

EQUIPMENT BREAKDOWN ADVANTAGE – GROSS RENTS

This Endorsement Changes the Policy. Please Read It Carefully.

Certain words and phrases that appear in bold have special meaning as defined below or in the Form to which this Endorsement is attached.

The titles of sections or paragraphs listed below should not be considered for purposes of interpreting the intent of this Endorsement; these titles have only been inserted for ease of reading.

This Endorsement is attached to the Equipment Breakdown Advantage Form and is subject to all terms, conditions, limitations and exclusions of such Form.

INSURING AGREEMENT

1. INSURING INDEMNITY

We will pay you for the interruption of your business during the **indemnity period** provided all of the following requirements are met:

- 1.1. the interruption must be caused solely by a **breakdown** to an **equipment** included in this coverage and situated at the **premises**;
- 1.2. the loss must be as a result of direct physical damage to the **insured property**;
- 1.3. the **breakdown** must occur during the time this coverage is in force;
- 1.4. the **equipment** that has suffered the **breakdown** must be in use or connected ready for use.

2. MEASURE OF RECOVERY

We will pay for the actual loss sustained by the business during the **indemnity period** by reason of a **loss of profits** due to:

- 2.1. reduction in **gross rents**;
- 2.2. increase in cost of working;

resulting solely from a **breakdown** occurring on your **premises** to an **equipment**.

The amount that we will pay is determined as follows:

- 2.3. the amount by which the **gross rents** fall short of the **normal rents**, less the charges and expenses which do not necessarily continue during the **indemnity period**;
- 2.4. in respect to the increase in cost of working: the additional expenditure, if any, necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in **gross rents**, but, the amount we will pay for the increase in cost of working shall not exceed the amount the **gross rents** is reduced.

EXCLUSIONS

We shall not be liable for payment for any interruption or interference with business:

1. for any time during which your business would not or could not have been carried on if the **breakdown** had not occurred;
2. resulting from your failure to use due diligence and dispatch any and all reasonable means in order to resume business after a **breakdown**;
3. after the time that your business would have been resumed but could not because of a suspension, lapse, or cancellation of any lease, license, or order following a **breakdown**.

SPECIAL PROVISIONS

1. AMOUNT OF INSURANCE

Our total liability under this Endorsement for loss from **any one breakdown** shall not exceed the Amount of Insurance stated in the Declaration Page(s) for this Endorsement. If more than one Insured is named, we shall not be liable under this Endorsement for any payment in excess of that for which it would have been liable if only one Insured had been named.

Our liability under this Endorsement shall not be limited by the expiration of this Policy.

2. COMMENCEMENT OF LIABILITY AND WAITING PERIOD

- 2.1. If no waiting period is applicable to your coverage, our liability commences:
 - 2.1.1. at the time of **breakdown**; or
 - 2.1.2. twenty-four (24) hours before the notice of **breakdown** is received by us;

whichever is later.

- 2.2. If the time in effect at the address to which a notice is sent is different from that in effect at the Location where the **breakdown** 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 **breakdown** occurred.
- 2.3. If a waiting period is stated in the Declaration Page(s), we are not liable for payment for business interruption during any period prior to the expiration of such waiting period, after such receipt by us of notice of **breakdown**.

3. DEDUCTIBLES

We are liable for any interruption of business caused by a **breakdown** to **equipment** after the waiting period, **average daily value** or deductible amount, whichever deductible is specified in the Declaration Page(s).

4. CO-INSURANCE

If at the time of **breakdown**, the Amount of Insurance is less than the amount of the **annual gross rents**, the amount that we will pay will be reduced in the same proportion.

5. PREMIUM ADJUSTMENT

If within twelve (12) months of the end of any annual period of insurance, you file with us a business interruption report of values, certified by you stating the amount of **gross rents** applicable to the expired 12-month period (increased in proportion in the case of an **indemnity period** greater than twelve (12) months) was less than the Amount of Insurance applicable to that period, we will allow, in respect to the difference a return premium not exceeding 50% of the premium paid by you under this Endorsement for the immediately previous annual period.

If a loss has been paid to you during the 12-month period, this indemnity must be included in the amount of **gross rents** since no return premium will be allowed for this loss.

We reserve the right to inspect your books and records for verification of any statement filed for the purpose of adjusting the premium of this Extension of Coverage.

