

Business Interruption Events Section

Gross Profit

Definitions

Business Interruption

Loss resulting from interruption of or interference with the **Business** carried on by **the Insured** at the **Premises** in consequence of an **Event** to property used by **the Insured** at the **Premises** for the purpose of the **Business**.

Event

Loss or destruction of or damage to property used by **the Insured** at the **Premises** for the purpose of the **Business**.

Premises

The buildings at the address or addresses shown in the **Schedule**, including their grounds, all within the boundaries for which **the Insured** are responsible and being, unless more specifically described in the **Schedule**, occupied solely by **the Insured** for the purpose of the **Business**.

Unoccupied

Any building or part of any building which is empty or not in use by **the Insured** or any tenant of **the Insured**.

Indemnity Period

The period beginning with the occurrence of the **Event** and ending not later than the **Maximum Indemnity Period** thereafter during which the results of the **Business** shall be affected in consequence of any **Event**.

Maximum Indemnity Period

The period shown in the **Schedule**.

Turnover

The money paid or payable to **the Insured** for goods sold and delivered and for services rendered in the course of the **Business** at the **Premises**.

Gross Profit

The amount by which the sum of the amount of the **Turnover** and the amount of the closing stock and work in progress shall exceed the amount of the opening stock and work in progress and the amount of the **Uninsured Working Expenses**.

Note: The amounts of the opening and closing stocks and work in progress shall be arrived at in accordance with the normal accountancy methods of **the Insured**, due provision being made for depreciation.

Uninsured Working Expenses

Purchases (less discounts received)

Carriage, packing and freight

Discounts allowed

Bad debts.

Note: The words and expressions used in this definition shall have the meaning usually attached to them in the books and accounts of **the Insured**.

Rate of Gross Profit

The rate of gross profit earned on the **Turnover** during the financial year immediately before the date of any **Event**.

Standard Turnover

The **turnover** during that period in the twelve months immediately before the date of any **event** which corresponds with the **Indemnity Period**.

Annual Turnover

The **Turnover** during the twelve months immediately before the date of any **Event**.

Cover

The Insurer will pay the Insured for Business Interruption by the following Events, except for the Excluded Events specified in the Schedule.

Events

1. **Fire**, excluding **Business Interruption** caused by
 - a. explosion resulting from fire
 - b. earthquake or subterranean fire
 - c. its own spontaneous fermentation or heating or its undergoing any heating process or any process involving the application of heat**Lightning**
Explosion
 - a. of boilers used for domestic purposes only
 - b. of any other boiler or economiser on the **Premises**
 - c. of gas used for domestic purposes only
but excluding any **Business Interruption** caused by earthquake or subterranean fire.
2. **Explosion**, excluding **Business Interruption**
 - a. caused by the bursting by steam pressure of any vessel, machine or apparatus (not being a boiler or economiser on the **Premises**) belonging to **the Insured** or under the control of **the Insured**, in which internal pressure is due to steam only
 - b. by pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds.
3. **Aircraft** or other aerial devices or articles dropped from them, excluding **Business Interruption** by pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds.
4. **Riot, Civil Commotion, strikers, locked out workers, persons taking part in labour disturbances or Malicious Persons**, excluding **Business Interruption**
 - a. arising from nationalisation, confiscation, requisition, seizure or destruction by the Government or any public authority
 - b. arising from cessation of work
 - c. in respect of any building which is **Unoccupied**, caused by malicious persons not acting on behalf of or in connection with any political organisation, but **the Insurer** will pay for such **Business Interruption** caused by fire or explosion
 - d. arising from deliberate erasure, loss, distortion or corruption of information on computer systems or other records, programs or software.
5. **Earthquake**
6. **Subterranean Fire**
- 7a. **Storm**
Storm, excluding **Business Interruption**
 - a. caused by **Flood** whether resulting from Storm or otherwise
 - b. attributable solely to change in the water table level
 - c. caused by lightning, frost, subsidence, ground heave or landslide
 - d. in respect of fences and gates and moveable property in the open or in transit.
- 7b. **Flood**
Flood, being
 1. the escape of water from the normal confines of any natural or artificial water course, lake, reservoir, canal, drain or dam
 2. inundation from the sea
 3. inundation by rainwater induced runoff, other than where such inundation results solely from the ingress of water through or via the roof of a building
whether resulting from Storm or otherwise, excluding **Business Interruption**
 - a. caused by **Escape of Water from any tank, apparatus or pipe** or **Sprinkler Leakage**
 - b. attributable solely to change in the water table level
 - c. caused by lightning, frost, subsidence, ground heave or landslide
 - d. in respect of fences and gates and moveable property in the open or in transit

