



MACHINERY BREAKDOWN POLICY SECTION III BUSINESS INTERRUPTION GROSS RENTALS

780037
(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

This coverage, subject to the Limit Per Accident specified on the Declarations Page, is limited to the Actual Loss Sustained due to (a) Loss of Gross Rentals and (b) Increase In Cost of Working and the measure of recovery in the event of loss hereunder shall be:

- (a) IN RESPECT OF LOSS OF GROSS RENTALS: The amount by which Gross Rentals during the Indemnity Period shall in consequence of an Accident fall short of the Standard Gross Rentals;
- (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 loss of Gross Rentals which but for that expenditure would have taken place during the Indemnity Period in consequence of an Accident but not exceeding the amount by which the loss of Gross Rentals is thereby reduced;

less any sum saved during the Indemnity Period in respect of such expenses as may cease or be reduced in consequence of an Accident, provided that if the Limit Per Accident be less than the amount of the Annual Gross Rentals, the amount payable shall be proportionately reduced.

DEFINITIONS

1. Gross Rentals. The money paid or payable to the Insured for rental of the premises.
2. 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, during which the results of the business shall be affected solely by the Accident.
3. Annual Gross Rentals. The Gross Rentals 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 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.
4. Standard Gross Rentals. The Gross Rentals during that 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 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 business can be carried on elsewhere than at the premises for the benefit of the business either by the Insured or others on behalf of the Insured the money paid or payable in respect of such business shall be brought into account in arriving at the amount of loss.

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.
4. the Insurer shall not be liable for loss due to the suspension, lapse or cancellation of any lease, license, or contract, which may affect the Insured's gross rentals 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.

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.

The Insurer reserves the right to inspect the Insured's books, records and such policies as relate to this insurance for verification of any statement filed for the purpose of adjusting the premium of this insurance.

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.