6. WAIVER OF TERM OR CONDITION

No term or condition of this Endorsement shall be deemed to be waived by us, in whole or in part, unless the waiver is clearly expressed in writing signed by a person authorized for that purpose by us. Neither us nor you shall be deemed to have waived any term or condition of this Endorsement 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. REDUCTION OF PAYMENT

As soon as possible after a **breakdown**, you must continue or resume business, in whole or in part, and utilize every available means, including surplus machinery, duplicate parts, equipment, supplies and surplus or reserve stock, other premises or installations or any other means within reasonable limits, which may be owned, controlled or used by you, which might reduce the amount for which we would otherwise be liable under this Endorsement. We may take such means as will in our opinion reduce or avert prevention of business on the **premises**.

8. RESUMING BUSINESS AT A NEW LOCATION

If your business can be resumed, after the **breakdown**, at a location not insured, either by you or by others, acting on your behalf, we will take it into account in the calculation of the amount of loss.

9. MULTIPLE LOCATIONS

If this coverage applies to several **premises** which each have their own clauses, amount of insurance, waiting period and deductible, we will apply separately the clauses in this Endorsement and of the basic policy to each **premise**.

Where the laws of Québec govern this Policy, the general conditions contained under Form 240.0e, General Conditions, supersede the following special conditions in case of duplication:

10. OTHER INSURANCE

In the event of a **joint loss**:

10.1. We shall be liable under this Endorsement only for the proportion of said **joint loss** that the amount which would have been payable under this Endorsement on account of said **joint loss**, had no other insurance existed, bears to the combined total of the said amount and the amount which would have been payable under all other insurance on account of said **joint loss**, had there been no insurance under this Endorsement; but

10.2. In case the Policy or Policies affording such other insurance do not contain a clause similar to Clause 6. above, we shall be liable under this Endorsement only for the proportion of said **joint loss** that the amount insured under this Endorsement, applicable to said **joint loss**, bears to the whole Amount of Insurance, applicable to said **joint loss**.

11. VERIFICATION OF VALUES

We or our duly appointed representative shall be permitted at all reasonable times during the policy period, or within a year after termination or expiration, to examine the Insured's books, records and such policies as relate to any insurance provided in this Endorsement. Such examination shall not waive nor in any manner affect any of the terms or conditions of this Endorsement.

DEFINITIONS

Whenever used in this Endorsement:

1. **Annual gross rents** means the **gross rents** during the twelve (12) months immediately before the date of the **breakdown**.

2. **Average daily value** means the amount applicable to any location obtained by dividing the sum of the estimated amount of **loss of profit** by the estimated number of working days during the **indemnity period**.

3. **Gross rents** means the sum of:

3.1. the **gross rents** for one year of the part(s) of the **premises** occupied;

3.2. the estimated annual rental value of the part(s) of the unoccupied **premises** that would have been occupied had no **breakdown** occurred; and

3.3. the reasonable rental value, as the case may be, of the part(s) of the **premises** occupied by you.

(*) In determining the **gross rents**, due consideration is given to the experience of your business before the **breakdown** and the probable experience thereafter had no **breakdown** occurred.

4. **Indemnity period** means the period beginning with the occurrence of the **breakdown** and ending no later than twelve (12) months thereafter, during which the results of the business shall be affected in consequence of the **breakdown**.

If the **indemnity period** is different than twelve (12) months, then the **annual gross rents** shall be multiplied by the factor which proportionately reflects the different **indemnity period** as stated in the Declaration Page(s).

5. **Insured standing charges** means all standing charges are insured unless otherwise specified in the Declaration Page(s), in which case only those standing charges so specified are insured.

The following shall in no event be deemed to be standing charges:

5.1. Depreciation of stock;

5.2. Bad debts;

5.3. **Ordinary payroll**.

6. **Joint Loss** means loss to which both this insurance and other insurance carried by the Insured apply.

7. **Loss of profit** means the sum produced by adding to the **net profit** the amount of the **insured standing charges** or if there is 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 standing charges of the business.
8. **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** specified in the Declaration Page(s) after due provision has been made for all standing and other charges including depreciation, but before the deduction of any taxation chargeable on profits.
9. **Normal rents** means the **gross rents** during that period in the twelve (12) months immediately before the date of the **breakdown** which corresponds with the **indemnity period**.
- (*) In order that the loss adjustment may be equitable, it must be based on figures that show with precision, as much as possible, the probable results that the business would have obtained during the **indemnity period** had no **breakdown** occurred. Therefore, these figures will be revised, as need may be, so that they give a true picture of the trend of the business and of the factors affecting the business before or after the **breakdown**, or affecting the business had the **breakdown** not occurred.
10. **Ordinary payroll** means the entire payroll for all your employees, except salaries and wages to:
- 10.1. officers;
 - 10.2. executives;
 - 10.3. department managers;
 - 10.4. employees under contract; and
 - 10.5. other essential or important employees.

All other terms and conditions of the Policy to which this Endorsement applies remain unchanged.