8. **Escape of Water from any tank, apparatus or pipe**, excluding **Business Interruption**
- a. caused by water discharged or leaking from any automatic sprinkler installation
 - b. in respect of any **Building** which is **Unoccupied**.
9. **Impact** by any road vehicle or animal.
10. **Sprinkler Leakage**
 Accidental escape of water from any automatic sprinkler installation in the **Premises**, excluding **Business Interruption** caused by
- a. freezing whilst the building in so far as it is in **the Insured's** ownership or tenancy is **Unoccupied**
 - b. explosion, earthquake, subterranean fire or heat caused by fire.
11. **Any other Event**
Business Interruption, excluding
- a. **Business Interruption** caused by or arising from or attributable to
 - i. any of the Events
 - ii. any of the exclusions to the Events
 specified in Events 1 - 10, whether Events 1 - 10 are insured or not
 - b. **Business Interruption** caused by or consisting of
 - i. inherent vice, latent defect, gradual deterioration, wear and tear, frost, its own faulty or defective design or materials
 but this shall not exclude subsequent **Business Interruption** which itself results from a cause not otherwise excluded
 - ii. faulty or defective workmanship by **the Insured** or any employees of **the Insured**
 - iii. operational error or omission by **the Insured** or any employees of **the Insured**
 but this shall not exclude such **Business Interruption** not otherwise excluded which itself results from Events 1 - 10, or subsequent **Business Interruption** which itself results from a cause not otherwise excluded
 - iv. acts of fraud or dishonesty by any partner, director or employee of **the Insured**
 but this shall not exclude such **Business Interruption** not otherwise excluded which itself results from Events 1 - 10
 - c. **Business Interruption** caused by or consisting of
 - i. corrosion, rust, wet or dry rot, shrinkage, evaporation, loss of weight, dampness, dryness, marring, scratching, vermin or insects
 - ii. change in temperature, colour, flavour, texture or finish
 - iii. theft or attempted theft
 or **Business Interruption** consisting of
 - iv. joint leakage, failure of welds, cracking, fracturing, collapse or overheating of boilers, economisers, superheaters, pressure vessels or any range of steam and feed piping connected to them
 - v. mechanical or electrical breakdown or derangement in respect of the particular machine, apparatus or equipment in which such breakdown or derangement originates
 or **Business Interruption** caused by
 - vi. the deliberate act of a supply undertaking in withholding the supply of water, gas, electricity, fuel or telecommunications services
 but this shall not exclude such **Business Interruption** not otherwise excluded which itself results from Events 1 - 10 or from any other accidental loss, destruction or damage, or subsequent **Business Interruption** which itself results from a cause not otherwise excluded

