

IAR Policy Munich Re Version 2.3

Industrial All Risks Property Damage and Business Interruption
Policy No. Enter policy number.

Status

August 2017

This *policy* is effected between

1. the *insured* Enter name of insured., hereinafter the *insured*.

and

2. the *insurer* Enter name of insurer., hereinafter the *insurer*.

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1 Schedule

I.

Line of business	Yes	No	Policy No.	Currency
Section 1 – Property Damage (compulsory)	<input type="checkbox"/>	<input type="checkbox"/>	Enter policy no.	Enter text.
Section 2 – Business Interruption	<input type="checkbox"/>	<input type="checkbox"/>	Enter policy no.	Enter text.

II. Name and address of the insurer

Enter name.

Name

Enter address.

Address

III. Name and address of the insured

Enter name.

Name

Enter address.

Address

IV. Coverage/total sum(s) insured

1. Property damage (PD)

Total	Enter total amount.
Buildings	Enter amount.
Contents	Enter amount.
Machinery	Enter amount.
Stock	Enter amount.
Other	Enter amount.

2. Business interruption (BI)

Total	Enter total amount.
Gross profit (for IP)	Enter amount.
or	
Standing charges	Enter amount.
Net profit (for IP)	Enter amount.

V. Situation/Scheduled locations¹

Enter text.

VI. Business insured/commercial operation

Enter text.

VII. Period of insurance

From (12 noon Greenwich mean time)	To (12 noon Greenwich mean time)
Enter date.	Enter date.

VIII. Limits of indemnity

1. Policy limit PD/BI combined per occurrence

Enter amount.

2. Indemnity period (IP)

Enter period.

3. Sublimits PD/BI combined per occurrence

Enter combined amount.

Natural catastrophe sublimits

Earthquake (annual aggregate)	Flood (annual aggregate)	Storm (annual aggregate)
Enter amount.	Enter amount.	Enter amount.

¹ If more locations are insured, a schedule including addresses and sum(s) insured can be attached instead.

Additional insurance cover sublimits	
Capital additions (3 months reporting)	Enter specific amount.
Expediting and preservation expenses	Enter specific amount.
Fire-fighting expenses	Enter specific amount.
Removal of debris	Enter specific amount.
Misdescription of property insured (immediate reporting)	Enter specific amount.
Accounting records	Enter specific amount.
Brands and labels	Enter specific amount.
Burglary	Enter specific amount.
Optional endorsements BI only	
Civil authority interruption	Enter specific amount.
Contingent business interruption	Enter specific amount.
Denial of access	Enter specific amount.
Service interruption	Enter specific amount.
Optional other sublimits (please specify)	
Enter specific amount.	Enter specific amount.
Enter specific amount.	Enter specific amount.

1. Application to insured interests. Each sublimit stated in this *policy* applies as part of, and not in addition to, the overall *policy* limit for an *occurrence* insured hereunder. Each sublimit is the maximum amount potentially recoverable from all insurance layers combined for all insured loss, damage, expense, time element/business interruption or other insured interest arising from or relating to that aspect of the *occurrence*, including but not limited to type of property, construction, geographic area, zone, *location*, or peril.
2. Application within perils. If insured under this *policy*, any sublimit for *earthquake*, *flood* or *storm* is the maximum amount potentially recoverable from all insurance layers combined for all insured loss, damage, expense, time element/business interruption or other insured interest arising from or relating to such an *occurrence*. If *flood* occurs in conjunction with a *storm* or *earthquake*, the *flood* sublimit applies within and erodes the sublimit for that *storm* or *earthquake*.

IX. Deductibles per occurrence

General policy deductible PD/BI combined	Enter amount.
Section 1 deductible PD only (amount)	Enter amount.
Section 2 BI deductible BI only (amount or days)	Enter amount/days.

Except:

Natural catastrophe deductibles PD/BI combined	Optional endorsements BI only	Other deductibles (please specify)
Earthquake Enter combined sublimit.	Civil authority interruption Enter specific deductible.	Specify deductible and enter amount.
Flood Enter combined sublimit.	Contingent business interruption Enter specific deductible.	Specify deductible and enter amount.
Storm Enter combined sublimit.	Denial of access Enter specific deductible.	Specify deductible and enter amount.
	Service interruption Enter specific deductible.	Specify deductible and enter amount.

Refer to point 5 of both Sections 1 and 2 for the application of the deductibles. If more than one deductible applies, the higher deductible shall be used. If not otherwise agreed, percentage deductibles shall apply to the total values at the time of loss at each location involved in the loss. Other endorsements attached to this policy may contain additional deductibles. Refer to the various endorsements for the details of such deductibles.

X. Premium/Premium rate

Premium PD	Enter premium.
Premium rate PD	Enter premium.
Premium BI	Enter premium.
Premium rate BI	Enter premium.
Total deposit premium PD/BI	Enter premium.
Premium payable by (dd/mm/yyyy)	Enter date.

Enter date.

Sign here.

Date

Insurer

This *policy* shall not be effective unless signed above and dated by the *insurer*. No *section* of this *policy* shall be effective unless the *schedule* is both signed and dated by the *insurer*.

2 Insuring agreement

The *insured* has submitted to the *insurer* a *proposal* requesting insurance cover to be provided under one or more *sections* of this *policy* and the *proposal* has been accepted by the *insurer*. The insurance cover provided by this *policy* is only in respect of and subject to the wording of those *sections* to which the *schedule* has been completed and which have been signed and dated by the *insurer*.

Subject to the *insured* having paid or having agreed to pay the *premium* stated in the *schedule* to the *insurer* and subject to the terms, provisions, conditions, warranties and exclusions contained herein or endorsed hereon the *insurer* shall indemnify the *insured* in the manner and to the extent stated in this *policy*. Notwithstanding the above no claim shall be paid until the *premium* has been received in full.

The *insured* acknowledges that it owes a duty to the *insurer* to disclose all information that is relevant and/or material to the *insurer* so as to enable it to determine whether to provide this insurance at all or upon what terms. Further, the *insured* confirms it has made proper enquiries of all entities insured under this *policy* and warrants the accuracy of the information disclosed to the *insurer*. If this information proves to be inaccurate, the *insurer* may, at its option, avoid all liability under this *policy*. The duty to disclose relevant or material information is not limited to questions listed in the *proposal* form if a *proposal* form is completed.

No alteration of the terms of this *policy* which may be agreed as between the *insured* and the *insurer* shall require the agreement or consent of any other party constituting the *insured* under any *section*.

