



Loss of Profits – (Machinery Breakdown)

Defined events

Accident to machinery specified in schedule II and used by the insured at the premises for the purpose of the business resulting in interruption or interference with the business provided that payment shall have been made or liability admitted for accident under the Machinery breakdown section except in so far as a proviso may operate to exclude losses below a specified amount.

Definitions

1. “Accident”

Unforeseen and sudden physical damage to the machinery described in schedule II from any cause provided for by the Machinery breakdown section.

2. “Gross profit” (Difference basis) insured under item 1 of schedule I

The amount by which the sum of the turnover and closing stock exceeds the sum of the opening stock and the uninsured working expenses specified in schedule I.

3. “Gross profit” (Specified standing charges basis) insured under item 2 of schedule I

The sum produced by adding to the net profit the amount of the insured standing charges or if there is no net profit the amount of the insured standing charges less such a proportion of any net trading loss as the amount of the insured standing charges bears to all the standing charges of the business.

4. “Gross profit” (All standing charges basis) insured under item 3 of schedule I

The sum produced by adding to the net profit the amount of all the standing charges of the business or if there is no net profits the amount of all the standing charges less the amount of any net trading loss. For the purpose of this insurance depreciation of buildings plant machinery (other than machinery damaged in the accident) fixtures and fittings shall inter alia be deemed to be standing charges.

5. “Net profit”

The net trading profit (exclusive of all capital receipts and accretions and all outlay property chargeable to capital) resulting from the business of the insured 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.

6. “Revenue”

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

7. “Indemnity period”

The period during which the results of the business are affected in consequence of the accident beginning the number of hours/days stated in column C of schedule II after the occurrence of



the accident and ending not later than the expiry of the period shown in column D of schedule II after the occurrence.

8. "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.

9. "Rate of gross profit"

The rate of gross profit to turnover during the financial year immediately before the date of the accident.

10. "Rate of wages"

The rate of wages to turnover during the financial year immediately before the date of the accident.

11. "Annual turnover"

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

12. "Standard turnover"

The turnover during the period corresponding with the indemnity period in the 12 (twelve) months immediately before the date of the accident.

13. "Annual revenue"

The revenue during the 12 (twelve) months immediately before the date of the accident.

14. "Standard revenue"

The revenue during the period corresponding with the indemnity period in the 12 (twelve) months immediately before the date of the accident.

15. "Shortage in turnover"

The amount by which the turnover during the specified portion of the indemnity period shall in consequence of the accident fall short of that part of the standard turnover which relates thereto.

16. "The premise"

All premises owned used or occupied by the insured for the purposes of the business.

to which such adjustments will be made as 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 accident or which would have affected the business had the damage not occurred so that the figure thus adjusted will represent as nearly as may be reasonably practicable the results which but for the accident would have been obtained during the relative period after the accident.



Specific exceptions

Additions alterations improvements

The company will not be liable for loss resulting from interruption or interference with the business due to additions alterations or improvements being effected to the damaged item(s) on the occasion of its repair.

Specific conditions

1. Action in event of an accident

When an accident occurs in consequence of which a claim may be made under this section the insured in addition to complying with the General conditions shall with due diligence do and concur in doing and permit to be done all things which may be reasonably practicable to minimise or check any interruption of or interference with the business or to avoid or diminish the loss and if a claim is made under this section will not later than 30 (thirty) days after the expiry of the indemnity period or within such further time as the company will allow at their own expense deliver to the company 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 therefrom. No claim under this section will be payable unless this Specific condition has been complied with and in the event of non-compliance therewith in any respect any payment on account of the claim already made will be repaid to the company forthwith.

2. Standby machinery

Any item of machinery insured by this section against which the word "standby" appears in schedule II shall be maintained as standby available for immediate use in the event of the failure of the machinery to which it is standby. Should the standby position change the insured shall give notice as soon as possible to the company and pay the applicable additional premium, calculated from the date that the item of machinery ceased to be standby.

Basis of settlement

1. Gross profit (difference basis)

The insurance under item 1 of schedule I is limited to loss of gross profit due to reduction in turnover and increase in cost of working and the amount payable thereunder will be:

(a) For 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) For increase in cost of working

The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing a 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 for such charges and expenses of the business payable out of gross profit as may cease or be reduced in consequence of the accident



Provided that:

if the sum insured by this item is less than the sum produced by applying the rate of gross profit to the annual turnover (proportionately increased where the indemnity period exceeds 12 (twelve) months) the amount payable will be proportionately reduced.