- d. loss resulting from pollution or contamination, but this shall not exclude loss resulting from destruction of or damage to property used by **the Insured** at the **Premises** for the purpose of the **Business**, not otherwise excluded, caused by
 - i. pollution or contamination at the **Premises** which itself results from Events 1 - 10
 - ii. any of Events 1 - 10 which itself results from pollution or contamination
- e. **Business Interruption** caused by or consisting of
 - i. subsidence, ground heave or landslip, unless resulting from Events 1, 2, 5, 6 or 8
 - ii. normal settlement or bedding down of new structures
- f. **Business Interruption** arising directly or indirectly from
 - i. disappearance, unexplained or inventory shortage or the misfiling or misplacing of information
 - ii. erasure, loss, distortion or corruption of information on computer systems or other records, programs or software deliberately by rioters, strikers, locked out workers, persons taking part in labour disturbances or civil commotion, or malicious persons
 - iii. other erasure, loss, distortion or corruption of information on computer systems or other records, programs or software, unless resulting from Events 1 - 10 in so far as they are not otherwise excluded
- g. loss resulting from destruction of or damage to any building or structure used by **the Insured** at the **Premises** caused by its own collapse or cracking, unless resulting from Events 1 - 10 in so far as they are not otherwise excluded
- h. **Business Interruption** in respect of fences, gates and moveable property in the open caused by wind, rain, hail, sleet, snow or dust
- i. **Business Interruption** resulting from any property undergoing any process of production, packing, treatment, testing, commissioning, service or repair, but this shall not exclude such **Business Interruption** caused by fire or explosion
- j. **Business Interruption** in respect of
 - i. glass (other than fixed glass), sanitaryware (other than fixed sanitaryware), china, earthenware, marble or other fragile or brittle objects
 - ii. vehicles licensed for road use (including accessories on them), caravans, trailers, railway locomotives, rolling stock, watercraft or aircraft
 - iii. **Property** or structures in course of construction or erection and materials or supplies in connection with all such **Property** or structures
 - iv. land, roads, pavements, piers, jetties, bridges, culverts or excavations
 - v. livestock, growing crops or treesbut this shall not exclude such business interruption caused by Events 1 - 10 in so far as they are not otherwise excluded.

Exclusions

The Insurer will not pay for

1. **Business Interruption** in Northern Ireland occasioned by or happening through or in consequence directly or indirectly of riot, civil commotion and (except in respect of **Business Interruption** by fire or explosion) strikers, locked out workers, persons taking part in labour disturbances or malicious persons.
2. **Business Interruption** directly or indirectly caused by or consisting of or arising from the failure of any computer or other equipment or system for processing, storing or retrieving data, whether the property of **the Insured** or not, to achieve any or all of the purposes and consequential effects intended by the use of any number to denote a date, including the failure
 - i. correctly to recognise any date as its true calendar date
 - ii. to recognise, capture, save, retain, restore and/or correctly to manipulate, interpret, calculate or process any data or information or command or instruction as a result of treating any date otherwise than as its true calendar date
 - iii. to recognise, capture, save, retain, restore and/or correctly to manipulate, interpret, calculate or process any data or information as a result of the operation of any command which has been programmed into any computer software or firmware, being a command which causes the loss of data or the inability to recognise, capture, save, retain, restore or correctly to manipulate, interpret, calculate or process any data on or after any datebut **the Insurer** will pay for subsequent **Business Interruption** which is not otherwise excluded and which itself results from Events 1 - 10.

Basis of Settlement

The Insurer will pay the Insured, in respect of each item covered, the amount of their claim for **Business Interruption**, provided that at the time of any **Event**

- A. there is an insurance in force covering the interest of **the Insured** in the property at the premises against such **Event** and that
 - i. payment has been made or liability has been admitted for payment, or
 - ii. payment would have been made or liability would have been admitted for payment but for the operation of a proviso in such insurance excluding liability for claims below a specified amount
- B. the most the Insurer will pay for any one claim is in the whole the **Total Sum Insured**, or in respect of any one item its **Sum Insured** or any other limit of liability in this **Section**.

In consideration of **Sums Insured** or limits of liability not being reduced by the amount of any claim, **the Insured** will pay the appropriate additional premium on the amount of the claim from the date of the **Event** to expiry of the **Period of Insurance**.