In witness whereof, the duly authorised agent of the *insurer* signs this agreement on its behalf.

3 Section 1 – Property Damage

3.1 Indemnification

- 3.1.1 The *insurer* shall indemnify the *insured* for any direct sudden and accidental physical loss of or damage to the *property insured* which the *insured* and/or its *representatives* could not reasonably have foreseen and which occurs at any time during the *period* of insurance unless specifically excluded and which results in *property insured* needing to be repaired or replaced, and occurs at the situation listed in the *policy schedule*.
- 3.1.2 The indemnity shall not exceed the *sum(s) insured* specified in the *schedule* or any limit of indemnity that may be applicable.

3.2 Property insured

The *property insured* under this *section* is

- 3.2.1 Real property in which the *insured* has an insurable interest and is situated at the *location(s)* specified in the *schedule*.
- 3.2.2 Personal property situated at the *location(s)* specified in the *schedule*
- 3.2.2.1 in which the *insured* has an insurable interest;
 - 3.2.2.2 held in the care, custody or control of the *insured* in which case this *policy* only provides cover to the extent of *insured's* legal liability for physical loss or damage to that property; and
 - 3.2.2.3 owned by officers and employees of the *insured*.

other than property excluded under clause 6 of this *section*.

3.3 Sum(s) insured

- 3.3.1 It is a requirement of this *policy* that the *sum(s) insured* specified in the *schedule* in respect of the *property insured* shall not be less than the *new replacement value* of such property.
- 3.3.2 In the event of any indemnification under this *section* the *sum(s) insured* shall be automatically reinstated.

3.4 Premium

3.4.1 The *premium* is to be paid by the date specified in the *schedule* and shall be calculated by multiplying the total *sum(s) insured* by the *premium rate*.

3.4.2 If during the *period* of insurance the *sum(s) insured* is increased or decreased the *premium* shall be adjusted in accordance with 3.4.1 for the remaining *period*.

3.5 Deductible

In respect of each and every *occurrence* or damage to *property insured* the *insurer* shall not be liable for the respective *deductible* specified in the *schedule*. If two (2) or more *deductibles* apply to an *occurrence*, the total to be deducted shall not exceed the largest *deductible* applicable.

3.6 Exclusions

The following shall be excluded from the cover provided by this *section*:

3.6.1 Property excluded

- 3.6.1.1 Property in the course of construction or erection;
- 3.6.1.2 Property in transit by road, rail, air or water;
- 3.6.1.3 Motor vehicles licensed for public roads, railway locomotives and rolling stock, floating equipment, ships, vessels, watercraft, aircraft and spacecraft;
- 3.6.1.4 Money, deeds, evidence of debt or title, valuable papers and records, securities, bullion, furs, jewellery, precious stones, precious metals, coins, stamps and vintage or classic cars;
- 3.6.1.5 *Fine art*;
- 3.6.1.6 Flora and fauna, including live animals, birds, fish or other living creature, standing timber, growing crops and pastures;
- 3.6.1.7 Land (including topsoil, backfill, drainage or culverts), driveways, pavements, roads, runways, railway lines, dams, dikes, reservoirs, surface water, underground water, canals, rigs, wells, pipelines, cables, tunnels, bridges, docks, piers, wharves;
- 3.6.1.8 *Property insured* which has been transferred into the possession of others, under leasing or rental agreements, hire purchase, credit or other suspensive sale agreements;

- 3.6.1.9 Mining property underground, unmined or unrecovered oil, gas and mineral deposits, offshore property;
- 3.6.1.10 All property on the premises of nuclear power stations;
- 3.6.1.11 Nuclear reactors, reactor buildings and plant and equipment therein on any premises;
- 3.6.1.12 All property on any premises used or having been used for the generation of nuclear energy or the production, use, transmission or storage of nuclear material; and
- 3.6.1.13 Transmission and distribution lines and their supporting structures, unless within a radius of one thousand (1000) feet from any insured *location*.

3.6.2 Perils excluded

The *insurer* shall not be liable for loss or damage directly or indirectly caused by or consisting of:

- 3.6.2.1 Joint leakage, failure of welds, cracking, fracturing, collapse or overheating of boilers, economisers, super heaters, pressure vessels or any range of steam and feed piping in connection therewith;
- 3.6.2.2 Any kind of seepage or any kind of pollution and/or contamination, or threat thereof, whether or not caused by or resulting from a peril insured, or from steps or measures taken in connection with the avoidance, prevention, abatement, mitigation, remediation, clean-up or removal of such seepage or pollution and/or contamination, or threat thereof.

The term "any kind of seepage or any kind of pollution and/or contamination" as used in this exclusion includes (but is not limited to):

- seepage of or pollution and/or contamination by anything, including but not limited to that which is designated by any governmental, public or regulatory body or authority as toxic, hazardous, dangerous or deleterious to persons, property or the environment under any law, ordinance, regulation or decree;
- the presence, existence, or release of anything which endangers or threatens to endanger the health, safety or welfare of persons or the environment.

Nothing contained in this exclusion shall override any radioactive contamination exclusion applicable to this *policy*. If any of the perils listed below results from seepage and/or pollution and/or contamination, then such resultant perils shall not be excluded solely by the foregoing seepage and/or pollution and/or contamination exclusion clause.

- Listed perils: Fire, explosion add further perils or delete.

Nothing in this exclusion, however, shall extend this *policy* to insure:

1. Loss, damage, cost, expense, fine or penalty, or other sum arising from any kind of seepage or any kind of pollution and/or contamination that causes or results from a listed peril; or
 2. Loss or damage at any *location* other than the *location* where the listed peril took place; or
 3. Property and/or interests other than those insured by this *policy* against the listed perils.
- 3.6.2.3 Wear and tear, fading, scratching, gradual deterioration or developing flaws, normal upkeep or making good, corrosion, rust, oxidation, but this exclusion shall not extend to loss of or damage to parts of the *property insured* lost or damaged as a direct consequence of a peril not otherwise excluded;
- 3.6.2.4 Electrical or mechanical breakdown, but this exclusion shall not extend to loss of or damage to parts of the *property insured* lost or damaged as a direct consequence of a peril not otherwise excluded;
- 3.6.2.5 Any fault, defect, error or omission in design, plan, specification, material, manufacture or workmanship, unless the loss or damage results from a direct consequence of a peril not otherwise excluded;
- 3.6.2.6 Extremes or changes of temperature or humidity or colour or light or to non-existing, non-functioning or inadequate heating, air-conditioning or cooling equipment including operating error, condensation, excessive moisture, dampness, seepage, disease, deterioration, decay, insect larvae or vermin of any kind, infestation unless the loss or damage results from a direct consequence of a peril not otherwise excluded;
- 3.6.2.7 Mould, mildew, fungus, spores or other microorganism of any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health and this exclusion applies regardless whether there is (i) any physical loss or damage to *property insured*; (ii) any insured peril or cause, whether or not contributing in any sequence before, after or concurrently to the loss; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, clean-up, abatement, disposal, relocation, or steps taken to address medical or legal concerns;
- 3.6.2.8 Exposure to weather conditions where moveable property is left in the open or not contained in fully enclosed buildings;

