

WORDS AND PHRASES IN QUOTATION MARKS HAVE SPECIAL MEANING AS DEFINED IN CLAUSE 5

1. INDEMNITY AGREEMENT

This Form insures against loss directly resulting from necessary interruption of business caused by destruction or damage by the perils insured against, to buildings, structures, machinery, equipment or stock in the premises described on the "Declarations Page".

2. MEASURE OF RECOVERY

This insurance, subject to the Limit of Liability stated 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 the destruction or damage by a peril insured against, fall short of the "Standard Turnover";
- (b) In Respect of Increase in Cost of Working - The additional expenditure (subject to item 6.(b) below) 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 the destruction or damage by a peril insured against, but not exceeding the sum produced by applying the "Rate of Gross Profit" to the amount of the 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 the destruction or damage by the perils insured against, provided that if the "Limit(s) of liability" stated on the "Declarations Page" be less than the Sum produced by applying the "Rate of Gross Profit" to the "Annual Turnover", the amount payable shall be proportionately reduced.

3. PAYROLL OPTION

(Applicable only when designated on the "Declarations Page" as Payroll option included)

The Insured's entire ordinary payroll expense for a period of time not in excess of the number of consecutive days immediately following the date of loss, designated on the "Declarations Page" as Number of days, which may continue during a total or partial suspension of business, covering only to the extent necessary to resume the normal business of the Insured with the same quality of service which existed immediately preceding the destruction or damage by a peril insured against, and which would have been earned had no destruction or damage by a peril insured against occurred.

This Clause does not cover any portion of salaries described in Clause 4- Insured Standing Charges.

The Insurer shall not be liable, in the event of loss, for a proportion of the loss under this Clause than the amount hereby covered under the said Item bears to 80% of the Insured's entire ordinary payroll expense, excluding only salaries described under Insured Standing Charges, that would have earned (had no destruction or damage by a peril insured against occurred) during the ninety consecutive days immediately following date of damage to or destruction of the described property.

4. INSURED STANDING CHARGES

All standing charges are insured unless otherwise indicated on the "Declarations Page" as Standing charges not insured. The following shall in no event be deemed to be standing charges:

- (a) Depreciation of stock.
- (b) Bad debts.
- (c) 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 interfered with or interrupted.

5. DEFINITIONS

Wherever used in this Form:

- (a) "Declarations Page" means the Declarations Page applicable to this form.
- (b) "Gross Profit" means the sum produced by adding to the "Net Profit" the amount of the Insured Standing Charges, or if there be no "Net Profit", the amount of the Insured Standing Charges less such a proportion of any net trading loss as the amount of the Insured Standing Charges bears to all the standing charges of the business.
- (c) "Net Profit" means 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 the deduction of any taxation chargeable on profits.
- (d) "Turnover" means 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.

- (e) "Indemnity Period" means the period beginning with the occurrence of a peril insured against and ending not later than the end of the number of months indicated as Maximum indemnity period in months on the "Declarations Page" for this Form during which the results of the business shall be affected in consequence of the destruction or damage by a peril insured against, except that, if media for, or programming records pertaining to, electronic data processing or electronically controlled equipment including data thereon, be destroyed or damaged by a peril insured against, then the "Indemnity Period" in respect thereof shall not extend beyond
- i) Thirty consecutive days after the occurrence of such destruction or damage, or
 - ii) The date upon which liability ceases under this insurance for loss arising from other property destroyed or damaged by the same occurrence
- whichever shall be later.

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| f) | Rate of Gross Profit: | The rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the destruction or damage by a peril insured against. | 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 destruction or damage by a peril insured against not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably be practicable the results which but for the destruction or damage by a peril insured against would have been obtained during the relative period after the destruction or damage by a peril insured against. |
| g) | Annual Turnover: | The Turnover during the twelve months immediately before the date of the destruction or damage by a peril insured against. | |
| h) | Standard Turnover: | The Turnover during that period in the twelve months immediately before the date of the destruction or damage by a peril insured against which corresponds with the Indemnity Period. | |

6. PROVISIONS

- (a) 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".
- (b) If any standing charges of the business be not insured by this Form, 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.
- (c) The Insurer shall not be liable for any loss due to fines or damages for breach of contract, for late or non-completion of orders, or for any penalties of whatever nature.
- (d) The Insurer shall be liable for actual loss sustained 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 a peril insured against.
- (e) In case of loss or damage by a peril insured against, the insurance provided by this Form extends to insure any increase in loss resulting from, or contributed to by, the operation of any by-law, ordinance or law which regulates zoning or the demolition, repair or construction of damaged buildings or structures, but shall in no way operate to extend the "Indemnity Period" or increase the Limit of Liability.
- (f) On the happening of any destruction or damage by a peril insured against in consequence of which a claim is or may be made under this Form, the Insured shall with due diligence do and concur in doing and permit to be done all things which may be reasonably practicable to minimize or check any interruption of or interference with the business or to avoid or diminish the loss.
- (g) No term or condition of this Form shall be deemed to be waived by the Insurer in whole or in part unless the waiver is clearly expressed in writing signed by a person authorized for that purpose by the Insurer. Neither the Insurer nor the Insured shall be deemed to have waived any term or condition of this Form by any act relating to the appraisal of the amount of loss or to the delivery and completion of proofs, or the investigation or adjustment of any claim under this Policy.

7. PREMIUM ADJUSTMENT

If, within twelve (12) months after the expiration or annual anniversary of this Policy, the Insured shall file with the Insurer a premium adjustment application form showing:

- (a) the total amount of insurance carried under this and all other policies insuring "Gross Profit" during the annual term of this Policy and that such amount of insurance was not decreased during said annual term or period; and
 - (b) that the "Gross Profit" certified by the Insured's Auditors as earned during the Insured's fiscal year most nearly concurrent with the annual term of this Policy was less than the total amount of insurance carried thereon,
- then the Insurer will allow in respect of its pro rata proportion of the difference, a return premium not exceeding fifty percent (50%) of the premium paid by the Insured for coverage under this Form.

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.

All other terms and conditions of this Policy remain unchanged.

CHERRY
Special Risks Inc.
SPECIALTY