

INTERRUPTION FOLLOWING BREAKDOWN

Defined events

If during the period of insurance covered by this section or any renewal thereof any machinery as described in the machinery breakdown schedule and used by You at the premises for the purpose of the business be affected by accident (as hereinafter defined) and the business carried on by You at the premises be in consequence thereof interrupted or interfered with.

We will indemnify You subject to the Terms, Exceptions and Conditions contained herein for the amount of loss resulting from such interruption or interference in accordance with the provisions contained in the specification hereto.

Definitions

Accident

Unforeseen and sudden physical damage to the machinery described in the machinery breakdown schedule of this section from any cause as provided under the machinery breakdown section of this policy (covering the item against damage) liability under which section shall, except for the provision of the condition relating to the first amount payable, be a condition precedent to liability hereunder.

Item 1 - Gross Profit (difference basis)

The insurance under this item is limited to loss of gross profit due to:

- a. reduction in turnover and
- b. increase in cost of working

and the amount payable as indemnity hereunder 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 accident fall short of the standard turnover;
- b. **in respect of increase in cost of working** the additional expenditure 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 accident 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 charges and expenses of the business payable out of gross profit as may cease or be reduced in consequence of the accident provided that the amount payable shall be proportionately reduced if the sum insured in respect of gross profit is less than the sum produced by applying the rate of gross profit to the annual turnover where the maximum Indemnity period exceeds 12 months.

Item 1 - Gross Profit (additions basis)

The insurance under this item is limited to loss of gross profit due to:

- a. reduction in turnover; and
- b. increase in cost of working;

and the amount payable as indemnity hereunder 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 accident fall short of the standard turnover;
- b. **in respect of increase of cost of working** the additional expenditure 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 accident 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 Your standing charges as may cease or be reduced in consequence of the accident provided that the amount payable shall be proportionately reduced if the sum insured in respect of gross profit is less than the sum produced by applying the rate of gross profit to the annual turnover where the maximum Indemnity period is 12 months or less or the appropriate multiple of the annual turnover where the maximum Indemnity period exceeds 12 months.

Memoranda

if any standing charges of the business are not insured under this section, 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 Your standing charges bears to the sum of the net profit and all standing charges.

Turnover-The money paid or payable to You for goods sold and delivered and for services rendered in the course of the business at the premises.

Gross Profit (difference basis) – The amount by which:

1. the sum of the turnover and the amount of the closing stock shall exceed;
2. the sum of the amount of the opening stock and the amount of the uninsured costs.

The amount of the opening stocks shall be arrived at in accordance with Your normal accountancy methods, due provision to being made for depreciation.

Uninsured costs – As specified in the schedule, (the words and expressions used shall have the meaning usually attached to them in Your books and accounts).

Gross Profit (additions basis) – The sum produced by adding to the net profit the amount of Your standing charges, or if there is no net profit, the amount of Your standing charges less such proportion of any net trading loss as the amount of Your standing charges bears to all the standing charges of the business.

Net profit – The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from Your Business 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.

Insured standing charges

As specified in the schedule

to which such adjustment shall be made as may be necessary to provide for the trend of the business and for variations or other 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 reasonable practicable the results which, but for the accident, would have been obtained during the relative period after the accident.

Standard turnover

The turnover during the period in the 12 months immediately before the date of the accident which corresponds with the Indemnity period.

Annual turnover

The turnover during the 12 months immediately before the date of the accident.

Rate of gross profit

The rate of gross profit earned on the turnover during the financial year immediately before the date of the Accident

Note If the accident occurs before the completion of the first Year's trading of the business at the premises, the value of bracketed terms shall be calculated by using values proportionate to the results obtained during the period between the Commencement of the business and the date of Accident.

Indemnity period

The period during which the results of the business shall be affected in consequence of the accident beginning the number of hours/days shown in the schedule after the occurrence of the accident and ending not later than the expiry of the period shown in the schedule after such occurrence.

Specific conditions

1. **The insurance under this section shall cease if the business is wound up or carried on by a liquidator or judicial manager or is permanently discontinued**, except with Our written agreement.
2. On the happening of any damage in consequence of which a claim may be made under this section You shall, in addition to complying with General Conditions 6 and 7, with due diligence done and concur in doing and permit to be done all things which may be reasonable practicable to minimise or check any interruption of or interference with the business or to avoid or diminish the loss and in the event of a claim being made under this section shall, not later than thirty days after the expiry of the Indemnity period, or within such further time as We may in writing allow, at their own expense deliver to Us in writing a statement setting forth particulars of their claim together with details of all other insurance covering the loss or any part of it or consequential loss of any kind resulting there from. **No claim under this section shall be payable unless the terms of this specific Condition have been complied with and in the event of non-compliance therewith in any respect any payment on account of the claim already made shall be repaid to Us forthwith.**

Memoranda**1. Sales and services**

If during the indemnity period goods shall be sold or serviced shall be rendered elsewhere than at the premises for the benefit of the business either by You 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.

2. Premium rebate

In the event of the gross profit earned during the accounting period of 12 months most nearly concurrent with any period of Insurance as certified by Your professional accountants being less than the sum insured thereon a pro rata return of premium not exceeding fifty percent of the premium paid on such sum Insured for such period of insurance will be made in respect of the difference. Where the indemnity period exceeds 12 months the amount of gross profit shall for the purpose of this calculation be adjusted in the proportion which the indemnity period bears to 12 months.

3. Additions, alterations and improvements

We shall not be liable in respect of any part of an interruption or interference due to additions, alterations or improvements being effected to the damaged item on the occasion of its repair. The indemnity period shall be exclusive of any time deducted by virtue of this clause.

4. Claims preparation costs

The insurance under any specified item covering claims preparation costs is limited to the reasonable charges payable by Your professional accountants for producing any particulars or details contained in Your books of account or other business books or documents or such other proofs information or evidence as may be required by Us under the terms of General Condition 6 of this policy and reporting that such particulars or details are in accordance with Your books of account or other business books or documents.

5. Professional accounts report

Any particulars or details contained in Your books of account or other business books or documents which may be required by Us under Condition 6 of this policy for the purpose of investigating or verifying any claim hereunder may be produced by professional accountants if at the time they are regularly acting as such for You and their report shall be prima facie evidence of the particulars and details to which such report relates.

6. Payments on account

In the event of loss as insured by this policy payments on account will be made to You with Our consent during the indemnity period if desired.

7. Accumulation of stocks

In adjusting any loss account shall be taken and an equitable allowance made if any shortage in turnover due to the accident is postponed by reason of turnover being temporarily maintained from accumulated stocks of finished goods in warehouses or depots during the period of indemnity. Any additional expenditure incurred in replacing such stocks shall be deemed to be increase in cost of working as defined in the policy subject always to the limitations of such definition.

8. Standby machinery

Warranted by You that any item of plant or machinery insured by this policy against which the word "standby" appears in the schedule shall be maintained as standby available for immediate use in the event of the failure of the plant or machinery to which it is standby.

9. Departments clause

If the business be conducted in departments the independent trading results of which are ascertainable the provisions of clause a and b of item no. 1, shall apply separately to each department affected by the accident except that if the sum insured by the said item be less than the aggregate of the sums produced by applying the rate of gross profit for each department of the business (whether affected by the accident or not) to the relative annual turnover thereof the amount payable shall be proportionately reduced.

10. Reinstatement of loss

The Sum Insured will not be reduced by the amount of any loss but You will pay an additional premium on the amount of such loss pro rata from the date of the accident to the period of insurance

