on the site mentioned in the Specification.

#### **CLAUSE 5. CHECKING AND RECONDITIONING MACHINERY.**

In addition to the General and Specific Conditions of the Policy, it is understood and agreed that the Insured is required to check and recondition the equipment listed in the Specification attached to the Policy, on its own account and at its own cost.

### **Circumstances of checking and/or reconditioning.**

- 5.1. The Insured must refer to the manufacturer's instructions when checking and reconditioning its machinery.
- 5.2. The Insured shall fully check and, as the case may be, recondition the machinery and equipment specified in Clause 6 of the Specific Conditions of the Policy ("Checking and/or Reconditioning Periods") at the times established for each piece of equipment and machinery.
- 5.3. The Insured shall provide the Company seven days notice of when it intends to commence checking equipment and machinery, so that the Company may assign a representative to witness said activity.
- 5.4. The expenses incurred by the aforementioned representative shall be paid by the Company.
- 5.5. The Insured shall provide the Company a copy of the report prepared by an expert for the machinery and equipment checked and/or reconditioned.
- 5.6. **IF THE INSURED FAILS TO MEET THESE CONDITIONS, THE COMPANY SHALL BE RELEASED FROM ALL LIABILITY FOR DAMAGE CAUSED BY ANY FAILURE OR DEFECT THAT WOULD HAVE COME TO LIGHT IF THE INSPECTION HAD BEEN CARRIED OUT IN THE PRESENCE OF AN EXPERT.**

### **CLAUSE 6.- CHECKING AND/OR RECONDITIONING PERIODS:**

Clause 5 of the Specific Conditions of the Policy ("Checking and Reconditioning Machinery") establishes the following maintenance periods:

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| 6.1. Steam turbo-generators.   | Every three calendar years   |
| 6.2. Steam and stage turbines.   | Every two calendar years.  |
| 6.3. Gas turbines and turbo-generators, as per manufacturer's indications, as a minimum.                         | Every calendar year.   |
| 6.4. Hydraulic turbines, with or without generator.  | Every two calendar years.  |
| 6.5. Electric motors of less than 1 kilowatt.  | Every calendar year.   |
| 6.6. Triphasic electric motors greater than 1 kilowatt, but less than 750 kilowatts.                             | Every three calendar years.  |
| 6.7. Triphasic electric motors greater than 750 kilowatts and direct current motors and generators of any power. | Every 500 start-up/shut-down cycles, or 800 hours of operation, whichever is less. |
| 6.8. Electric propulsion motors for rolling machines.  | Every calendar year  |
| 6.9. Distribution or power transformer oil.  | Every calendar year  |
| 6.10. Furnace transformers, including oil.   | Every calendar year.   |
| 6.11. Turbo-compressors or blowers.  | Every two calendar years.  |
| 6.12. Gearboxes or gearing.  | Every 15000 hours of operation or every two years of work, whichever is less.      |
| 6.13. Machinery lubricating sumps, including oil.  | Every calendar year  |
| 6.14. Diesel motors, reciprocal compressors and cranes in general.   | As indicated by the manufacturer.  |
| 6.15. Revolving tower cranes.  |  |
| 6.16. Hydraulic presses, agglomerated wood and plywood press plates.   | Every time disassembled and/or every year  |
| 6.17. Metal or plastic injection mold presses.   | Every calendar year  |
| 6.18. Metal, plastic or clay extrusion presses.  | Every calendar year  |
| 6.19. Tank pumps.  | Every calendar year  |
| 6.20. Other equipment  | Every calendar year or as indicated by the manufacturer.                           |

## **CLAUSE 7. PARTS WITH A PREDETERMINED OPERATING LIFE**

It is understood and agreed that the replacement value of the parts of damaged machines whose operating life is predetermined by the manufacturer, shall be indemnified at their value at the time of the incident, in accordance with Clause 11 of the Specific Conditions of the Policy ("Partial Loss"). The parts included are:

Combustion chambers, transition pieces, high-pressure gas turbine vanes and nozzles, and other parts through which combustion gases circulate directly; electric arc furnace transformer coils; casing, combustion heads, rings and bearings of internal combustion engines or reciprocal compressors; perpetual screws of metal, plastic, clay or synthetic resin extrusion presses; parts of crushers or grinders that are in direct contact with the material being crushed or ground, and shafts of rotary crushers; coils and bearings of electric motors of less than one kilowatt; coils of electric motors greater than one kilowatt, power and distribution transformers and generators; other machinery parts that the manufacturer considers to be the same should be replaced from time to time.

