

EQUIPMENT BREAKDOWN ELITE – BUSINESS INTERRUPTION – 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 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 the 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 **Period of Restoration**, 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(s)**;
- 1.2. the loss must be as a result of a direct physical damage to **Insured Property**;
- 1.3. the **Accident** must occur while this Endorsement is in effect.

2. MEASURE OF RECOVERY

The measure of recovery in the event of a loss shall be the reduction in **Gross Earnings** directly resulting from such interruption of business less:

- 2.1. charges and expenses which do not necessarily continue during the interruption of business;
- 2.2. the **Insured's Ordinary Payroll** expense, for not exceeding such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such property as has been destroyed or damaged by an **Accident**, commencing such specified number of hours after the occurrence of the **Accident**, but not exceeding the actual loss sustained by the **Insured** resulting from such interruption of business. Due considerations shall be given to the continuation of **Normal** charges and expenses, excluding **Ordinary Payroll** expense, to the extent necessary to resume operations of the **Insured** with the same quality of service which existed immediately preceding the occurrence of the **Accident**; and
- 2.3. 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 **Insured** to reduce loss – but in no event does the aggregate of such expenses exceed the amount by which the loss is thereby reduced. The penalty for underinsurance does not apply to such expenses.

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 **Insured's** failure to use due diligence and dispatch and all reasonable means in order to resume business after an **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;
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;
5. 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; or
6. at the Location of the **Insured** by strikers or other persons, with rebuilding, repairing or replacing the **Insured Property**, or with the resumption of or continuation of business.

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, 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 acting on the **Insured's** behalf, the **Insurer** will take such resumption of business into account in the calculation of the amount of loss.

6. COINSURANCE

The **Insurer** shall not be liable under this Coverage for the payment of a greater proportion of the amount of loss resulting from **Any One Accident**, than the **Limit of Insurance** specified bears to the amount obtained by applying the Coinsurance percentage to the **Gross Earnings** that would have been earned had no **Accident** occurred, during the twelve(12) months immediately following the date of the **Accident**.

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 Earnings** 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 payment must be included in the amount of **Gross Earnings** 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 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 **Gross Earnings** 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 Gross Earnings 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. **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.

2. **Finished Stock** means the stock manufactured by the **Insured**, in the ordinary course of the **Insured's** business, which is ready for packing, shipment or sale.

3. **Goods** means goods kept for sale by the **Insured** which are not the product of manufacturing operations conducted by the **Insured**.

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 the **Insured** at the **Location**;

4.6. **Goods** sold, including packaging materials thereof;

4.7. services purchased from outsiders (not the **Insured's** employees) for resale which do not continue under contract;

4.8. the **Insured's** Ordinary Payroll expense.

No other costs are deducted in establishing **Gross Earnings**.

In determining **Gross Earnings**, due consideration will be given to the experience of the business before the **Accident** and the probable experience thereafter had no **Accident** occurred.

5. **Normal** means the condition which would have existed had no **Accident** occurred.
6. **Ordinary payroll** means the entire payroll for all the **Insured's** employees, except salaries and wages to:
 - 6.1. officers;
 - 6.2. executives;
 - 6.3. managers;
 - 6.4. employees under contract; and
 - 6.5. 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**.
7. **Period of restoration** means the period following an **Accident** used by the **Insured** to resume **Normal** commercial operations at the **Location**, with all reasonable means the **Insured** has to accelerate the resumption of business.

This **Period of Restoration**:

 - 7.1. begins at the time of the commencement of liability; and
 - 7.2. ends on the date when the damaged **Insured Property** at the described **Location** is repaired or replaced with due diligence and dispatch.
8. **Raw stock** means the material in the state in which the **Insured** receives it for conversion by the **Insured** into **Finished Stock**.

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