



**MACHINERY BREAKDOWN POLICY SECTION III BUSINESS INTERRUPTION ACTUAL LOSS SUSTAINED 780036
(11/99)**

INDEMNITY AGREEMENT

Subject to the Exclusions, Conditions and Limitations in Section I - 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 I 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 should be:

1. the Actual Loss Sustained which results from a total or partial prevention of business and,
2. that amount of expense which is reasonably incurred by the Insured or the Insurer to reduce or avert prevention of business, but only to the extent that the total amount, that otherwise would have been paid is thereby reduced.

DEFINITION

Actual Loss Sustained means the sum of:

1. Loss of net profits on the business prevented, and
2. That part of the following fixed charges and expenses which the business did not earn because of an insured loss under Section 1, but which the business would have earned had the Accident not occurred:
 - (a) Salaries and wages of officers, executives, employees under contract and other essential employees, pensions and directors fees, but not including the Insured's ordinary payroll expense, and
 - (b) Manufacturing, selling, administrative expenses and any other items contributing to the overhead expenses of the Insured but due consideration shall be given to the experience of the business before the Accident and probable experience thereafter.

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 any penalties of whatever nature;
4. If, following an Accident, any lease, license or order is suspended, lapsed or cancelled, the Insurer shall not be liable for payment for Actual Loss Sustained occurring after the time when business could have been resumed if said lease, license or order had not lapsed or had not been suspended or cancelled.

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 neighboring 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.
3. Premium Adjustment. If within 12 months after the expiration of this Policy the Insured shall file with the Insurer a premium adjustment application form showing:
 - (a) the total Limit Per Accident carried under this Section during the annual term of this Policy and that such Limit Per Accident was not decreased during the said annual term or period; and
 - (b) that the actual values certified by the Insured's Auditors as earned during the Insured's financial year most nearly concurrent with the annual term of this Policy was less than the total Limit Per Accident carried thereon, then the Insurer will allow in respect of its pro rata proportion of the difference a return of premium not exceeding 50% of the premium paid by the Insured under this insurance.

In the event of loss originating within the term of this policy, the premium for the full term of this insurance on the full amount paid or payable for such loss shall be regarded as earned and no return premium shall be allowed in respect thereof.