The Insurer will pay the Insured as indemnity in consequence of **Business Interruption** for loss of **Gross Profit** due to

- A. Reduction in **Turnover**, and
- B. Increase in Cost of Working.

Reduction in **Turnover** means the sum produced by applying the **Rate of Gross Profit** to the amount by which the **Turnover** during the **Indemnity Period** falls short of the **Standard Turnover**.

Increase in Cost of Working means the additional expenditure (subject to the Uninsured Working Expenses clause) 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**.

Basis of Settlement Adjustments

The Insurer will not pay the Insured for

- A. Increase in Cost of Working exceeding the sum produced by applying the rate of gross profit to the amount of reduction in turnover thereby avoided
- B. any amounts saved during the indemnity period in respect of any of the charges and expenses of the business payable out of gross profit that may cease or be reduced.

In calculating the amounts the Insurer will pay the Insured as indemnity, adjustments shall be made in accordance with the following clauses.

1. Average

If the **Sum Insured** by any item on **Gross Profit** is less than the sum produced by applying the **Rate of Gross Profit** to the **Annual Turnover**, or if the Departmental Trading clause applies is less than the aggregate of the sum produced by applying the **Rate of Gross Profit** for each department of the **Business** (whether affected by the event or not) to its relative **Annual Turnover**, the amount payable will be proportionately reduced.

The amount of the **Annual Turnover** will be proportionately increased when the **Maximum Indemnity Period** exceeds 12 months.

2. Alternative Premises

If during the **Indemnity Period** goods are sold or services are rendered elsewhere than at the **Premises** for the benefit of the **Business**, either by **the Insured** or by others on behalf of **the Insured**, the money paid or payable for such sales or services shall be taken into account in arriving at the **Turnover** during the **Indemnity Period**.

3. Uninsured Working Expenses

If any working expenses of the **Business** are excluded by this **Section** (having been deducted in arriving at **Gross Profit**), then in calculating the amount recoverable under this **Section** as Increase in Cost of Working, only that proportion of any such additional expenditure shall be taken into account that **Gross Profit** bears to the sum of **Gross Profit** and the **Uninsured Working Expenses**.

4. Departmental Trading

If the **Business** is conducted in departments, the independent trading results of which can be ascertained, the Basis of Settlement for **Gross Profit** shall apply separately to each department affected.

5. Trends and Variations

Adjustments shall be made to the figures representing the **Rate of Gross Profit**, the **Annual Turnover** and the **Standard Turnover** that may be necessary to provide for the trend of the **Business**, and for variations in or other circumstances affecting the **Business**, either before or after the **Event**, and which would have affected the **Business** had the **Event** not occurred, so that the adjusted figures represent as near as reasonably practicable results which but for the **Event** would have been obtained during the relative period after the **Event**.

6. New Business

If the **Business** is in its first year of trading during the first **Period of Insurance**, and an **Event** occurs before completion of such first **Period of Insurance**, **Rate of Gross Profit**, **Annual Turnover** and **Standard Turnover** shall mean the following.

Rate of Gross Profit - the **Rate of Gross Profit** earned on the **Turnover** during the period between the date of commencement of the **Business** and the date of the **Event**.

Annual Turnover - the proportional equivalent, for the period of 12 months, of the **Turnover** realised during the period between the date of commencement of the **Business** and the date of the **Event**.

Standard Turnover - the proportional equivalent, for the period equal to the **Indemnity Period**, of the **Turnover** realised during the period between the date of commencement of the **Business** and the date of the **Event**.

7. Accountants' Charges

If the professional accountants of **the Insured** produce any particulars or details required by **the Insurer** from **the Insured's** books of account or other business books or documents, or any other proofs, information or evidence under the terms of Condition 2 of this **Section**, **the Insurer** will pay **the Insured** the reasonable charges payable by **the Insured** to their professional accountants, provided that the sum of such reasonable charges and any other amount payable under this **Section** shall not exceed the liability of **the Insurer** under this **Section**.

