

This document may be called **Participant's Membership Document** (hereinafter referred to interchangeably as "scheme or "policy") as defined in the Takaful Rules, 2012.

MACHINERY BREAKDOWN TAKAFUL POLICY

PREAMBLE

This is to acknowledge that the applicant (hereinafter called the 'Participant'), as more fully described in the schedule hereto:

- i. Is accepted as a member of the Participants' Takaful Fund (hereinafter called the 'Fund') operated by Alfalah Insurance Company Limited (Window Takaful Operations) (hereinafter called 'Operator').
- ii. Being a member of the Fund, he/she is acknowledged as a beneficiary under the attached Indemnity Policy of the Fund and of the benefits declared by the Fund from time to time under this policy, in accordance with the Waqf Rules governing the Fund.
- iii. Subject to the participant continuing as a member of the Fund and complying with his/her undertaking under his/her declaration made in the proposal form he/she is indemnified by the Fund as one of its beneficiaries against the perils/events described, in the manner and to the extent as stated hereunder:

CONDITIONS PRECEDENT

- i. No payment in respect of any Contribution shall be deemed to be payment to the Operator unless a printed form of receipt for the same, signed by an authorized official of the Operator, shall have been given to the Participant.
- ii. Notwithstanding anything above cover under this policy shall not commence until the Contribution, as stated in the schedule hereof, has been paid or guaranteed to be paid in the manner as stated in the schedule or as expressly agreed and stated therein.

Whereas the Participant has made a payment (described in the Schedule) as Contribution to the Fund and accepting the same the Operator hereby agrees the (subject to Conditions contained herein or endorsed or otherwise expressed here on which Conditions shall so far as the nature of them respectively will permit to be deemed to be Conditions precedent to the right of the Participant to recover hereunder

Now this Policy of Takaful witnesses that, subject to the Participant having paid to the Operators the contribution mentioned in the Schedule and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon,

The Operators hereby agree with the Participant that if at any time during the period of policy stated in the Schedule or during any subsequent period for which the Participant pays and the Operators may accept the contribution for the renewal of this Policy, the items (or any part thereof) entered in the Schedule, whilst on the premises mentioned therein, suffer any unforeseen and sudden physical loss or damage from causes such as defects in casting and material, faulty design, faults at workshop or in erection, bad workmanship, lack of skill, carelessness, shortage of water in boilers, physical explosion, tearing apart on account of centrifugal force, short circuit, storm, or from any other cause not specifically excluded hereinafter, in a manner necessitating repair or replacement,

The Operators will indemnify the Participant in respect of such loss or damage, as hereinafter provided, by payment in cash, replacement or repair (at the Operators' option) up to an amount not exceeding in any one year of policy in respect of each of the items specified in the Schedule the sum set opposite thereto and not exceeding in all the total sum expressed in the Schedule as covered hereby.

This Policy shall apply to the covered items after successful completion of their performance acceptance tests whether they are at work or at rest, or being dismantled for the purpose of cleaning or overhauling, or in the course of the aforesaid operations themselves, or when being shifted within the premises, or during subsequent re-erection.

Exclusions

The Participant shall not be indemnified for:

1. The deductible stated in the Schedule to be borne by the Participant in any one occurrence; if more than one item is lost or damaged in one occurrence, the Participant shall not, however, be called upon to bear more than the highest single deductible applicable to such items;
2. Loss of or damage to exchangeable tools, e.g. dies, moulds, engraved cylinders, parts which by their use and/or nature suffer a high rate of wear or depreciation, e.g. refractory linings, crushing hammers, objects made of glass, belts, ropes, wires, rubber types, operating media, e.g. lubricants, fuels, catalysts;
3. loss or damage due to fire, direct lightning, chemical explosion (except flue gas explosions in boilers), extinguishing of a fire or subsequent demolition, aircraft or other aerial devices or articles dropped there from, theft, burglary or attempts thereat, collapse of building, flood, inundation, earthquake, subsidence, landslide, avalanche, hurricane, cyclone, volcanic eruption or similar natural catastrophes.
4. loss or damage for which a supplier, contractor or repairer is responsible either by law or under contract;
5. Loss or damage caused by any faults or defects existing at the time of commencement of this Policy within the knowledge of the Participant or his representatives, whether such faults or defects were known to the Operators or not;
6. Loss or damage arising out of the wilful act or gross negligence of the Participant or his representatives;
7. Any consequence of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, acts of a group of malicious persons or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation commandeering, requisition or destruction of or damage to property by order of any government de jure or de facto by any public authority;
8. Any consequence of nuclear reaction, nuclear radiation or radioactive contamination.
9. Loss or damage as a direct consequence of the continual influence of operation (e.g. wear and tear, cavitation, erosion, corrosion, rust, boiler scale);
10. Consequential loss or liability of any kind or description, any payments over and above the indemnity for material damage as provided herein;

In any action, suit or other proceeding where the Operator allege that, by reason of the provision of exclusions above, any loss or damage is not covered by this Policy, the burden of proving that such loss or damage is covered shall be upon the Participant.

