MACHINERY BREAKDOWN (LOSS OF PROFITS)

Hollard.

DEFINED EVENTS

Loss following interruption of or interference with the Business in consequence of an Accident as defined to any Machinery described in the Schedule (such accident being hereinafter termed Damage) occurring during the Period of Insurance at the Premises.

LIMITATIONS

The insurance Item 1 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 thereunder shall be:

   (i) 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 Damage, fall short of the Standard Turnover.

   (ii) IN RESPECT OF INCREASE IN COST OF WORKING:
   The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing reduction in Turnover which but for that expenditure would have taken place during the Indemnity Period in consequence of the Damage but not exceeding the sum produced by applying the rate of Gross Profit to be 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 Damage.

Provided that if the Sum Insured by this item be less than the sum produced by applying the Rate of Gross Profit to the Annual Turnover where the Indemnity Period is 12 (twelve) months or less or a proportionately increased Annual Turnover where the Indemnity Period exceeds 12 (twelve) months, the amount payable shall be proportionately reduced.

The insurance under Item 2 is limited to costs and expenses incurred in producing and certifying any particulars or details required by the Company under the terms of General Condition 3 of this Policy but limited to reasonable payments in respect of:

(i) Additional wages or salaries to the Insured's own employees;
(ii) additional fees to the Insured's usual Auditors;
(iii) cost of materials used.

DEFINITIONS

ACCIDENT

Sudden and unforeseen physical damage to any Machinery described in the Schedule from any cause not excluded from the Machinery Breakdown Section and under which Section payment shall have been made or liability admitted therefore.

GROSS PROFIT – (ALL STANDING CHARGES BASIS)

The Sum produced by adding to the Net Profit the amount of all Standing Charges of the Business or if there be no Net Profit the amount of the said Standing Charges less the amount of any Net Trading Loss.

N.B. For the purposes of this Definition:

(i) Net Profit means the net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the Business at the Premises after due provision has been made for all Standing and other Charges.

(ii) Depreciation of buildings, plant, machinery, fixtures and fittings and all salaries and wages (not separately insured hereby) are inter alia deemed to be Standing Charges.

GROSS PROFIT – (DIFFERENCE BASIS)

The amount by which:
(i) The sum of the Turnover and the amount of the closing stock shall exceed
(ii) the sum of the amount of the opening stock and the amount of the uninsured working expenses.

N.B. For the purposes of this Definition:

(i) The amounts of the opening and closing stocks shall be arrived at in accordance with the Insured's usual accounting methods, due provision being made for depreciation.
(ii) The uninsured working expenses are as described in the Schedule.

TURNOVER

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

INDEMNITY PERIOD

Shall mean the period during which the Business shall be interrupted or interfered with beginning the number of days specified in the Schedule after the occurrence of the Accident and ending not later than the number of months specified in the Schedule thereafter.

RATE OF GROSS PROFIT

The rate of Gross Profit earned on the Turnover during the Financial year immediately before the date of Damage.

ANNUAL TURNOVER

The Turnover during the twelve months immediately before the date of the Damage.

STANDARD TURNOVER

The Turnover during that period in the twelve months immediately before the date of the Damage which corresponds with the Indemnity Period.

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 Damage or which would have affected the Business had the Damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Damage would have been obtained during the relative period after the Damage.

MEMO 1

If during the Indemnity Period goods shall be sold or services shall be rendered elsewhere than at the Premises for the benefit of the Business either by the Insured or by others on their 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.

SPECIAL CONDITION

This insurance shall cease if the Business be wound up or carried on by a liquidator or placed under judicial management or permanently discontinued.

SPECIAL CLAUSES

ACCOUNTANTS/AUDITORS

It is understood and agreed that any particulars or details contained in the Insured's books of account or other business books or documents which may be required by the Company under this insurance for the purpose of investigating or verifying any claim hereunder may be produced and certified by the Insured's own Accountants and/or Auditors and their certificate shall be prima facie evidence of the particulars and details to which such certificate relates.

ACCUMULATION OF STOCKS

In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in Turnover due to the Damage is postponed by reason of the Turnover being temporarily maintained from accumulated stocks of finished goods in warehouse and/or depots.

ALTERNATIVE BASIS OF SETTLEMENT

In the event of a claim under this insurance, adjustment may be based on Turnover, sales, value of output, input, throughput or any other such index as will afford the most equitable result and except in the definition of Turnover the word Turnover wherever used in this insurance shall be read as the term applicable to such index as may be selected. Provided that when the loss is based on an index other than Turnover, the Turnover shall mean the index selected converted to sales value based on the average selling price to customers.

AUTOMATIC REINSTATEMENT

No Sum Insured hereby shall be reduced by the amount of any claim paid or payable by the Company but the Insured shall pay to the Company as additional Premium on such amount calculated pro rata from the date of the loss or Damage to the end of the Period of Insurance.

DEPARTMENTAL

If the Business is conducted in departments the independent trading results of which are ascertainable the provisions of Clauses (a) and (b) of Item No. 1 shall apply separately to each department affected by the Damage, 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 Damage or not) to the relative Annual Turnover thereof, the amount payable shall be proportionately reduced.

NEW BUSINESS

For the purpose of any claim arising from Damage occurring before the completion of the first year's trading of the Business at the Premises the terms Rate of Gross Profit, Annual Turnover and Standard Turnover shall bear the following meanings and not as within stated:

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 Damage.

ANNUAL TURNOVER

The proportional equivalent, for a period of twelve months of the Turnover realised during the period between the commencement of the Business and the date of the Damage.

STANDARD TURNOVER

The proportional equivalent, for a period equal to the Indemnity Period, of the Turnover realised during the period between commencement of the Business and the date of the Damage

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 Damage or which would have affected the Business had the Damage not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Damage would have been obtained during the relative period after the Damage.

PAYMENTS ON ACCOUNT

Payments on account may be made to the Insured monthly during the Indemnity Period if desired but in no case shall such payments exceed the Company's total liability and provided that if after payment on account has been made it is found that the Company is not liable the amount so paid be refunded to the Company.

PREMIUM REBATE

In the event of the Gross Profit earned during the accounting period of twelve months most nearly concurrent with any Period of Insurance as certified by the Insured's Auditors being less than the Sum Insured by Item 1 hereof a pro rata return of Premium not exceeding 50% of the Premium paid on such Sum Insured for the period of insurance will be made in respect of the difference. If any Damage shall have occurred giving rise to a claim under this Policy such return shall be made in respect only of so much of the said difference as is not due to such Damage.

MATERIAL DAMAGE – EXCESS WAIVER

It shall not be a condition precedent to liability that payment shall have been made or liability admitted under the Machinery Breakdown Section issued by the Company on the Machinery if no such payment shall have been made nor liability admitted solely owing to the operation of a proviso in such insurance excluding liability for Damage below a specified amount.

MATERIAL DAMAGE – MANUFACTURER, SUPPLIER, LESSOR, CONTRACTOR OR REPAIRER RESPONSIBLE

It shall not be a condition precedent to liability that payment shall have been made or liability admitted under the Machinery Breakdown Section issued by the Company on the Machinery if no such payment shall have been made nor liability admitted solely owing to the operation of a proviso in such insurance excluding liability for Damage for which the manufacturer, supplier, lessor, contractor or repairer is responsible.