2. Gross profit (Specified standing charges basis)

The insurance under item 2 of schedule I is limited to loss of gross profit due to reduction in turnover and increase in cost of working and the amount payable as indemnity thereunder will be

(a) For 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) For increase in cost of working

The additional expenditure (subject to proviso 2(d)) 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 for such of the insured standing charges as may cease or be reduced in consequence of the accident

Provided that:

(c) if the sum insured by this item is less than the sum produced by applying the rate of gross profit to the annual turnover (proportionately increased where the indemnity period exceeds 12 (twelve) months) the amount payable will be proportionately reduced

(d) if any standing charges of the business are not insured only such proportion of the additional expenditure as the sum of the net profit and the insured standing charges bears to the sum of the net profit and all standing charges shall be brought into account when calculating the amount recoverable hereunder.

3. Gross profit (All standing charges basis)

The insurance under item 3 of schedule I is limited to the gross profit due to reduction in turnover and increase in cost of working and the amount payable as indemnity thereunder shall be:

(a) For 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) For 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 any standing charges which may cease or be reduced in consequence of the accident

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 (proportionately increased where the indemnity period exceeds 12 (twelve) months) the amount payable will be proportionately reduced.

4. Revenue

The insurance under item 4 of schedule I is limited to loss due to reduction in revenue and increase in cost of working and the amount payable as indemnity hereunder will be:

(a) For reduction in revenue

The amount by which the revenue during the indemnity period shall in consequence of the accident fall short of the standard revenue

(b) For increase in cost of working

The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in revenue which but for that expenditure would have taken place during the indemnity period in consequence of the accident but not exceeding the amount of the reduction thereby avoided

less any sum saved during the indemnity period for such charges and expenses of the business payable out of revenue as may cease or be reduced in consequence of the accident

Provided that:

if the sum insured by this item is less than the annual revenue (proportionately increased where the indemnity period exceeds 12 (twelve) months) the amount payable will be proportionately reduced.

5. Wages (Dual basis)

The insurance under item 5 of schedule I is limited to loss in respect of wages and the amount payable thereunder will be:

(a) For reduction in turnover

- (i) during the portion of the indemnity period beginning with the number of hours/days stated in column C of schedule II after the occurrence of the accident and ending not later thereafter than the specified number of weeks in schedule I - the sum produced by applying the rate of wages to the shortage in turnover less any saving through reduction in the amount of wages paid in consequence of the accident
- (ii) during the remaining portion of the indemnity period - the sum produced by applying the rate of wages to the shortage in turnover less any saving through reduction in consequence of the accident in the amount of wages paid but not exceeding the



sum produced by applying the specified percentage of the rate of wages to the shortage in turnover increased by such amount as is deducted for savings in terms of paragraph 5(a) (i) above.

Note: At the option of the insured the provisions of paragraph 5(a)(i) may apply for the specified extended period provided that the amount arrived at under the provisions of 5(b)(ii) shall then not exceed the amount deducted under paragraph 5(a)(i) for savings effected during the said extended period

(b) For increase in cost of working

So much of the additional expenditure described in paragraph 1(b) or 2(b) or 3(b) of items 1 or 2 or 3 of schedule I as exceeds the amount payable thereunder but not more than the additional amount which would have been payable for reduction in turnover under the provisions of paragraphs 5(a)(i) and 5(a)(ii) of this item had such expenditure not been incurred

Provided that:

if the sum insured by this item is less than the sum produced by applying the rate of wages to the annual turnover (proportionately increased where the indemnity period exceeds 12 (twelve) months the amount payable will be proportionately reduced

6. Wages (Number of weeks basis)

The insurance by item 6 of schedule I is limited to the loss incurred by the insured by the payment of wages for a period beginning with the number of weeks/days stated in column C of schedule II after the occurrence of the accident and ending not later thereafter than the number of weeks specified in schedule I. The amount payable as indemnity under this item will be the actual amount which the insured shall pay as wages for such period to employees whose services cannot in consequence of the accident be utilised by the insured at all and an equitable part of the wages paid for such period to employees whose services cannot in consequence of the accident be utilised by the insured to the full

Provided that:

if the sum insured by this item is less than the aggregate amount of wages that would have been paid during the specified number of weeks immediately following the accident had the accident not occurred the amount payable will be proportionately reduced.

7. Additional expenditure

The insurance under item no. 7 of schedule I is limited to additional expenditure (in excess of that recoverable under other items) necessarily and reasonably incurred by the insured in consequence of the accident in order to minimise interruption of or interference with the business during the indemnity period.

