

# EQUIPMENT BREAKDOWN ADVANTAGE – GROSS EARNINGS

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 the 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. This Endorsement insures against loss directly resulting from necessary interruption of business during the **period or restoration**, 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 a 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.

We will pay:

- 1.5. Coverage 1.

Your actual loss sustained due to a reduction in **gross earnings** resulting directly from such interruption, the time required to rebuild, repair or replace the property destroyed or damaged by a **breakdown**;

less

the charges and expenses that continue to be incurred during the period of interruption and that are greater than those normally necessary for the resumption of business, with the same quality of service that existed immediately prior to the **breakdown**.

- 1.6. Coverage 2.

The 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 **goods** used by you to reduce loss – but in no event does the aggregate of such expenses exceed the amount by which the loss is thereby reduced.

NOTE: The penalty for underinsurance does not apply to such expenses.

## 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**;
4. resulting from any loss from damage to or destruction of **finished stock** nor for the time required to reproduce any **finished stock** which may be damaged or destroyed.

## 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. INDEMNITY PERIOD

The **indemnity period**, with respect to this Endorsement, is not limited by the fact that the policy period has expired, should a loss extend beyond this date.

#### 4. 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).

#### 5. 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.

#### 6. 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**.

#### 7. 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 earnings** 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 anticipated annual **gross earnings** specified in the Declaration Page(s), we will allow, in respect to the difference, a return premium to you determined on a prorata basis but 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 twelve 12-month period, this payment must be included in the amount of **gross earnings** 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.

#### 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 5. 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. **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**.
2. **Finished stock** means the stock manufactured by you, in the ordinary course of your business, which is ready for packing, shipment or sale.
3. **Goods** means goods kept for sale by you which are not the product of manufacturing operations conducted by you.
4. **Gross earnings** means the sum of:
- 4.1. total net sales value of production;
  - 4.2. total net sales of **goods**;
  - 4.3. other earnings derived from operations of the business;
- Less the cost of:
- 4.4. **raw stock** from which such production is derived;
  - 4.5. supplies consisting of materials consumed directly in the conversion of such **raw stock** into **finished stock** or in supplying the service(s) sold by you at the **premises**;
  - 4.6. **goods** sold, including packaging materials thereof;

- 4.7. services purchased from outsiders (not your employees) for resale which do not continue under contract;
- 4.8. your **ordinary payroll** expense.

No other costs are deducted in determining **gross earnings**. In determining **gross earnings**, due consideration will be given to the experience of the business before the **breakdown** and the probable experience thereafter had no **breakdown** occurred.

- 5. **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 earnings** shall be multiplied by the factor which proportionately reflects the different **indemnity period** as stated in the Declaration Page(s).

- 6. **Joint loss** means loss to which both this insurance and other insurance carried by the Insured apply.
- 7. **Normal** means the condition which would have existed had no **breakdown** occurred.

- 8. **Ordinary payroll** means the entire payroll for all your employees, except salaries and wages to:

- 8.1. officers;
- 8.2. executives;
- 8.3. department managers;
- 8.4. employees under contract; and
- 8.5. other essential or important employees

- 9. **Period of restoration** means the period following a **breakdown** used by you to resume **normal** commercial operation at the **premises**, with all reasonable means that you have to accelerate the resumption of business.

This **period of restoration**:

- 9.1. begins at the time of the commencement of liability; and
- 9.2. ends on the date when the damaged property at the described **premises** is repaired or replaced with due diligence and dispatch.

- 10. **Raw stock** means the material in the state in which you receive it for conversion by you into **finished stock**.

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