## **CLAUSE 8. OBLIGATIONS OF THE INSURED.**

- 8.1. To keep the insured machinery in good operating condition.
- 8.2. To not habitually or intentionally use the machinery for work for which it is not designed.
- 8.3. To meet the technical and administrative requirements for installation and operation of the equipment.
- 8.4. To advise the Company within eight days of any change that substantially increases the risk, under penalty of losing its rights under the insurance policy: Said changes include:
  - 8.4.A. Substantial changes to the machines that alter their design, capacity, output or use.
  - 8.4.B. Change of location of the equipment.
  - 8.4.C. New installations close to the machinery insured.
  - 8.4.D. Change in raw materials or processes.
  - 8.4.E. Suspension of operations for a continuous period of more than 3 (three) months.
  - 8.4.F. Changes in the equipment's operating environment.
  - 8.4.G. Changes to foundations.
- 8.5. **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.**
- 8.6. The Insured shall retain all damaged and faulty parts and make them available for inspection by the Company, until the claim made has been paid in full.

## **CLAUSE 9. REPLACEMENT VALUE AND INSURED SUM**

### **Replacement Value**

In the Policy, "replacement value" shall be understood as the amount spent for a new item of the same type, including cost of transport, assembly and customs duty, if any, without taking depreciation into account.

## Insured Sum

The Insured Sum is fixed by the Insured and must be set for each item at the replacement value, as established in the previous point.

When the Insured Sum is less than the replacement value, Clause 4 of the General Conditions of the Policy ("Claimable Proportion").

## CLAUSE 10. 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 11. PARTIAL LOSS

### 11.1. 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:

#### 11.1.A. Cost of repair:

- 11.1.A.1. 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.
- 11.1.A.2. 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.
- 11.1.A.3. 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.
- 11.1.A.4. The Company may repair or replace the insured items, or pay them in cash.
- 11.1.A.5. 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.
- 11.1.A.6. The replacement value of the remaining operating life of parts with a predetermined operating life shall be paid, as established in Clause 7 of the Specific Conditions of the Policy ("Parts with a Predetermined Operating Life").

11.1.A.7. The Company shall only pay compensation for damage when it receives invoices and documents that prove that the repair or replacement has been made.

11.1.A.8. 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 12 ("Total Loss").

**11.1.B. Expenses to be paid by the Insured:**

11.1.B.1 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.

11.1.B.2 The Insured shall pay all costs for reconditioning, alterations and improvements not needed for repair of the damage.

11.1.B.3 If the Insured temporarily repairs any of the insured items 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.**

11.1.B.4 **THE LIABILITY OF THE COMPANY SHALL CEASE IF ANY PERMANENT REPAIR MADE BY THE INSURED IS NOT TO THE SATISFACTION OF THE COMPANY.**

11.1.B.5 The deductible established in the Specification of the Policy shall apply for all compensation for partial loss.

**CLAUSE 12. TOTAL LOSS.**

12.1. 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.

12.2. 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.

12.3. When the repair cost of damaged insured items is the same as or greater than their actual value, the loss shall be considered as total.

12.4. In the event of the total loss of the insured items, compensation shall be paid at the Actual Value if the Insured decides not to replace the damaged or lost items.

12.5. After compensation has been paid for total loss, the insurance of the damaged items in shall cease.

12.6. The deductible on the Insured Sum shall apply to all compensation for total loss.

**CLAUSE 13. PARTICIPATION OF THE INSURED**

The Insured shall pay the deductible shown on the Specification of the Policy for all claims made under the Policy.

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, to the same extent that the Company proportionately covers the damage caused.