- 3.6.2.9 (i) The removal of asbestos, dioxin or polychlorinated biphenols (hereinafter referred to as *materials*), from any structure or fixture or item of personal property or product, unless the *materials* are damaged by fire, lightning, aircraft impact, explosion, riot, civil commotion, smoke, vehicle impact, *storm* or hail, vandalism, malicious mischief, leakage or accidental discharge from automatic fire protective systems; (ii) demolition or increased cost of reconstruction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinance regulating *materials*; (iii) any governmental direction or request declaring that *materials* present in or part of or utilised on any undamaged portion of the *property insured* can no longer be used for the purpose for which it was intended or installed and must be removed or modified;
- 3.6.2.10 An increase in the cost of replacement or repair due to enforcement of any ordinance, law or regulation governing or restricting the construction, installation, repair, replacement, demolition, occupancy, operation or other use of *property insured*;
- 3.6.2.11 Loss or disappearance which is discovered only during an inventory or stocktaking or which is not traceable to a specific *occurrence* or damage otherwise indemnifiable under this *section*;
- 3.6.2.12 Costs arising from false or unauthorised programming, punching, labelling or inserting, inadvertent cancelling of information or discarding of data media and from loss of information caused by magnetic fields;
- 3.6.2.13 Loss or damage resulting from any faults or defects existing at the time of commencement of this *policy* of which the *insured* or its *representatives* were or ought reasonably to have been aware, irrespective of whether such faults or defects were known to the *insured* or not;
- 3.6.2.14 Theft, unless involving entry to or exit from a building by forcible and violent means or unless as a result of or in connection with actual or threatened assault or violence or use of force at the *location* against the *insured* or any employee of the *insured* or any other person lawfully on the *location* (burglary); and
- 3.6.2.15 Normal settlement or bedding down of new structures, cracking, shrinkage or expansion of pavements, foundations, walls, floors or ceilings.

3.7 Additional insurance cover

If specified in the *schedule*, the following additional insurance cover shall be provided subject to the terms contained herein:

3.7.1 Capital additions

- 3.7.1.1 The *insurer* shall indemnify the *insured* in respect of loss of or damage to real or personal property acquired or becoming held in the care, custody or control of the *insured* after the inception of this *policy* and not included in the *schedule*;
- 3.7.1.2 Any increase in the *new replacement value* as a result of such capital additions shall not exceed 5% of the *sum(s) insured* or any other limit of indemnity specified in the *schedule*.
- 3.7.1.3 This additional insurance cover is also subject to the *insured* advising the *insurer* within three (3) months of acquisition of the particulars of any such capital additions and the payment of any additional *premium* the *insurer* may require.

3.7.2 Expediting and preservation expenses

The *insurer* shall indemnify the *insured* up to the limit of indemnity specified in the *schedule* in respect of reasonable and necessary extra costs to pay for:

- 3.7.2.1 Overtime, night-work, work on public holidays, express freight (except airfreight) incurred to rectify loss of or damage to *property insured*;
- 3.7.2.2 The temporary repair of *property insured* to expedite the permanent repair or replacement of damaged property;
- 3.7.2.3 The temporary removal of *property insured* for cleaning, renovation or repair; and
- 3.7.2.4 The temporary protection or preservation of *property insured* provided that such actions are necessary to prevent immediately impending physical loss or damage to *property insured* caused by a peril insured under this *policy*.

3.7.3 Fire-fighting expenses

3.7.3.1 The *insurer* shall indemnify the *insured* in respect of fire-fighting expenses necessarily and reasonably incurred by the *insured* to prevent or minimise the extent of any loss or damage to the *property insured* indemnifiable under this *policy*, including the cost of materials expended, costs incurred in refilling fire-extinguishing appliances and replacing used sprinkler heads, wages of personnel specifically engaged for such tasks and all fire-fighting costs claimed against the *insured* from a public authority or public fire brigade provided always that the amount payable under this additional insurance cover shall not exceed the limit of indemnity specified in the *schedule*.

3.7.3.2 Payment by *insurers* of any amount under this additional insurance cover shall be subject to the proof of costs incurred as *insurers* may reasonably require.

3.7.4 Removal of debris

The *insurer* shall indemnify the *insured* up to the limit of indemnity specified in the *schedule* in respect of the costs and expenses necessarily incurred to remove and dispose of debris which remains as a direct result of physical loss or damage insured by this *policy*.

3.7.5 Misdescription of property insured

In the event of an unintentional misdescription of the *location* at which *property insured* is physically situated or the unintentional failure to include any property in which the *insured* has an insurable interest, this *policy* shall cover physical loss or damage to such property as if the errors had not occurred providing the value of the *property insured* does not exceed 10% of the property values declared to this *policy* or any other limit of indemnity specified in the *schedule* and such error is reported to the *insurer* by the *insured* immediately following discovery.

3.7.6 Accounting records

In the event of insured physical loss or damage to documentary records created by the *insured* to record outstanding amounts due from customers, this *policy* shall refund any shortfall directly caused by such physical loss or damage providing the *insured* takes all reasonable steps to recover such shortfall and the physical loss or damage does not occur as a result of deliberate action by an employee or officer of the *insured*.

3.7.7 Brands and labels

If branded or labelled *property insured* by this *policy* is physically damaged and the *insurer* elects to salvage that property, the *insured* may remove or obliterate the brands or labels. If the *insured* determines to take such action then it must re-label so as to comply with any applicable regulation. Further, if such re-labelling or re-branding

reduces the value of the property, then the *insured's* indemnity shall be reduced by that reduction in value.

