



MACHINERY BREAKDOWN POLICY SECTION III BUSINESS INTERRUPTION PROFITS

780034
(11/98)

PROFITS INDEMNITY AGREEMENT

Subject to the Exclusions, Conditions and Limitations in Section 1 - Physical Damage, this Section provides coverage for loss resulting from the necessary interruption of the Insured's business at the location described on the Declarations Page following an insured loss under Section 1 of this policy and shall not be limited by the expiration of the policy.

MEASURE OF RECOVERY

This coverage, subject to the Limit Per Accident specified on the Declarations Page, is limited to loss of gross profit due to (a) reduction in turnover and (b) increase in cost of working and the amount payable shall be:

- (a) IN RESPECT OF REDUCTION IN TURNOVER: The sum produced by applying the Rate of Gross Profit to the amount by which the Turnover during the Indemnity Period shall in consequence of an Accident fall short of the Standard Turnover;
- (b) IN RESPECT OF INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in Turnover which but for that expenditure would have taken place during the Indemnity Period in consequence of an Accident but not exceeding the sum produced by applying the Rate of Gross Profit to the amount of reduction thereby avoided;

less any sum saved during the Indemnity Period in respect of such of the insured Standing Charges as may cease or be reduced in consequence of an Accident, provided that if the Limit Per Accident be less than the sum produced by applying the Rate of Gross Profit to the Annual Turnover, the amount payable shall be proportionately reduced.

DEFINITIONS

1. Gross Profit. The sum produced by adding to the Net Profit the amount of all Standing Charges, or if there be no Net Profit the amount of all Standing Charges less any net trading loss.
2. Net Profit. The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured at the premises after due provision has been made for all standing and other charges including depreciation but before deduction of any taxation chargeable on Profits.

The following shall in no event be deemed to be Standing Charges:

- (a) Depreciation of Stock;
 - (b) Bad Debts;
 - (c) Fines or Damages for breach of contract;
 - (d) Wages and salaries, other than salaries to permanent staff and wages to foremen and important employees whose services would not be dispensed with should the business be interrupted or interfered with solely as a result of an Accident;
 - (e) Auditor's fees incurred in preparing any claim under this Option.
3. Turnover. The money paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business at the Premises.
 4. Indemnity Period. The period beginning with the occurrence of an Accident and ending not later than the number of months specified on the Declarations Page thereafter during which the results of the business shall be affected solely by the Accident.

5. Rate of Gross Profit. The rate of Gross Profit earned on the Turnover during the financial year immediately before the Date of the Accident to which such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the Accident or which would have affected the business had the Accident not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Accident would have been obtained during the relative period after the Accident.
6. Annual Turnover. The Turnover during the twelve months immediately before the date of the Accident to which such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the Accident or which would have affected the business had the Accident not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Accident would have been obtained during the relative period after the Accident.
7. Standard Turnover. The Turnover during that period in the twelve months immediately before the date of the Accident which corresponds with the Indemnity Period to which such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the Accident or which would have affected the business had the Accident not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Accident would have been obtained during the relative period after the Accident.

RESUMPTION OF OPERATIONS

If during the Indemnity Period goods shall be sold or services shall be rendered elsewhere than at the premises for the benefit of the business either by the Insured or by others on his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover during the Indemnity Period.

SPECIAL PROVISION

If any standing charges of the business be not insured by this Coverage, then in computing the amount recoverable hereunder as increase in cost of working, that proportion only of the additional expenditure shall be brought into account which the sum of the net profit and the insured standing charges bears to the sum of the net profit and all standing charges.

EXCLUSIONS

The Insurer shall not be liable under this Section for any business interruption or extra expense loss:

1. for any time during which business would not or could not have been carried on if the Accident had not occurred;
2. resulting from the failure of the Insured to use due diligence and dispatch and all reasonable means in order to resume business;
3. due to fines or damages for breach of contract, for late or non-completion of orders, or for any penalties of whatever nature.

EXTENSIONS OF COVERAGE

1. Interruption By Civil Authority. This Section is extended to include all the actual loss as insured hereunder during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority, but only when such order is given as a direct result of damage to neighbouring premises by the occurrence of an Accident.
2. Ordinary Payroll. It is agreed that the business interruption insurance is extended to include Ordinary Payroll Expense to the Limit specified on the Declarations Page.
 - Indemnity Agreement. The insurance on Ordinary Payroll is with respect to the Insured's entire Ordinary Payroll Expense for a period of time not exceeding the number of consecutive days specified on the Declarations Page commencing immediately after the occurrence of an Accident which may continue during a total or partial prevention of business, but only to the extent necessary to resume the normal business of the Insured with the same quality of service which existed immediately preceding the occurrence of the Accident and in no event exceeding the amount specified therein as the Limit.

- Ordinary Payroll Expense means the entire payroll expense for all employees of the Insured, except officers, executives, department managers, employees under contract and other important employees whose services would not be dispensed with should the business be interfered with or interrupted.
 - Co-Insurance. The Insurer shall not be liable under this Extension for the payment of a greater proportion of the amount of loss resulting from any one Accident than the limit for Ordinary Payroll bears to the Insured's entire Ordinary Payroll Expense that would have been earned (had no Accident occurred) during the period of time specified on the Declarations Page.
3. Service Interruption. This Section is extended to cover loss resulting from the necessary interruption of Insured's business following an Accident to equipment not owned or operated by the Insured which is used to supply steam, gas, air, water, refrigeration, electricity or telephone services to the premises of the Insured provided that:
- (a) the equipment is of a type which satisfies the Definition of Object;
 - (b) the equipment is located within three hundred (300) metres of the premises of the Insured;
 - (c) the equipment is owned by the building Owner at the premises of the Insured or by a Public Utility Company.

GENERAL CONDITIONS AND LIMITATIONS

1. Commencement of Liability. The commencement of the Insurer's liability under this Section shall be (i) the time of the Accident or (ii) twenty-four hours before the notice of Accident is received, whichever is later. If the Standard or Daylight Time in effect at the address to which a notice is sent is different from that in effect at the location where the Accident occurred, the time of the receipt of such notice, for the determination of the Commencement of Liability shall be considered on the basis of the time in effect where the Accident occurred.
2. Media Limitation. With respect to loss resulting from damage to or destruction of media for, or programming records pertaining to, electronic data processing or electronically controlled equipment, including data thereon, by the occurrence of an Accident, the length of time for which the Insurer shall be liable hereunder shall not exceed:
- (a) 30 consecutive calendar days, or
 - (b) the length of time that would be required to rebuild, repair or replace such other property herein described as has been damaged or destroyed,
- whichever is the greater length of time.

DEDUCTIBLE CLAUSE

Waiting Period. No liability shall exist under this Section for any loss resulting from interruption of or interference with business unless the determined period of interruption, measured from the Commencement of Liability, exceeds the Waiting Period specified on the Declarations Page, and then liability shall exist only for such part of said loss that is incurred for the determined period of interruption in excess of the Waiting Period.

Deductible. Each claim for loss under this Section resulting from an Accident shall be adjusted separately and from the amount of each such adjusted claim shall be deducted the amount specified on the Declarations Page.