8. Value Added Tax

All terms in this **Section** shall be exclusive of value added tax to the extent that **the Insured** are accountable to the tax authorities for such tax.

9. Current Cost Accounting

For the purposes of this **Section**, any adjustment implemented in current cost accounting shall be disregarded.

10. Payments on Account

The Insurer will make payments on account during the **Indemnity Period**, if **the Insured** so request, subject to any necessary adjustment at the end of the **Indemnity Period**.

Extensions

Any claim resulting from interruption of or interference with the **Business** in consequence of loss, destruction or damage at any Situation or to any Property shown below, within the **United Kingdom** shall be understood to be **Business Interruption** by an **Event** covered by this **Section**, provided that after the application of all other terms, conditions and provisions of this **Section** the liability of **the Insurer** for any one claim shall not exceed in the whole the **Total Sum Insured**, or the percentage of the **Total Sum Insured** or the amount shown against any of the Situations or against any of the Property as the Limit, whichever is the less.

Situations

Suppliers

The premises of any of **the Insured's** suppliers, manufacturers or processors of components, goods or materials, but excluding the premises of any separately specified supplier or of any supply undertaking from which **the Insured** obtain electricity, gas, water or telecommunications services.
Limit 10% or £100,000 whichever is the less.

Customers

The premises of any of **the Insured's** customers, but excluding the premises of any separately specified customer.
Limit 10% or £100,000 whichever is the less.

Contract Sites

Any situation not in the occupation of **the Insured** where **the Insured** are carrying out a contract.
Limit 10% or £100,000 whichever is the less.

Property

Property Stored

Property of **the Insured** whilst stored elsewhere than at premises occupied by **the Insured**.
Limit 10% or £100,000 whichever is the less.

Transit

Property of **the Insured** whilst in transit by road, rail or inland waterway, but only in respect of **Business Interruption** due to or arising from Events 1-8.
Limit 10% or £100,000 whichever is the less.

Supply Undertakings

Property at any

- generating station or sub-station of the electricity supply undertaking
- land based premises of the gas supply undertaking or of any natural gas producer linked directly therewith
- waterworks or pumping station of the water supply undertaking
- land based premises of the telecommunications undertaking

from which **the Insured** obtain electricity, gas, water or telecommunications services.

Denial of Access

Property in the vicinity of the **Premises** which prevents or hinders the use of or access to the **Premises**, whether the **Premises** or property in the **Premises** is destroyed or damaged or not.

Section Conditions

1. Alteration in Risk

The Insured must notify **the Insurer** as soon as possible if during the **Period of Insurance** there is any alteration in the ownership of **the Insured**, or any alteration in or to the **Business** at the **Premises**

- a. due to the **Business** being wound up or carried on by a liquidator or receiver or permanently discontinued
 - b. in respect of which the interest of **the Insured** ceases other than by death
 - c. in respect of the risks of subsidence, ground heave or landslip where any demolition, construction, ground works or excavation work is being carried out on any adjoining site
 - d. to the facts or matters set out in the **Schedule** or otherwise comprising the risk presentation made by **the Insured** to **the Insurer** at inception, renewal or variation of the **Policy**
- which materially increases the risk of an **Event** and any other loss or expenditure as insured by this **Section**.

Upon being notified of any such alteration, **the Insurer** may, at its absolute discretion

- a. continue to provide cover under this **Section** on the same terms
- b. restrict the cover provided by this **Section**
- c. impose additional terms
- d. alter the premium
- e. cancel this **Section** and the **Policy**.

