



Business Interruption Endorsement Gross Profit/Extra Expense

1. COVERAGE PROVIDED:

In consideration of additional premium, this policy is extended to cover the actual loss sustained by the Insured due to the necessary interruption of business operations during the period of indemnity of the following:

A. Gross Profits, Rents and Increased Cost of Doing Business; and

B. Extra Expense;

Directly resulting from direct physical loss or damage insured by this policy to property not excluded, utilized by the insured, and at a **location**, but only to the extent the Insured is unable to make up **sales** and reduce the amount of loss payable, partially or entirely, by using any suitable property or service owned, controlled or obtained from other sources all whether or not at a **location(s)**.

The amount payable as **gross profits** shall be limited to such loss resulting from a **reduction in sales**.

2. CONDITIONS:

In determining the loss payable under this endorsement,

A. This company will consider;

1) Any amount recovered elsewhere under this policy for loss or damage to:

a) Finished goods; or

b) Merchandise;

As sold to the Insured's regular customers.

2) The experience of the business before and after and the probable experience of the business during the period of indemnity.

3) Any goods sold or services rendered at any location insured or not for the benefit of the business, either by the Insured or others on the Insured's behalf shall be included in arriving at the amount of **sales** during the period of indemnity.

B. The Insured agrees to use overtime, extra time and any suitable property or service owned or controlled by the Insured or obtainable from other sources in order to continue **sales** and reduce such loss payable.

- C. The Insured must act with due diligence and dispatch in repairing or replacing the physically damaged property to the same or equivalent physical and operating conditions that existed prior to the damage in order to continue **sales** and reduce such loss payable.

3. Period of Indemnity:

For purposes of determining the loss payable under this endorsement due to an interruption of business operations at a **location** directly resulting from direct physical loss or damage the company will apply the following:

A. For Business Operations: The period of indemnity for business operations is:

- 1) The period from the time of such loss or damage insured by this policy; and
- 2) Ending no later than twelve (12) months (or as amended in the declaration section) thereafter during which period **sales** are directly affected by such loss or damage; except

B. For Buildings in the Course of Construction/Renovation: The period of indemnity for alterations or additions to existing property and property in the course of construction will be determined from:

- 1) The period from the time of such loss or damage insured by this policy when operations would have begun if such loss or damage had not occurred; and
- 2) Ending no later than twelve (12) months thereafter during which period **sales** are directly affected by such loss or damage.

The Period of Indemnity in A. and B. above:

1. Will not include any additional time required for making change(s) to the buildings, or structures, for any reason except as set forth in the Demolition and Increased Cost of Construction extension contained within the policy, nor any additional time for re-staffing or retraining employees.
2. Will not be limited by the expiration of this policy.
3. Will not exceed 12 months from the inception of direct physical loss or damage caused by or resulting from **terrorism**.

4. LIMIT OF LIABILITY:

The Company's maximum limit of liability per occurrence for all loss under this endorsement will not exceed the sub-limit of liability shown (if any) in the declarations section.

Extra Expense Sub-Limit

The Company's maximum limit of liability per occurrence for all **extra expense** loss under this endorsement will not exceed the sub-limit of liability shown in the declarations section.

Extensions of Coverage

The Company's maximum sub-limit of liability per occurrence for all of the Section 5. Extensions of Coverage are shown in the declarations section.

5. EXTENSIONS OF COVERAGE:

The following coverages apply, subject to the terms and conditions of the policy, and to the extent shown in the declarations section. Extensions of Coverage C., D., E., F. and G. do not provide coverage for loss caused by or resulting from **terrorism**.

A. Ordinary Payroll:

This policy is extended to cover the actual loss sustained of **ordinary payroll** during the period of indemnity as a direct result of direct physical loss or damage insured by this policy, to property not excluded, utilized by the insured, and at a **location**, causing an interruption of business operations which results in a loss of **gross profits**. This coverage is provided for no more than the number of consecutive days shown in the declarations section, and only to the extent that such payroll would have been earned had no interruption occurred.

If the Insured reduces the daily loss otherwise payable under this extension, either by:

- 1) Providing gainful employment for; or
- 2) Paying less than the normal payroll rate to;

All or part of its employees, then the number of consecutive days provided above may be extended in proportion to such reduction of loss otherwise payable. In no event will this provision increase the total liability of the Company beyond the amount for which it would have been liable for this coverage without this additional provision.

B. Civil Authority:

This policy is extended to cover **business interruption** when, as a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy, access to the **location** is prohibited by order of civil authority. This coverage is provided for no more than the number of consecutive days as shown in the declarations section starting from the time of such order of civil authority.

C. Off-Premises Service Interruption:

This policy is extended to cover **business interruption** as a direct result of the interruption of the following incoming and outgoing services. The loss of such services must be a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy at the facilities of the service provider(s).

Covered services are incoming electric, gas, fuel, steam, water, refrigeration, and outgoing sewerage.

This coverage does not apply to: service interruption due to deliberate act(s) by the supplying entity to shed load, to maintain system integrity, **flood, earth movement**, contingent business interruption coverage, or at unnamed locations, whether or not such coverage is provided elsewhere in this policy. Resultant and concurrent interruptions are considered as one event.

