PAR/IAR COVERAGE

Industrial property damage is covered only when four gates align.

PROPERTY
insured

TIME + PLACE
within scope

EVENT
unforeseen · sudden · accidental

CAUSE
not excluded

+ BUSINESS INTERRUPTION



Six administrative gates can stop a claim

01

Premium terms breached

02

Notification very late

03

Damaged property unavailable

04

Property data inaccurate / incomplete

05

Loss prevention insufficient

06

Deductible + proof costs remain

DEDUCTIBLE / SELF-RISK = the portion retained by the insured

Conduct on one side.
Conflict on the other.

LEGAL

Intentional acts or negligence
Fraud and deception

Negligence = procedures or reasonable care were not followed.

POLITICAL

War · rebellion · riots
Terrorism · similar events

Representative = an authorized person acting for the insured.

Carelessness is different: procedures were followed, but human error occurred.

Not every asset belongs in PAR/IAR

Route the exposure to the policy built for it.

- Construction / installation / repair
- Transit / marine exposure
- Customer custody property
- Vehicles · rail · ships · aircraft
- Jewellery and similar items
- Plants
- Roads · dams · channels
- Underground / offshore property

CAR / EAR
construction + erection

CECR
infrastructure

MARINE
transit

Failure is not the same as damage

EXCLUDED CAUSES
Delay / market conditions · fraud · joint or pressure-vessel leaks · electrical or mechanical failure · wear and tear · pests · inherent defects

TOOL

solid object: input → output

EQUIPMENT

interconnected solid components

MACHINE

equipment with an internal process

FAILURE = operation ceases | **MALFUNCTION = performance deteriorates**

Coverage is limited to resulting damage affecting the insured object itself.

Natural peril coverage must be explicit

Pollution · regulatory action · depreciation · weather effects · outdoor property · riots · earthquake · storm · flood · water leakage · impact

WORDING AMBIGUITY
Older forms covered riots and natural perils. Newer wording excludes riots; natural-peril exclusion by association remains debated.

Indonesia: earthquake clauses typically include volcanic eruption and tsunami. Storm/flood extension needs express wording.

A defect creates two different questions



OLDER WORDING
allowed damage caused by defects

NEWER WORDING
excludes the defect language—suggesting rectification, not all resulting damage

Also excluded: use / maintenance · incorrect programming or execution · increased-risk factors

Indemnity before costs are incurred

$$\frac{\text{SUM INSURED}}{\text{SOUND VALUE}} \times (\text{LOSS} - \text{DEPRECIATION})$$

SOUND VALUE / value in good condition immediately before loss
DEPRECIATION / age and wear already present before loss

After repair, the basis changes

SUM INSURED ÷ NEW REPLACEMENT COST
× LOSS (NO DEPRECIATION)
– SCRAP VALUE – DEDUCTIBLE

01

Replacement basis

02

No depreciation

03

Less scrap

04

Less self-risk

Industrial risk review

A ten-point control board before loss, at notification, and during adjustment.

1. Property + location in scope
2. Premium + notice on time
3. Asset data complete
4. Loss prevention effective
5. Excluded assets identified
6. Cause + equipment classified
7. Natural / political perils clarified
8. Indemnity basis understood
9. Wording + endorsements reviewed
10. CAR/EAR · CECR · marine coordinated

What to carry forward

01 Coverage starts with insured property, time, place and a sudden accidental event.

02 Administrative, legal and political conduct can defeat an otherwise valid loss.

03 Technical exclusions demand asset-level interpretation in factories.

04 Wording evolves; ambiguity must be resolved by clauses and endorsements.

05 Indemnity changes once repair or replacement cost is incurred.

06 Risk management depends on policy coordination—not PAR/IAR alone.