



MACHINERY BREAKDOWN POLICY SECTION III BUSINESS INTERRUPTION GROSS EARNINGS

780035
(11/98)

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

Subject to the Limit Per Accident specified on the Declarations Page, the measure of recovery in the event of loss hereunder shall be the reduction in Gross Earnings directly resulting from such interruption of business less (a) charges and expenses which do not necessarily continue during the interruption of business and (b) the Insured's ordinary payroll expense, for not exceeding such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such property as has been destroyed or damaged by an Accident but not exceeding the ACTUAL LOSS SUSTAINED by the Insured resulting from such interruption of business. Due consideration shall be given to the continuation of normal charges and expenses, excluding ordinary payroll expense, to the extent necessary to resume operations of the Insured with the same quality of service which existed immediately preceding the occurrence of an Accident.

DEFINITIONS

1. Gross Earnings means the sum of:

- (a) Total net sales value of production,
- (b) Total net sales of merchandise, and
- (c) Other earnings derived from operations of the business, less the cost of:
 - (i) Raw stock from which such production is derived,
 - (ii) Supplies consisting of materials consumed directly in the conversion of raw stock into finished stock or in supplying the service(s) sold by the Insured, at the Premises herein described,
 - (iii) Merchandise sold, including packaging materials therefor,
 - (iv) Services purchased from outsiders (not employees of the Insured) for resale which do not continue under contract, and
 - (v) The entire payroll for all employees of the Insured, except officers, executives, department managers, employees under contract and other important employees.

No other costs shall be deducted in determining Gross Earnings.

In determining Gross Earnings, due consideration shall be given to the experience of the business before the Accident and the probable experience thereafter had no Accident occurred.

2. Raw Stock means material in the state in which the Insured receives it for conversion by the Insured into finished stock.
3. Stock in Process means raw stock which has undergone any aging, seasoning, mechanical or other process of manufacture at the premises herein described, but which has not become finished stock.
4. Finished Stock means stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

5. Merchandise means goods kept for sale by the Insured which are not the product of manufacturing operations conducted by the Insured.
6. Normal means the condition which would have existed had no Accident occurred.

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.

ADDITIONAL EXCLUSIONS

The Insurer shall not be liable for:

1. any increase of loss directly or indirectly, proximately or remotely, resulting from, or contributed to by, the operation of any by-law, ordinance or law regulating zoning or the demolition, repair or construction of buildings or structures, unless the liability is otherwise specifically assumed by endorsement hereon;
2. any increase of loss caused by delays or loss of time due to the presence of strikers or other persons or to labour disturbances on or about the premises interfering with the rebuilding, repairing, or replacing the property damaged or destroyed or the resumption or continuation of business or free access to or control of the premises or due to the action of sympathetic strikers elsewhere;
3. loss due to the suspension, lapse or cancellation of any lease or license, contract or order, which may affect the Insured's earnings after the period following any loss during which indemnity is payable.

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.

ADDITIONAL CONDITIONS

1. Co-insurance. The Insurer shall not be liable for the payment of a greater proportion of the amount of loss resulting from any one Accident, than the Limit Per Accident specified on the Declarations Page bears to the amount obtained by applying the Coinsurance Percentage specified on the Declarations Page to the Gross Earnings that would have been earned had no Accident occurred, during the twelve months immediately following the date of the Accident.
2. Resumption of Operation. It is a condition of this Coverage that if the Insured could reduce the loss resulting from the interruption of business:
 - (a) by complete or partial resumption of operation of the property herein described, whether damaged or not; or
 - (b) by making use of merchandise or other property at the location(s) described herein or elsewhere.such reductions shall be taken into account in arriving at the amount of loss hereunder.
3. Expenses to Reduce Loss. Coverage is also provided for such expenses as are necessarily incurred for the purpose of reducing loss and such expenses, in excess of normal, as would necessarily be incurred in replacing any stock used by the Insured to reduce loss, but in no event shall the aggregate of such expenses exceed the amount by which the loss is thereby reduced. Such expenses shall not be subject to the application of the Co-insurance clause.

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.