## CLAUSE 14. COMPENSATION.

- 14.1. The Company may repair or replace damaged or destroyed items, or make a cash payment, at its own choice.
- 14.2. If the Company chooses to pay in cash the loss calculated in accordance with Clause 11 ("Partial Loss") and Clause 12 ("Total Loss") of the Specific Conditions of the Policy, the amount shall be set based on current values at the time of the incident.
- 14.3. For partial loss, the compensation to be paid to the Insured shall be calculated on the basis of the provisions of Clause 4 of the General Conditions of the Policy ("Claimable Proportion").
- 14.4. Application of Deductible and Recovery.
  - 14.4.A. If the Company chooses to repair or replace the damaged or destroyed items, or pay in cash, as it may decide, the Insured shall pay the Company the Deductible and the recovery value if it retains the damaged items.
  - 14.4.B. If the Company chooses to make a cash payment, the deductible, and the recovery value (if the Insured retains the damaged items), shall be subtracted from the sum arrived at in accordance with points. 14.2 and 14.3
  - 14.4.C. If adjustment is delayed on account of the will of the Insured, and the price of materials and labor increases between the date of the incident and the date on which the claim is paid, the Company shall pay compensation for the damage, calculated at the cost on the date on which a cash payment is agreed. The Insured shall pay any difference, plus the deductible established in the Policy.
  - 14.4.D. When two or more items affected by a single incident are subject to claim in accordance with the conditions of the Policy, the Insured shall pay the highest deductible only for the items damaged.
- 14.5. 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, less the respective deductible.
- 14.6. Each partial claim that the Company pays during the validity period of the Policy shall reduce its liability by the same amount, and subsequent claims shall be paid up to the limit of the remaining amount. If Clause 4 of the General Conditions of the Policy ("Claimable Proportion") applies, any reduction in the Insured Sum on account of claims previously paid shall not be taken into account.

At the request of the Insured, the Company may reestablish the reduced amounts and the Insured shall pay the relevant premiums pro rata. If the Policy comprehends various points, reduction or reestablishment shall apply to the point or points affected.

## CLAUSE 15. DEFINITIONS

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

- 15.1. **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.
- 15.2. **Vane.** A curved blade on a hydraulic wheel. Mat or protection placed at the side of the car.
- 15.3. **Insured.**- The person named who is subject to the risk and to whom the rights and obligations under the agreement correspond.
- 15.4. **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.
- 15.5. **Crankcase.**- An oil receptacle installed on the lower section of a gasoline engine.

- 15.6. Cavitation.-** The wear or erosion of the solid parts of a machine that move in the hollow of a liquid, forming local cavities or holes as the result of a drop in overall pressure.
- 15.7. Corrosion.-** Deterioration and wear caused by chemical reaction.
- 15.8. Sieve.-** An instrument comprising a hoop to which a sheet of leather or cloth in the form of a mesh is fixed, and that is used to select and clean impurities found in seeds, minerals or liquids.
- 15.9. 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.
- 15.10. Defect.-** Any item that is missing any of its features, or that has any imperfection or flaw.
- 15.11. 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.
- 15.12. Erosion.-** Wear caused by friction.
- 15.13. 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 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.
- 15.14. 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.
- 15.15. Rusting.-** Oxidation.
- 15.16. Scaling.-** Solid chemical compounds dissolved in a liquid deposited on the walls of a pipe through which it is passing.
- 15.17. Power or driving machinery.-** Machinery that change one form of energy to another, such as motors, turbines and generators.
- 15.18. Processing machinery.-** Machines that with the assistance of power machinery are used to obtain, produce, transform or transport a material, these including pumps, presses, compressors, lathes, extractors, plastic injection machines, cranes, grinders, etc.
- 15.19. Negligence or imprudence.-** Lack of care or diligence, or undue care and attention in legal acts and handling of assets.
- 15.20. 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.
- 15.21. Premium.-** The sum that the Insured pays the Company as consideration for coverage of the risks stated in the Policy.
- 15.22. Accidental 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).
- 15.23. Recovery.-** A group of material assets that is recovered during or after the occurrence of an incident.
- 15.24. Swage.-** A swage or die is a rotary tool that is used to cut the contours of the label.
- 15.25. 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 replacement value of the items insured, immediately before the incident occurred.
- 15.26. Screen.-** Strainer, sieve, filter.

- 15.27. Terrorism.-** For the purpose of the Policy, terrorism shall be understood as:
- 15.27.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.
  - 15.27.B.** Direct and indirect loss or material damage 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.
- 15.28. Nozzle.-** The part at the rear of reaction motors through which combustion gas is emitted.
- 15.29. 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, including freight, customs duty and assembly charges, if any, without taking into account any deduction for physical depreciation.
- 15.30. 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 installment 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, 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.
- 5.4.J. 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 thereof.

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”