

EQUIPMENT BREAKDOWN ELITE – BUSINESS INTERRUPTION – LOSS OF PROFITS

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 Policy 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 Elite Form and is subject to all terms, conditions, limitations and exclusions of such Form.

INSURING AGREEMENT

1. INDEMNITY AGREEMENT

This Endorsement insures against loss directly resulting from necessary interruption of business during the **Indemnity Period** provided all of the following requirements are met:

- 1.1. the interruption must be caused solely by an **Accident** to an **Object** included in this coverage and situated at the **Location**;
- 1.2. the loss must be as a result of direct physical damage to the **Insured Property**; and
- 1.3. the **Accident** must occur while this Endorsement is in effect.

2. MEASURE OF RECOVERY

The **Insurer** will pay the loss sustained by the business during the **Indemnity Period** by reason of a loss of **Gross Profit** due to:

- 2.1. reduction in **Turnover**; and
- 2.2. increase in cost of working.

The amount that the **Insurer** will pay will be:

- 2.3. for the reduction of **Turnover**: the sum produced by applying the **Rate of Gross Profit** to the amount by which the **Turnover** during the **Indemnity Period** shall solely in consequence of the **Accident** fall short of the **Standard Turnover**;
- 2.4. for the increase in cost of working: the additional expenditure necessary and reasonable 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 **Accident** not exceeding the sum produced by applying the **Rate of Gross Profit** to the amount of reduction thereby avoided.

EXCLUSIONS

The **Insurer** shall not be liable for payment for any interruption or interference with business:

1. for any time during which the **Insured's** business would not or could not have been carried on if the **Accident** had not occurred;
 2. resulting from the **Insureds** failure to use due diligence and dispatch and all reasonable means in order to resume business after the **Accident**;
 3. due to fines or damages for breach of contract, for late or non-completion of orders, or for any penalties of whatever nature; or
 4. because of a suspension, lapse, or cancellation of any lease, license or order, after the period following any loss during which indemnity is payable.
- With respect to this Endorsement only, **EXCLUSIONS 12., 13., and 14.** contained under the Equipment Breakdown Elite Form are deleted in their entirety.

SPECIAL PROVISIONS

1. LIMIT OF INSURANCE

The **Insurer's** total liability under this Endorsement for loss from **Any One Accident** shall not exceed the **Limit of Insurance** stated in the Declaration Page(s) for this Endorsement. If more than one **Insured** is named, the **Insurer** 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.

The **Insurer's** liability under this Endorsement shall not be limited by the expiration of this Policy.

2. COMMENCEMENT OF LIABILITY

- 2.1. The commencement of the **Insurer's** liability under this Endorsement commences:
 - 2.1.1. the time of the **Accident**; or
 - 2.1.2. twenty-four (24) hours before the notice of **Accident** is received by the **Insurer**;
- 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 **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;

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

Notwithstanding the deductible applicable to the Equipment Breakdown Elite Form, the **Insurer** is liable for any interruption of business caused by an **Accident** to an **Object** after any waiting period, or greater than any **Average Daily Value** or other deductible amount, which is specified in the Declaration Page(s).

5. MITIGATION

- 5.1. As soon as possible after an **Accident**, the **Insured**, 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 the **Insured**, which might reduce the amount for which the **Insurer** would otherwise be liable under this Endorsement. The **Insurer** may take such means as will in the **Insurer's** opinion reduce or avert business interruption at the **Location**;
- 5.2. If the **Insured's** business can be resumed, after the **Accident**, at a location not insured, either by the **Insured** or by others on the **Insured's** behalf, the **Insurer** will take such resumption of business into account in the calculation of the amount of loss;
- 5.3. If during the **Indemnity Period** goods shall be sold or services shall be rendered elsewhere than at the **Location** where the **Accident** occurred, for the benefit of the business either by the **Insured** or by others on the **Insured's** behalf the money paid or payable in respect of such sales or service shall be brought into account in arriving at the **Turnover** during the **Indemnity Period**;
- 5.4. If any standing charges of the business are not insured by this Endorsement, 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.

6. COINSURANCE

If at the time of the **Accident**, the **Limit of Insurance** is less than the amount obtained by multiplying the **Annual Turnover** by the **Rate of Gross Profit**, the amount payable shall be proportionately reduced.