PROVISIONS

Memo 1 -Sum Covered

It shall be requirement of this Policy that the sum covered is equal to the cost of replacement of the machinery covered under this Policy by new machinery of the same kind and capacity, which means its cost of replacement including, e.g. freight, dues and customs duties, if any, cost of erection. If the sum covered is less than the amount required to be covered, the Operator shall pay only in such proportion as the sum covered bears to the amount required to be covered. Every item if more than one shall be subject to this condition separately.

Memo 2 -Basis of Indemnity

- a) In cases where damage to an item covered under this Policy can be repaired - the Operator shall pay expenses necessarily incurred to restore the damaged machine to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting the repairs as well as ordinary freight to and from a repair shop, customs duties and dues, if any, to the extent such expenses have been included in the sum covered. If the repairs are executed at a workshop owned by the Participant, the Operator shall pay the cost o f materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges.

No deduction shall be made for depreciation in respect of parts replaced, but the value of any salvage shall be taken into account.

If the cost of repairs as detailed here in above equals or exceeds the actual value of the machinery covered immediately before the occurrence of the damage, the item shall be regarded as destroyed and settlement shall be made on the basis provided for in (b) below.

- b) In cases where an item covered under this Policy is destroyed - the Operator shall pay the actual value of the item immediately before the occurrence of the loss, including charges for ordinary freight, cost of erection and customs duties, if any, provided such expenses have been included in the sum covered, such actual value to be calculated by deducting proper depreciation from the replacement value of the item. The Operator shall also pay any normal charges for the dismantling of the machinery destroyed, but the salvage- shall be taken into account.

Any extra charges incurred for overtime, night work, work on public holidays, and express freight shall be covered by this Policy only if especially agreed in writing,

The cost of any alterations, additions, improvements or overhauls shall not be recoverable under this Policy.

The cost of any provisional repairs shall be borne by the Operator if such repairs constitute part of the final repairs and do not increase the total cost of repair.

The Operator shall make payments only after being satisfied by production of the necessary bills and documents that the repairs have been effected or replacement has taken place, as the case may be.

CONDITIONS

1. The due observance and fulfillment of the terms of this Policy, in so far as they relate to anything to be done or complied with by the Participant, and the truth of the statements and answers in the questionnaire and proposal made by the Participant shall be a condition precedent to any liability of the operator.
2. The Schedule shall be deemed to be incorporated in and from part of this Policy and the expression "this Policy", wherever used in this Policy, shall be read as including the Schedule. Any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such meaning wherever it may appear.
3. The Participant shall at his own expense take all reasonable precautions and comply with all reasonable recommendation of the Operator to prevent loss or damage and comply with statutory requirements and manufacturers' recommendations.
4.
 - a) Representatives of the Operator shall at any reasonable time have the right to inspect and examine the risk and the Participant shall provide the representatives of the Operators with all details and information necessary for the assessment of the risk.
 - b) The Participant shall immediately notify the Operator either by email, facsimile or by telephone confirmed in writing through letter of any material change in the risk and cause at his own expense such additional precautions to be taken as circumstances may require to ensure safe operation of the covered items, and the scope of cover under contribution shall, if necessary, be adjusted accordingly. No material alteration shall be made or admitted by the Participant whereby the risk is increased, unless the continuance of this Policy is confirmed in writing by the Operator.
5. In the event of any occurrence which might give rise to claim under this Policy, the Participant shall
 - a) Immediately notify the Operator either by email, facsimile or by telephone confirmed in writing through letter, giving an indication as to the nature and extent of the loss or damage;
 - b) Take all reasonable steps within his power to minimize the extent of the loss or damage.
 - c) Preserve the parts affected and make them available for inspection by representative or surveyor of the Operator;
 - d) Furnish all such information and documentary evidence as the Operator may require.

The Operators shall on no account be liable for loss or damage of which no notice has been received by the Operators within 14 days of its occurrence. Upon notification being given to the Operators under this condition, the Participant may carry out repairs of any minor damage or replace items which have sustained any minor damage; in all other cases a representative of the Operators shall have the opportunity of inspecting the loss or damage before any repairs or alterations are effected. If a representative of the Operators does not carry out the inspection within a period of time which could be considered adequate under the circumstances, the Participant shall be entitled to proceed with the repairs or replacement.

The liability of the Operators under this Policy in respect of any covered item shall cease if said item is kept in operation after a claim without being repaired to the satisfaction of the Operators, or if temporary repairs are carried out without the Operators' consent.