D. Contingent Business Interruption Coverage:

This policy is extended to cover **business interruption** as a direct result of direct physical loss or damage of the type insured by this policy to property not excluded by this policy at the premises of direct suppliers and/or direct customers.

Suppliers and/or customers do not include entities supplying to or receiving from a **location** electricity, fuel, water, steam, refrigeration, sewage or communications services of every type and description.

Loss sustained by the insured resulting from **flood** and/or **earth movement**, whether or not such coverage is provided elsewhere in this policy, is not covered.

E. Research and Development Expense:

This policy is extended to cover **ordinary payroll** and loss of **insured fixed charges** as a direct result of direct physical loss or damage insured by this policy to insured property at a location and utilized in research and development activities. The **ordinary payroll** and **insured fixed charges** must be directly attributable to such research and development activities, which in themselves would not have produced **gross profits** during the period of indemnity.

F. Ingress/Egress:

This policy is extended to cover **business interruption** as a direct result of physical loss or damage insured by this policy when ingress to or egress from a **location(s)** is physically prevented by such loss or damage.

G. Tax Treatment:

This policy is extended to cover increased tax liability as a direct result of direct physical loss or damage insured by this policy, to property not excluded by this policy. If the tax liability is greater than the tax liability that would have been incurred had no such loss occurred, then this policy will cover only the increased tax liability for the profit portion of the physically damaged **finished goods**, and the profit portion of the **gross profits** loss.

6. EXCLUSIONS:

This endorsement does not cover any of the following:

- a. Any loss during any period in which goods would not have been produced or in which business operations, including rental activities, would not have been maintained for any reason other than direct physical loss or damage insured by this policy.
- b. Any loss due to:
 - 1) Fines or damages for breach of contract,
 - 2) Late or non-completion of orders or penalties of any nature whatsoever, or
 - 3) Any other consequential or remote loss.
- c. Any loss resulting from physical loss or damage to property in transit.

- d. Any loss resulting from physical loss or damage to **finished goods** or the time required for their reproduction.
- e. Any remaining or residual value of property obtained in reducing loss payable, in making up production, or in continuing the business operations.
- f. Any loss resulting from the Actual Cash Value portion of direct physical loss or damage by fire caused by or resulting from **terrorism**.

7. DEFINITIONS:

Business Interruption means **Gross Profits, Rents, Increased Cost of Doing Business, Extra Expense, and Ordinary Payroll**.

Extra Expense means:

The reasonable and necessary expenses in excess of normal incurred by the Insured during the period of indemnity to:

- a) Temporarily continue as nearly normal the conduct of the Insured's business,
- b) Temporarily use the property of the Insured or others,

All less any value remaining at the end of the period of indemnity for property obtained in connection with the above.

Extra Expense does not mean:

- 1) Any loss of income.
- 2) Expenses that normally would have been incurred in the conduct of the Insured's business.
- 3) Cost of permanent repair or replacement of property that has been damaged or destroyed.

Gross Profit means:

The sum produced by adding the **net profit** to the **insured fixed charges** during the period of indemnity. If there is no **net profit** the amount of all **insured fixed charges** less that proportion of any loss from business operations as the amount of the **insured fixed charges** bears to all fixed charges.

Increased Cost of Doing Business means:

The additional and reasonable expense that must be incurred for the sole purpose of avoiding or diminishing the **reduction in sales** that would have taken place during the period of indemnity absent this expense, but not exceeding the **reduction in sales** avoided.

Insured Fixed Charges means all fixed charges excluding **ordinary payroll** and other charges specifically listed in the declarations section.

Net Profit means:

The net operating profit exclusive of all:

- a) Capital receipts and accruals; and
- b) Outlay properly chargeable to capital;

Resulting from the business of the Insured at the **location** after due provision has been made for all fixed charges and any other expenses, including depreciation, but before deduction of any taxes on profits.

Ordinary Payroll means:

- a) Wages of all employees except officers, executives, department managers, and employees under contract or similar key employees; and
- b) Includes taxes and charges dependent on the payment of those wages.

Rate of Gross Profit means the rate of **gross profit** earned on sales during the twelve full months immediately before the date of the loss or damage to the insured property.

Reduction in Sales means the amount produced by applying the **rate of gross profit** to the amount by which the **sales** during the period of indemnity fall short of the **standard sales**.

Rents means:

When Insured property cannot be occupied:

- a) The fair rental value of any portion of the property occupied by the Insured;
- b) Income reasonably expected from the rentals of unoccupied or un-rented portions of such property; and
- c) The rental income from the rented portions of such property, according to bona fide leases, contracts, or agreements, in force at the time of loss;

Less the cost of all charges and expenses that do not continue during the period of indemnity.

Sales means:

The money paid or payable to the Insured for:

- a) Goods sold and delivered; and
- b) Services rendered;

In the conduct of the Insured's business at a **location**.

Standard Sales means the **sales** during the period in the twelve (12) months immediately before the date of the loss or damage to the insured property which corresponds with the period of indemnity.

All other terms and conditions of this policy remain unchanged.