Memo

Other premises

If during the indemnity period goods shall be sold or services shall be rendered or revenue earned elsewhere than at the premises for the benefit of the business either by the insured or by others on his/her behalf the money paid or payable or revenue earned in respect of such sales



or services shall be brought into account in arriving at the turnover or revenue during the indemnity period.

Clauses (If indicated in the schedule to apply)

(a) Accountant/auditor

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 for the purpose of investigating or verifying any claims under this insurance may be produced and certified by the insured's own accountants and/or auditors and their certificate will be prima facie evidence of the particulars and details to which such certificate relates.

(b) Accumulation of stocks

In adjusting any loss account will be taken and an equitable allowance made if any shortage in turnover due to the accident is postponed by reason of the turnover being temporarily maintained from accumulated stocks.

(c) Department/branches

If the business be conducted in departments/branches the independent trading results of which are ascertainable the provisions of paragraphs 1(a), 1(b), 2(a), 2(b), 3(a), 3(b), 4(a), 4(b), 5(a) and 5(b) will apply separately to each department/branch whose results are affected by the accident

Provided that:

if the respective sums insured are less than the aggregate of the sums produced by applying the rate of gross profit revenue or the rate of wages (as the case may be) for each department/branch of the business (whether its results are affected by the accident or not) to the relative annual turnover thereof (proportionately increased where the indemnity period exceeds 12 (twelve) months) the amount payable will be proportionately reduced.

(d) Alternative basis of loss settlement

The term "output" may be substituted for the term "turnover" and for the purpose of this insurance "output" shall mean "the sale value of goods manufactured by the insured in the course of the business at the premises"

Provided that:

- (i) only one such meaning shall be operative in connection with any accident
- (ii) if the meaning set out above be adopted:
 - (a) clause (b) shall be of no effect
 - (b) point 5(e) under the heading "Basis of loss settlement" shall read as follows

"if during the indemnity period goods shall be manufactured or services rendered elsewhere than at the premises for the benefit of the business either by the insured or by others on his/her behalf the sale value of goods so manufactured or services rendered shall be brought into account in arriving at the output during the indemnity period".



(e) New business clause

For the purpose of assessing any loss sustained as the result of an accident occurring before the completion of the first year's trading the terms "rate of gross profit" "rate of wages" "annual turnover" "standard turnover" "annual revenue" and "standard revenue" shall bear the following meanings:

(i) Rate of gross profit

The rate of gross profit earned on the turnover during the 3 (three) months immediately before the date of the accident.

(ii) Rate of wages

The rate of wages to turnover during the 3 (three) months immediately before the date of the accident.

(iii) Annual turnover

Twelve times the average monthly turnover for the 3 (three) months immediately before the date of the accident.

(iv) Standard turnover

The turnover which would have been achieved during the indemnity period if the average turnover during the 3 (three) months immediately before the date of the accident had been maintained.

(v) Annual revenue

The average revenue earned during the 3 (three) months immediately before the date of the accident.

(vi) Standard revenue

The revenue which would have been earned during the indemnity period if the average revenue during the 3 (three) months immediately before the date of the accident had been maintained.

(f) Deposit premium

In consideration of the premium for items 1, 2, 3, 4 and/or 5 of schedule I being provisional because they are calculated on 75% (seventy five percent) of the sum(s) insured thereby the premium is subject to adjustment on expiry of each period of insurance as follows;

If the gross profit or revenue earned or wages paid (proportionately increased if the indemnity period exceeds 12 (twelve) months) during the financial year most nearly concurrent with any period of insurance is less or greater than 75% (seventy five percent) of the sum insured thereon a pro rata return or additional premium not exceeding 33-1/3% (thirty three and one third percent) of the provisional premium paid for such period of insurance will be made for the difference.

(g) Premium rebate

(i) If the gross profit and/or revenue earned and/or wages paid as insured by item 5 of schedule I (all proportionately increased if the indemnity period exceeds 12 (twelve)



months) during the financial year most nearly concurrent with any period of insurance is less than the respective sums insured thereon a pro rata return of premium not exceeding 50% (fifty percent) of the premium paid on such sums insured for such period of insurance will be made for the difference

Provided that:

if any claim shall have arisen under these items such return will be made in respect only of so much of the difference as is not due to such claim.

- (ii) If the specified number of 52nd parts of the wages paid as insured by item 6 of schedule I during the financial year most nearly concurrent with any period of insurance is less than the sum insured thereon a pro rata return of premium not exceeding 50% (fifty percent) of the premium paid on such sum insured for such period of insurance will be made for the difference

Provided that:

if any claim shall have arisen under this item no return of premium will be made.