3.8 Measurement of loss

3.8.1 In the event of any loss or damage, the basis of loss settlement under this *section* shall be as follows:

3.8.1.1 For stock, work in progress, finished goods, raw materials and supplies the costs required to replace the damaged material at the same *location* by material of a similar kind and quality to that immediately before the loss;

3.8.1.2 For plans, drawings, records, data and programs for electronic and electromechanical data-processing equipment the cost of reproducing the same from duplicates or from originals;

3.8.1.3 For all other *property insured*:

3.8.1.3.1 If repaired, rebuilt or replaced, at the same *location* or at another *location*, within two (2) years from the date of loss or damage, the lesser of the following:

- The actual expenditure incurred by or on behalf of the *insured* to repair, rebuild or replace on the same *location* with new materials of like kind and quality, whichever is the lesser expenditure;
- But in no event to include any increased cost(s) resulting from the enforcement of any law, ordinance, regulation or rule regulating or restricting the construction, installation, repair, replacement, demolition, occupancy, operation or other use of property on an insured *location*;

3.8.1.3.2 If not repaired, rebuilt or replaced, at the same or another *location*, within two (2) years from the date of loss or damage: the *actual cash value* at the time and place of loss.

- 3.8.2 If, in the event of loss or damage, it is found that the *sum(s) insured* is less than the amount required to be insured, then the amount recoverable by the *insured* under this *section* shall be reduced in such proportion as the *sum(s) insured* bears to the amount required to be insured.
- 3.8.3 The costs of any alterations, additions, improvements or overhauls shall not be recoverable under this *policy*.
- 3.8.4 The cost of any provisional repairs shall be borne by the *insurer* if such repairs constitute part of the final repairs and do not increase the total cost of repairs.
- 3.8.5 The amount payable by the *insurer* in accordance with the above mentioned provisions shall be reduced by the value of any salvage.
- 3.8.6 The *insured* shall not be entitled to abandon any property to the *insurer*.

4 Section 2 – Business Interruption

4.1 Indemnification

4.1.1 The *insurer* shall indemnify the *insured* for a loss of the *interest insured* unless specifically excluded if at any time during the *period* the *property insured* under the property damage *section* suffers loss or damage indemnifiable under the property damage *section* or which would have been indemnifiable under the property damage *section* but for the application of a *deductible*, thereby causing an interruption of or interference with the *business insured*.

4.1.2 The indemnity for the loss of *interest insured* shall be in respect of

4.1.2.1 Option 1: *gross profit*, the loss actually sustained during the *period* resulting from a reduction in *turnover* and *increased cost of working* or

4.1.2.2 Option 2: *specified standing charges* and *net profit*, the amount actually not earned during the *indemnity period* resulting from a reduction in *turnover* and *increased cost of working*.

4.1.3 The indemnity shall not exceed the *sum(s) insured* specified in the *schedule* or any limit that may be applicable for the *maximum indemnity period*.

4.2 Sum(s) insured

4.2.1 It is a requirement of this *policy* that the *sum(s) insured* specified in the *schedule* in respect of the *interest insured* shall be not less than

4.2.1.1 Option 1: the annual *gross profit* or

4.2.1.2 Option 2: the annual *standing charges* and *net profit*.

4.2.2 Should the *maximum indemnity period* exceed twelve (12) months, the *gross profit* or the *specified standing charges* shall be proportionately increased for that *period*.

4.2.3 In the event of any indemnification under this *section*, the *sum(s) insured* shall be automatically reinstated.

4.3 Premium

4.3.1 The *premium* is to be paid by the date specified in the *schedule* and shall be calculated by multiplying the total *sum(s) insured* by the *premium rate*.

4.3.2 If the *insured* declares at the latest six (6) months after the expiry of any *period* of insurance that the *gross profit* earned during the accounting period of twelve (12) months most closely concurrent with any *period* of insurance, as certified by the *insured's* auditors, was less than the *sum(s) insured* thereon, a pro rata return of

premium not exceeding one-third of the *premium* paid on such *sum(s) insured* for such *period* of insurance shall be made in respect of the difference.

- 4.3.3 If any loss or damage has occurred giving rise to any payment under this *section*, then the amount of any such payment before application of the time excess or *monetary deductible* shall be added to the *gross profit* as certified by the *insured's* auditors and any return of *premium* shall be based on the difference between such sum and the *sum(s) insured*.

4.4 Time excess and monetary deductible

In respect of each and every *occurrence* or of damage to *property insured*, the *insurer* shall not be liable for the amount obtained by multiplying the average daily value of the loss of *interest insured* sustained during the indemnity period (as defined in 4.6 of this *section*) by the number of days specified in the *schedule* as the time excess or for the amount of any *monetary deductible* specified in the *schedule*, whichever is higher.

4.5 Additional exclusions applicable to section 2

The following shall be excluded from the cover provided by this *section*:

- 4.5.1 Loss of *interest insured* due to an interruption of or interference with the *business insured* resulting from
- 4.5.1.1 Any restrictions of access or otherwise to *property insured* imposed by civil authority and/or government whether central or local;
 - 4.5.1.2 Erasure, loss, distortion or corruption of information on computer systems or other records or software programs unless resulting from an *occurrence* or damage indemnifiable under the property damage *section*;
 - 4.5.1.3 Any loss during any idle period, including but not limited to when production, operation, service or delivery or receipt of goods would cease, or would not have taken place or would have been prevented due to
 - 4.5.1.3.1 Planned or rescheduled shutdown,
 - 4.5.1.3.2 Strikes or other work stoppage,
 - 4.5.1.3.3 Any other reason other than physical loss or damage insured by this *policy*.
- 4.5.2 The amount of any fines or damages for breach of contract, for late or non-completion of orders, or for penalties of whatever nature.

4.6 Indemnity period

The *indemnity period* shall be the period during which the *interest insured* is affected by an interruption of or interference with the *business insured* beginning on the date of the *occurrence* of loss or damage and not exceeding the *maximum indemnity period* specified in the *schedule*.

4.7 Measurement of loss

In the event of an interruption of or interference with the *business insured*, the basis of loss settlement under this *section* shall be as follows:

4.7.1 Option 1: Loss of *gross profit*

4.7.1.1 In respect of loss of *gross profit*, the *insurer* shall pay the amount obtained by multiplying the rate of *gross profit* with the amount by which the actual *turnover* during the *indemnity period* falls short of the *turnover* which would have been achieved had the loss or damage not occurred.

4.7.1.2 If the annual *sum(s) insured* hereunder is less than the amount obtained by multiplying the *rate of gross profit* by the *annual turnover* or to be a proportionately increased multiple thereof where the *maximum indemnity period* exceeds twelve (12) months, the *turnover* calculated for the equivalent period, the amount payable shall be reduced proportionately.

