
Machinery Loss of Profits Insurance Policy Wordings

Scope of cover

All perils under the Machinery Breakdown policy can be covered under MLOP. Hence the main perils covered are electrical/mechanical breakdown, voltage surge, impact damage etc.

The amount payable as indemnity is in respect of reduction in turnover/output is the gross profits lost on account of the shortage in turnover or output during the indemnity period in consequence of the material damage under Machinery Breakdown policy.

Sum Insured

The sum insured is to be declared as annual gross profits estimated during the policy period.

This can be arrived at by either considering gross profits on difference basis which is Revenue - Variable Expenses or additions basis which is Net Profit + Standing Charges.

Premium

The premium will depend on the following factors:

- Replenishment time required for equipment's
- Availability of spare equipment
- Criticality of the equipment
- Your contractual arrangements with Suppliers
- Replacement time
- Ability to make up for the loss
- Your profit forecasting pattern

Significant Exclusions

The underlying Material Damage policy for this MLOP cover would be Machinery Breakdown policy. Hence all the exclusions of the Machinery Breakdown policy would be applicable for MLOP cover. The major exclusions would be fire and allied perils, theft & burglary, nuclear perils, radioactive/ionization perils, wear & tear.

Excess

The policy will have an excess in terms of days for each and every loss.