If **the Insured** fails to notify **the Insurer** of any such alteration, **the Insurer** may

- a. treat this **Section** and the **Policy** as if it had come to an end as at the date of the alteration of the risk, returning a proportionate amount of the premium for the unexpired **Period of Insurance**, if **the Insurer** would have cancelled this **Section** and the **Policy** had it known of the increase in risk
- b. treat this **Section** and the **Policy** as if it had contained such terms (other than relating to premium) or other restrictions (if any) from the date of the alteration in risk as **the Insurer** would have applied had it known of the increase in risk
- c. reduce proportionately the amount paid or payable on any claim, the proportion for which **the Insurer** is liable being calculated by comparing the premium actually charged as a percentage of the premium which **the Insurer** would have charged had it known of the increase in risk.

2. Additional Claims Conditions

In the event of any **Event** in consequence of which **the Insured** make or may make a claim under this **Section**, **the Insured** shall at their own expense deliver to **the Insurer**

- A. within 7 days of its happening, full details of **Business interruption** caused by riot, civil commotion, strikers, locked-out workers, persons taking part in labour disturbances, malicious persons or theft
- B. not later than 30 days after expiry of the **Indemnity Period**, or such further time that **the Insurer** may allow, full information in writing of the particulars of the claim, together with details of all other policies covering property used by **the Insured** at the **Premises** for the purpose of the **Business** or any part of the **Business**, and the amount of any resulting **Business Interruption**
- C. such books of account and other business books, vouchers, invoices, balance sheets and other documents, proofs, information, explanation and other evidence that **the Insurer** may reasonably require for the purpose of investigating or verifying the claim, together with, if required, a statutory declaration of the truth of the claim and of any matters connected with it.

Particulars or details contained in **the Insured's** books of account or other business books or documents, which may be required by **the Insurer** for the purpose of investigating or verifying any claim under this **Section**, may be produced by professional accountants if at the time they are regularly acting for **the Insured**. Their report shall be prima facie evidence of the particulars and details to which such report relates.

The Insurer will not pay for any claim unless the terms of this condition have been complied with, and any payment on account already made shall be repaid to **the Insurer**.

3. Contribution

If at the time of any **Event** resulting in a claim under this **Section** there is any other insurance effected by or on behalf of **the Insured** covering such loss or any part of it, the liability of **the Insurer** under this **Section** shall be limited to **the Insurer's** rateable proportion of such loss.

4. Subrogation

Any claimant under this **Section** shall, at **the Insurer's** request and expense, take or permit to be taken all necessary steps for enforcing rights against any other party in the name of **the Insured**, before or after **the Insurer** makes any payment.

The Insurer agrees to waive any such rights to which **the Insurer** might become entitled by subrogation against any company standing in relation of parent to subsidiary (or subsidiary to parent) to **the Insured** or against any company which is a subsidiary of a parent company of which **the Insured** are themselves a subsidiary, in each case within the meaning of the Companies Act or Companies (Northern Ireland) Order current at the time of the **Business Interruption**.

5. Arbitration

If any difference arises as to the amount to be paid under this **Section** (liability being otherwise admitted by **the Insurer**), such difference shall be referred to an arbitrator to be appointed by **the Insured** and **the Insurer** in accordance with statutory provisions.

Where any difference is referred to arbitration in accordance with this condition, the making of an award shall be a condition precedent to any right of action against **the Insurer**.

6. Declarations

The Insured may, at the Insured's option, provide a declaration confirmed by **the Insured's** auditors of the **Gross Profit** earned during the financial year most nearly concurrent with an expired **Period of Insurance**. If any **Event** has occurred giving rise to a claim for loss of **Gross Profit**, such declaration will be increased by **the Insurer** for the purpose of premium adjustment, by the amount by which the **Gross Profit** was reduced during such financial year solely in consequence of the **Event**.

If the declaration of **Gross Profit**, proportionately increased where the **Maximum Indemnity Period** exceeds 12 months, is less than the **Sum Insured** on **Gross Profit** for the relative **Period of Insurance**, **the Insurer** will allow a *pro rata* return of premium not exceeding 50% of the premium paid.