4.7.2 Option 2: *Specified standing charges and net profit*

4.7.2.1 In respect of *specified standing charges* and *net profit*, the *insurer* shall pay the amount obtained by multiplying the percentage by which the actual *turnover* during the *indemnity period* falls short of the *turnover* which would have been achieved had the interruption of or interference with the *business insured* not occurred by the amount of *specified standing charges* and *net profit* incurred during the interruption or interference.

4.7.2.2 If the *sum(s) insured* hereunder is less than the amount obtained by multiplying the *rate of gross profit* by the *annual turnover* or, if the *indemnity period* exceeds twelve (12) months, the pro rata *turnover* for that period, the amount payable shall be reduced proportionately.

4.7.3 *Increased cost of working*

4.7.3.1 In respect of *increased cost of working*, the *insurer* shall pay the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in *turnover* which, without such expenditure, would have occurred during the *maximum indemnity period* after expiry of the time excess.

4.7.3.2 The indemnity shall not exceed the amount of loss of *interest insured* thereby avoided.

4.7.4 Calculation of *rate of gross profit* and *annual turnover*

4.7.4.1 In calculating the *rate of gross profit* and *annual turnover*, the following aspects shall be taken into consideration:

4.7.4.1.1 The trend of the *business insured*;

4.7.4.1.2 The results of the *business insured* during the financial year preceding the date of the loss or damage or, in the event of the loss or damage occurring during the first year of commercial operation, the *turnover* during the following financial year;

4.7.4.1.3 Any circumstances affecting the *business insured* either before or after a loss or damage or which would have affected the *business insured* had the loss or damage not occurred;

4.7.4.1.4 Any benefits from deferred sales or from increased production and/or profits as a consequence of an interruption of or interference with the *business insured* which the *insured* may receive during a period of six (6) months immediately following the re-commissioning of insured plant and/or machinery after a loss or damage;

4.7.4.1.5 Allowance for the time spent on any overhauls, inspections or modifications which would have been carried out during the period the *business insured* was affected by any interruption or interference;

4.7.4.1.6 Any money paid or payable in respect of goods which are sold or services which are rendered elsewhere than at the *location(s)* for the benefit of the *business insured* either by the *insured* or by another party acting on its behalf;

4.7.4.1.7 Any amount saved during the *indemnity period* in respect of any charges and expenses of the business payable out of the *gross profit* that may cease or be reduced in consequence of loss or damage.

4.7.4.2 The final figures shall represent as closely as may be deemed reasonable the results which the *business insured* would have achieved had the interruption of or interference with the *business insured* not occurred.

4.8 Definitions

(applicable to all *sections* and endorsements unless otherwise stated)

Annual turnover

The *turnover* which, had the interruption of or interference with the *business insured* not occurred, would have been achieved during the twelve (12) months preceding either the date when the *business insured* is no longer affected or when the indemnity period ends, whichever is the earlier.

Business insured

The commercial operation of the *property insured* specified in the *schedule* to this *section*.

Gross profit

The amount by which the value of the *turnover* and the value of the closing stock exceed the value of the opening stock and the amount of the *specified working expenses*. The value of the opening and closing stocks shall be calculated in accordance with the *insured's* normal accounting methods, due provisions being made for *depreciation*.

Interest Insured

Either the *gross profit* including any *increased cost of working* or the *specified standing charges* and *net profit* including any *increased cost of working*.

Increased cost of working

The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the loss of *interest insured* which, without such expenditure, would have taken place.

Monetary deductible

The amount to be deducted from any payment otherwise to be made by the *insurer* to the *insured*.

Maximum indemnity period

The maximum *period(s)* stated in the *schedule* in respect of which cover is afforded for the *interest insured* by this operational business interruption *section*.

Net profit

The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the *insured* at the *location(s)* after due provision has been made for all standing and other charges including *depreciation* but before the deduction of any taxation chargeable on profits.

Rate of gross profit

The percentage of *gross profit* which, had the interruption of or interference with the *business insured* not occurred, would have been earned on the *annual turnover*.

Specified standing charges

Any fixed costs specified in the *schedule* which continue to be payable in full during the indemnity period (as defined in 4.6).

Specified working expenses

Any costs incurred for the acquisition of goods, raw materials or auxiliaries as well as for supplies unless required for the upkeep of operations and any costs for packaging, carriage, freight, intermediate storage, turnover tax, purchase tax, licence fees and royalties, insofar as such costs are dependent on *turnover*.

Turnover

The amount of money (less discounts allowed) paid or payable to the *insured* for goods, products or services sold, delivered or rendered in the course of the *business insured*.

5 Exclusions applicable to all sections

1. Unless otherwise stated in any *section* of this *policy*, the *insurer* shall not indemnify the *insured* in respect of any loss or damage directly or indirectly resulting from or aggravated by or in connection with
 1. War, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, mutiny, conspiracy, military or usurped power, confiscation, nationalisation, commandeering, requisition or destruction or damage by or under the order of any government de jure or de facto or by any public or local authority;
 2. The acts of any person or persons acting on behalf of or in connection with any organisation with activities directed towards the overthrowing or influencing of any government de jure or de facto by force or violence;
 3. Any act of *terrorism* including loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of *terrorism*. In the event any portion of this exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.
 4. Ionising radiation or radioactive contamination from any nuclear fuel or nuclear waste or from the combustion of nuclear fuel;
 5. The radioactive, toxic, explosive or otherwise hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof;
 6. Any weapon or device employing atomic or nuclear fission and/or fusion or any other similar reaction or radioactive force or matter.
2. In any action, suit or other proceeding in which the *insurer* alleges that by reason of the provisions of exclusions 5.1.1, 5.1.2 and 5.1.3 above any loss or damage is not covered by this *policy*, the burden of proving that such loss or damage is covered shall be upon the *insured*.
3. Notwithstanding any provision to the contrary within the *policy* or any endorsement thereto, it is understood and agreed as follows:
 1. This *policy* does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of *electronic data* from any cause whatsoever (including but not limited to *computer virus*) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting there from, regardless of any other cause or event contributing in any sequence before, after or concurrently to the loss.
 2. However, in the event that a peril listed below results from any of the matters described in paragraph 5.3.1 above, this *policy*, subject to all its terms, conditions and exclusions, shall cover physical damage occurring during the *period to property insured* by this *policy* directly caused by such listed peril.
 - Listed perils: Fire, explosion **add further perils or delete**.
4. Notwithstanding any provision to the contrary within the *policy* or any endorsement thereto, it is understood and agreed as follows: Should *electronic data* processing media insured by this *policy* suffer physical loss or damage insured by this *policy*, then the basis of valuation

shall be the cost of the blank media plus the costs of copying the *electronic data* from back-up or from originals of a previous generation. These costs shall not include research and engineering nor any costs of recreating, gathering or assembling such *electronic data*. If the media is not repaired, replaced or restored, the basis of valuation shall be the cost of the blank media. However, this *policy* does not insure any amount pertaining to the value of such *electronic data* to the *insured* or any other party, even if such *electronic data* cannot be recreated, gathered or assembled.