6. If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted), such difference shall be referred to the decision of an arbitrator to be appointed in writing by the parties in difference or, if they cannot agree upon a single arbitrator, to the decision of two arbitrators, one to be appointed in writing by each of the parties, within one calendar month after having been required in writing so to do by either of the parties, or, in case the arbitrators do not agree, of an umpire to be appointed in writing by the arbitrators before the latter enter upon the reference. The umpire shall sit with the arbitrators and preside at their meetings. The making of an award shall be condition precedent to any right of action against the Operator.
7. The Operator shall be entitled to withhold indemnification:
 - a) if there are doubts regarding the Participant's right to receive the indemnity, pending receipt by the Operator of the necessary proof;
 - b) if in connection with the claim an examination by the police or an inquiry under criminal law has been instituted against the Participant, pending completion of such examination or inquiry.
8.
 - a) If the proposal or declaration of the Participant is untrue in any material respect, or if any claim made is fraudulent, or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and no payment shall be made in respect of indemnification under this Policy.
 - b) In the event of the Operator disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaimer or (in the case of arbitration taking place in pursuance of Condition 7 of this Policy) within three months after the arbitrators or umpire have made their award, all benefit under this Policy in respect of such claim shall be forfeited.
9. If at the time any claim arises under the Policy there be any other insurance policy or Policy of Takaful covering the same loss, damage or liability no payment shall be made or contributed more than rate able proportion under this Policy of such loss or damage or liability.
10. This Policy may be terminated at the request of the Participant at any time, in which case the Operators will retain the customary short-period rate for the time this Policy has been in force. This Policy may equally be terminated at the option of the Operators by seven day's notice to that effect being given to the Participant, in which case the Operators will be liable to repay on demand a rateable proportion of the contribution for the unexpired term from the date of cancellation less any reasonable inspection charges the Operators may have incurred.

TAKAFUL OPERATOR FEES

The Operator shall deduct Operator's fee as per defined ratio approved by Shariah Advisor out of the Contribution received under this policy. Such fee shall be based on the Wakala principle since the Operator hereby acts as a Wakeel of the Fund. The Wakala Fees shall be credited to the Operators Fund and remaining portion shall be remained credited in the Participant Takaful Fund. The rate of Wakala Fees shall be approved by the Shariah Advisor based on the rating and risk management guidelines of the Window Takaful Operator for each type of Risk.

INVESTMENT MANAGEMENT SHARE

The Operator shall act as a Modarib or Wakeel for the purpose of managing the investment of available fund in the PTF. As such, the Operator stands entitled to a Modarib share or Wakala-tul-Istismar fee in the investment income subject to approval by the Shariah Advisor.

TIMING AND TRANSFER OF FUNDS

- 1- All Contributions recognized under General Takaful contracts, net of any Government levy, shall be credited to the Participant Takaful Funds.
- 2- All Contributions into a Participant Takaful Fund shall be deposited in a bank account designated as belonging to the Participant Takaful Fund or be paid across to such an account within seven days of receipt.
- 3- All income received on assets of a Participant Takaful Fund and receipts from Re-Takaful operators relating to the Participant Takaful Fund shall be deposited in bank accounts designated as belonging to the Participant Takaful Fund or be paid across to such account within seven days of receipt.

- 4- All assets, liabilities, income and expenditure of a General Takaful Operator which do not relate to a Participant Takaful Fund shall be deemed to be part of the Operator's Fund.

SURPLUS DISTRIBUTION

Operator may hold a portion of the surplus

- As a contingency reserve (over and above the technical provisions)
- For meeting solvency level under the Insurance Ordinance, 2000 and Takaful Rules, 2012
- For charity / donations
- The rest of the surplus may be distributed to participants in accordance with the approved Surplus Distribution Mechanism and Policy approved by the Shariah Advisor.
- For this purpose the Commission is also empowered to develop and issue the Surplus Distribution Mechanism for the General Takaful Operator which shall also be complied by the Operator.

UNDERTAKING FOR SUBROGATION

The participant hereby irrevocably and unconditionally authorizes Alfalah Insurance Company (Window Takaful Operations) the transfer of all his/their rights, title and interest in the asset(s) listed in the Schedule and all the right(s) and claim(s) against any person(s) in respect thereof to the Participant Takaful Fund/WaqfFund upon being indemnified by the Operator from the Participant Takaful Fund/Waqf Fund as per the Waqf rules, and further undertakes to sign all necessary documents in this regard.

IMPORTANT

The Participant should for his own protection examine this policy to ascertain whether it is in accordance with his intentions and correctly described, if any error or misdescription is found the same should immediately be intimated to the Operator for correction.