7. PREMIUM ADJUSTMENT

If within twelve (12) months of the end of any annual period of insurance, the **Insured** files with the **Insurer** a business interruption report of values, certified by the **Insured** stating the amount of **Gross Profit** applicable to the expired twelve (12) month period (increased in proportion in the case of an **Indemnity Period** greater than twelve (12) months) was less than the **Limit of Insurance** applicable to that period, the **Insurer** will allow, in respect to the difference a return premium not exceeding fifty (50) percent of the premium paid by the **Insured** under this Endorsement for the immediately previous annual period.

If a loss has been paid to the **Insured** during the twelve (12) month period, this indemnity must be included in the amount of **Gross Profit** since no return premium will be allowed for this loss. The **Insurer** reserves the right to inspect the **Insured's** books and records for verification of any statement filed for the purpose of adjusting the premium of this Endorsement.

8. CONDITIONAL SUSPENSION OF COINSURANCE

If coinsurance is waived on the Declaration Page(s) and a Premium Adjustment application form is submitted to the **Insurer** and is certified by an Authorized Representative of the **Insured**, the **Insurer's** liability for loss from an **Accident** occurring after the effective date of this Policy and prior to the expiry date of this Policy the following **SPECIAL PROVISIONS, 6. COINSURANCE** is suspended.

It is further agreed that the following sentence shall be added to the first paragraph of **SPECIAL PROVISIONS, 7. PREMIUM ADJUSTMENT**:

If the **Rate of Gross Profit** earned was greater than the **Limit of Insurance**, the **Insured** will pay in respect of the difference, an additional prorated premium, but in no event shall this provision operate to increase the amount stated as **Limit of Insurance**.

After the expiry date of this Policy, the provisions specified herein shall cease to apply and the terms and provisions of said Loss of Profits Endorsement shall be automatically reinstated without modification; except that if within ninety (90) days following the expiry date of this Policy, the **Insured** has submitted a subsequent Statement of Values, the provisions specified herein are automatically extended to the end of the said ninety (90) days.

9. VERIFICATION OF VALUES

The **Insurer** or a 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

For the purpose of this Endorsement:

1. **Annual Turnover** means the **Turnover** during the twelve (12) 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 the 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**.

2. **Average Daily Value** means the amount obtained by dividing the estimated number of working days, during the period of total or partial business interruption, into the sum of the estimated amount of loss as defined in any Business Interruption Endorsement forming part of this Policy, that would have been earned, had no **Accident** occurred during the same period. The words "period of total or partial business interruption" being understood to include any period during which any expense for which the **Insurer** is liable under this Endorsement is incurred by the **Insured** to reduce or avert business interruption.
3. **Gross 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.
4. **Indemnity Period** means the period beginning with the occurrence of the **Accident** and ending no later than twelve (12) months thereafter, during which the results of the business shall be affected as a result of the **Accident**.

If the **Indemnity Period** is different than twelve (12) months, then the **Annual Turnover** 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**;
 - 5.4. fines or damages for breach of contract; or
 - 5.5. auditors fees incurred in preparing any claim under this coverage.
6. **Net Profit** means the net trading profit (exclusive of all capital receipts and accretions and all outlays properly chargeable to capital) resulting from the **Insured's** business at the **Location** after due provision has been made for all standing and other charges including depreciation but before deduction of any taxation chargeable on profits.
7. **Ordinary Payroll** means the entire payroll for all the **Insured's** employees, except salaries and wages to:
- 7.1. officers;
 - 7.2. executives;
 - 7.3. managers;
 - 7.4. employees under contract; and
 - 7.5. other essential or important employees whose services would not be dispensed with should the business be interrupted or interfered with solely as a result of an **Accident**.
8. **Rate of Gross Profit** means the rate of gross profit earned on the **Turnover** during the financial year immediately before the date of the **Accident**.
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 **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**.
9. **Standard Turnover** means the **Turnover** during that period in the twelve (12) months immediately before the date of the **Accident** which corresponds with the **Indemnity Period**;
to which such adjustment 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 **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 an **Accident** would have been obtained during the relative period after the **Accident**.
10. **Turnover** means the money paid or payable to the **Insured** for goods sold and delivered and for services rendered in the course of business at the **Location**.

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