6 Claims conditions

6.1 Claims notification and the insured's claims obligations

(applicable to all sections)

The *insurer* shall not be liable under this *policy* unless the *insured* fully complies with 6.1.1.1 to 6.1.1.7.

6.1.1 In the event of any incidence of loss or damage or circumstances which might give rise to a claim under this *policy*, the *insured* shall

6.1.1.1 Notify the *insurer* in writing immediately, from when the *insured* has knowledge about such loss or damage or circumstance, indicating the nature and extent of the loss or damage;

6.1.1.2 Take all such measures as may be reasonable for the purpose of minimising loss or damage;

6.1.1.3 Ensure that all rights against carriers, bailees or other third parties are properly preserved and exercised;

6.1.1.4 Do and concur in doing and permit to be done all such things as may be necessary to establish the cause and extent of the loss or damage;

6.1.1.5 Preserve all parts affected and make them available for inspection by the *insurer's agent* as long as the *insurer* may require;

6.1.1.6 Inform the police authorities of loss or damage due to fire, theft or burglary or actions by any malicious person and render all reasonable assistance to the police authorities;

6.1.1.7 Furnish any information and documentary evidence that the *insurer* may require together with, if required, a statutory declaration of the truth of the claim.

6.1.2 The *insurer* shall reimburse the *insured* for any charges properly and reasonably incurred in pursuance of its duties in relation to clauses 6.1.1.2 and 6.1.1.3 above in addition to any loss recoverable under any *section* of this *policy* providing the charges do not exceed 25% in total of the final adjusted claim.

6.1.3 Upon notifying the *insurer*, the *insured* may repair any minor damage or replace any parts of the *property insured* that have sustained minor damage. In all other cases, the *insurer's agent* shall be given the opportunity to inspect the loss or damage before any repairs are effected and if the *insurer's agent* does not carry out the inspection within a period of time which could be considered reasonable under the circumstances, the *insured* shall be entitled to proceed with the repair or replacement.

6.1.4 The liability of the *insurer* under this *policy* in respect of any lost or damaged part or parts of the *property insured* shall cease if such part or parts are not repaired or replaced in accordance with the relevant technical manufacturer's standards.

6.2 Fraudulent claims (applicable to all sections)

6.2.1 If an *insured* makes any claim that is fraudulent or any false declaration or statement in support thereof, this *policy* between the *insurer* and the *insured* making such a claim shall become void and the *insurer* shall not be liable to make any payment hereunder to that party.

6.2.2 For the avoidance of doubt, the *insured* making such fraudulent claim shall not be entitled to any return of *premium* in the event that this *policy* is treated as void.

6.3 Claims notification and the insured's additional claims obligations under section 2

When complying with Clause 6.1., the *insured* must also comply with the additional obligations specified in this clause if a claim is made under *section 2*. The *insurer* shall not be liable under *section 2* unless all obligations are complied with.

6.3.1 The *insured* shall be obliged to keep for the *period* of insurance complete records of the *business insured*, including – without limitation – inventories, production and balance sheets for the three (3) preceding years. All records shall be held in safe keeping and, as a precaution against them being simultaneously destroyed, the *insured* shall keep separate sets of such records.

6.3.2 In the event of a claim being made under *section 2*, the *insured* shall at its own expense deliver to the *insurer* not later than thirty (30) days after the interruption of or interference with the *business insured* or within such further periods as the *insurer* may allow in writing a written statement setting forth particulars of the claim.

6.3.3 The *insured* shall at its own expense produce and furnish to the *insurer* such books of account and other business books or other evidence as may reasonably be required by the *insurer* 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 therewith.

6.4 Business interruption payments applicable to section 2

6.4.1 Subject to Clause 6.4.3 below, the *insurer* shall pay the *insured* any amount due under this *section* within thirty (30) days after final determination of the amount due.

6.4.2 The *insured* may, thirty (30) days after the *insurer* has been duly notified of the loss of *interest insured* and has acknowledged its liability, claim as advance payment(s) the minimum amount(s) the *insurer* agrees are payable.

6.4.3 The *insurer* shall be entitled to postpone payment beyond the period set out in 6.4.1 above if

6.4.3.1 there are doubts as to the *insured's* right to receive payment, in which case payment shall not become due until such time as the necessary proof is furnished by the *insured* or the *insurer* accepts liability;

6.4.3.2 as a result of any loss or damage or any interference with or interruption of the *business insured*, police or criminal investigations have been initiated against the *insured*, in which case payment shall not become due until the completion of such investigations, provided always that if the *insured* is convicted of any offence in respect of any claim for indemnity under this *policy*, the insurance cover under this *section* shall be void.

The *insurer* shall not be liable to pay interest on indemnity withheld other than interest for default.

7 General conditions applicable to all sections

7.1 Period of insurance

7.1.1 The *period* specified in the *schedule*.

7.2 Reasonable precautions

7.2.1 The *insured* shall take at its own expense all reasonable precautions and comply with all reasonable recommendations made by the *insurer*, to prevent loss of or damage to the *property insured* or any liability arising under this *policy* and comply with all relevant statutory requirements and manufacturers' recommendations.

7.3 Risk inspections

7.3.1 The *insurer* or the *insurer's agent* shall have the right to inspect and examine and/or survey the *property insured* at any reasonable time and the *insured* shall provide the *insurer* or the *insurer's agent* with all relevant details and information. Any such survey or examination shall not waive any duty of the *insured* to disclose relevant information to the *insurer*.

7.4 Increase in risk

7.4.1 The *insured* shall notify the *insurer* of any material increase in risk to the *property insured* which occurs during the operation of this *policy*.

7.4.2 Notification shall take place within thirty (30) days from the date that the *insured* becomes aware of the increase or from the date that the *insured* ought reasonably to have become aware of the increase, whichever is the sooner.

7.4.3 A material increase in risk is one which is material to a prudent underwriter when determining whether to accept risk and/or determine terms.

7.4.4 Upon becoming aware of an increase in risk, the *insured* shall, at its own expense, take any reasonable precautions which are necessary to prevent loss or damage.

7.4.5 The *insurer* shall not be liable for any loss of or damage to *property insured* resulting from an increase in risk unless the *insurer* has agreed to the increase in risk, in which case the scope of cover and *premium* shall, if necessary, be adjusted by the *insurer* to reflect the increase in risk.

7.5 Time for commencing proceedings

No suit, action or proceeding for the recovery of any claim shall be sustained in any court of law or equity unless legal action is started within twenty-four (24) months after inception of the loss.

If under the insurance laws of the jurisdiction in which the *property insured* is located, such twenty-four (24) months' limitation is invalid, then any such legal action needs to be started within the shortest limit of time permitted by such laws.

7.6 Other insurances

If there is any other insurance in place that applies or would apply in the absence of this *policy*, this *policy* will apply only after such other insurance, whether collectible or not.

7.7 Entire agreement

This *policy* shall form the entire agreement between the *insurer* and the *insured* and there are no understandings or agreements between the *insurer* and the *insured* other than those expressed in this *policy*.

7.8 Definition

This *policy* and the *schedule* shall be read together as one contract and any word or expression to which a specific meaning has been attached in any part of this *policy* or of the *schedule* shall bear such meaning wherever it may appear.

7.9 Several liability

The subscribing underwriters' obligations under contracts to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing underwriters are not responsible for the subscription of any co-subscribing underwriter who for any reason does not satisfy all or part of its obligations.

7.10 Subrogation

7.10.1 If the *insured*, or any other person or organisation to or for whom the *insurer* makes payment under this *policy*, has rights to recover damages from another, those rights are transferred to the *insurer* to the extent of the *insurer's* payment.

7.10.2 In the event of subrogation recovery, any monies recovered (including, but not limited to, fees, expenses, or interest) shall be distributed to the *insurer* and the *insured* in the following order:

7.10.3 To the *insured* and/or the *insurer* for amounts they paid as an expense necessary to obtain the recovery;

7.10.4 Any further recovery shall be divided between the *insurer* and the *insured* in the same proportion as each has borne or paid for the underlying loss.

For the purposes of this clause 7.10.4, the portion of the loss borne or paid by the *insured* shall only include the *insured's deductible* or self-insured retention as agreed within this *policy*.

7.10.5 To the *insured* for any remaining recovery.

7.11 Arbitration

All disputes and differences arising under or in connection with this *policy* shall be referred to arbitration under ARIAS (UK) Arbitration Rules.

The arbitration tribunal shall consist of three (3) arbitrators, one (1) to be appointed by the *insured*, one (1) to be appointed by the *insurer* and the third to be appointed by the two appointed arbitrators.

The third member of the tribunal shall be appointed as soon as practicable (and no later than twenty-eight [28] days) after the appointment of the two (2) party-appointed arbitrators. The tribunal shall be constituted upon the appointment of the third arbitrator.

The arbitrators shall be lawyers with not less than ten (10) years' experience of insurance or reinsurance law.

Where a party fails to appoint an arbitrator within fourteen (14) days of being called upon to do so or where the two (2) party-appointed arbitrators fail to appoint a third within twenty-eight (28) days of their appointment, then upon application ARIAS (UK) shall appoint an arbitrator to fill the vacancy. At any time prior to the appointment by ARIAS (UK) the party or arbitrators in default may make such appointment.

The tribunal may in its sole discretion make such orders and directions as it considers to be necessary for the final determination of the matters in dispute. The tribunal shall have the widest discretion permitted under the law governing the arbitral procedure when making such orders or directions.

The seat of arbitration shall be *Enter name of city. If there is no preference choose London.*

7.12 Choice of law and jurisdiction

This *policy* shall be governed by the law of *Enter applicable law. If there is no preference choose England and Wales.* and except where subject to the provisions of the arbitration clause, the courts of *Enter jurisdiction. If there is no preference choose England and Wales.* shall have sole jurisdiction in any dispute.

7.13 Termination of policy

This *policy* may be terminated at any time at the request of the *insured* in writing to the *insurer* or the *insured's agent*, if so appointed, and the *premium* hereon shall be adjusted on a pro rata temporis basis, or as otherwise agreed.

This *policy* may also be terminated by or on behalf of the *insurer* by thirty (30) days' notice given in writing to the *insured* or the *insured's agent*, if so appointed, at its last known address, and the *premium* hereon shall be adjusted on the basis of the *insurer* retaining pro rata *premium*.

Notice shall be deemed to be duly received in the course of post if sent by pre-paid letter post properly addressed to the last known address.

8 Definitions applicable to all sections

The terms – written in *italics* – used in this *policy* shall have the following meanings unless they are defined differently in any *section* or endorsement hereof or the context so requires.

Actual cash value

The cost to repair or replace at the time of loss or damage with material of like kind and quality, less allowance for physical deterioration, physical *depreciation*, obsolescence and depletion.

Computer virus

Any set of corrupting, harmful or otherwise unauthorised instructions or code including a set of maliciously introduced unauthorised instruction or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. This definition includes but is not limited to 'trojan horses', 'worms' and 'time or logic bombs'.

Consequential loss

Any financial loss of any kind or description whatsoever, including but not limited to loss of profit, loss of business opportunity, losses due to delay, lack of performance, loss of contract or penalties.

Deductible

The amount to be deducted from any payment otherwise to be made by the *insurer* to the *insured*.

Depreciation

The method to account for assets whose value is considered to decrease over time.

Earthquake

Any natural or man-made earth movement including, but not limited to earth movement or landslide, regardless of any other cause or event contributing in any sequence before, after or concurrently to the loss.

Electronic data

Any facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronic controlled equipment and includes programmes, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

Fine art

Paintings/pictures/sketches of any kind whether created by applying water/oil/acrylic based paints, charcoal, pencil or collage; art photographs; tapestries; sculptures; statuary; antiques; valuable rugs; rare glassware and windows; antique jewellery; porcelains; and similar property containing intrinsic rarity, historical or artistic value.

Flood

Surface waters; rising waters; waves; water inundation; *storm* surge; *tsunami*; tide or tidal water; the release of water; the rising, overflowing or breaking of boundaries of natural or man-made bodies of water; or the spray there from; or sewer-backup resulting from any of the foregoing; excluding *storm* as defined in the definition section of this *policy* regardless of any other cause or event contributing in any sequence before, after or concurrently to the loss.

Insured

All the parties named as the *insured* in this *policy*.

Insurer

The party named as such in this *policy*.

Insured's agent

An individual, firm or company, appointed by the *insured* to act on its behalf.

Insurer's agent

An individual, firm or company, appointed by the *insured* to act on its behalf.

Location

The *location(s)* of the *property insured* as listed in the *schedule*.

New replacement value

The costs which would be incurred to replace the *property insured* at the *location* with new items of similar kind and quality at any time during the *period*.

Occurrence

The sum of all individual losses directly occasioned by any one disaster, accident or loss or series of disasters, accidents or losses arising out of one event. Where the term applies to disasters, accidents or losses from the perils of tornado, *storm*, hail, *flood*, *earthquake*, riot, civil commotion, strike, lockout, vandalism and malicious mischief, in so far as such perils are covered under this *policy*, one *occurrence* shall be further limited to all individual losses arising during a continuous period of seventy-two (72) hours. When filing proof of loss, the *insured* may elect the moment at which such seventy-two (72) hour period shall be deemed to have commenced, which shall not be earlier than when the first loss to *property insured* or *interests insured* under this *policy* occurs. However, the *insurer* shall not be liable hereunder for individual losses or the sum of all individual losses:

1. Directly occasioned by disasters, accidents or losses occurring before this *policy* becomes effective; or
2. Arising from an event which is in progress at the time this *policy* becomes effective, even if such loss occurs after this *policy* becomes effective; or
3. Directly occasioned by disasters, accidents, or losses occurring after the expiration of this *policy*, except such individual losses arising from an event which is in progress at the time this *policy* expires.

Period

The *period* during which cover is provided by this *policy* as specified in the *schedule*.

Policy

The *proposal*, the definitions, the conditions, the exclusions, the *schedule* and the *sections* of this *policy* as well as any *endorsement* attached thereto.

Premium

The *premium* payable under this *policy* calculated in accordance with its terms.

Premium rate

The rate referred to as such in the *schedule* agreed between the *insured* and the *insurer*.

Property insured

The *property insured* as specified in the *schedule* to this *policy*.

Proposal

The written information submitted to the *insurer* by the *insured* seeking insurance cover under this *policy*.

Representatives

The directors, officers or any other individuals that have the authority to exercise administrative or executive control over the execution of a contract or over an operation or business.

Schedule

The *schedule* to the *section(s)* of this *policy* in which reference is made to it.

Section

Any *section* of this *policy* including the *schedule* thereto.

Storm

A weather condition (including one that has been declared by any meteorological authority to be a hurricane, typhoon, tropical storm or cyclone) that results in loss or damage to *property insured* directly or indirectly by:

1. The force of wind caused by or resulting from a *storm*; or
2. Any material, object or debris that is carried, propelled or in any manner moved by a *storm*;
or
3. Hail, lightning, or tornado(es) that are a result of actions or effects of a *storm*; or
4. Rain, whether the rain is driven by wind or not, that enters the insured building or structure through (an) opening(s) created by the force of wind from a *storm*.

Sum(s) insured

The amount of insurance cover specified in the *schedule* in respect of any particular item of *property insured* or *interest insured* or the total amount of insurance cover specified in the *schedule* as the context may require.

Terrorism

An act of *terrorism* means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political,

religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

Tsunami

Sea wave produced by a submarine *earthquake* such as a subduction of crustal plates or by submarine *volcanic eruption*.

Volcanic eruption

The issuance of molten or hot rock or steam, gas or liquid from a vent or vents in the earth's crust.

9 Optional endorsements

300 Machinery breakdown endorsement

1. It is agreed and understood that otherwise subject to the terms, exclusions, provisions and conditions contained in this *policy* or endorsed thereon, and subject to the *insured* having paid the agreed additional *premium*, this *policy* is extended to include direct, sudden and unforeseen physical loss or damage sustained to or destruction of any machinery, including by or happening through any mechanical, electrical, electro mechanical, electronic or hydraulic malfunction, failure, derangement, breakdown or non-operation of whatsoever kind up to the separate limit or sublimit contained in the *schedule*. Exclusion 3.6.2.4 contained in the *policy* shall be deleted as far as applicable.

It is a requirement of this *policy* that the *sum(s) insured* specified in the *schedule* in respect of machinery shall not be less than the *new replacement value* of such property. In the event of any indemnification under this *section* the *sum(s) insured* shall be automatically reinstated.

2. For the purpose of this cover machinery means any mechanical, electrical and electronic equipment.
3. In the event of any loss or damage, the basis of loss settlement under this endorsement shall be as follows:

The *insurer* will at its option repair, rebuild or replace any damaged item or pay for the cost of repairing, rebuilding or replacing same, subject to the following conditions:

1. For machinery older than five (5) years (to be calculated from the date of manufacture) and for mobile units of any age (to be calculated from the date of manufacture) the basis of settlement is *actual cash value* (as defined in this *policy*).
2. Conditions regarding *actual cash value* settlement

For damage which can be repaired the costs necessarily incurred to restore the machinery to its former state of serviceability plus the cost of dismantling and re-erection incurred for the purpose of effecting the repairs as well as ordinary freight to and from a repair shop, customs duties and dues, if any, to the extent that such expenses have been included in the *sum(s) insured*. If the repairs are carried out at a workshop owned by the *insured*, the *insurer* shall pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges. No deduction shall be made for *depreciation* in respect of parts replaced.

If the cost of repairs equals or exceeds the *actual cash value* of the machinery immediately before the *occurrence* of loss or damage, that property shall be regarded as a total loss.

In the event of a total loss the *insurer* shall pay the *actual cash value* of the machinery insured immediately before the *occurrence*, including charges for ordinary freight, cost of erection and customs duties, if any, provided such expenses have been included in the *sum(s) insured*.

The *insurer* shall also pay any reasonable costs to dismantle damaged equipment.

Where parts are no longer available estimated cost of similar parts currently available or if unavailable no more than the manufacturers or suppliers latest list price.

3. For all other machinery (to be calculated from the date of manufacture), the basis of settlement is *new replacement value*.
4. The following shall be excluded from the cover provided by this endorsement:
 1. Mechanical, electrical and electronic equipment prior to the successful completion of their performance acceptance tests;
 2. Goods in process if loss or damage arises from the process of manufacture, testing, repairing, cleaning, restoring, alteration, renovation or servicing;
 3. Any malfunction of hardware, software or embedded chips as well as any loss, damage, destruction, distortion, erasure, corruption or alteration of *electronic data* and *computer virus*; but this shall not exclude liability for loss of or damage to other parts of the *property insured* as a consequence thereof;
 4. Costs arising from false or unauthorised programming, punching, labelling or inserting, inadvertent cancelling of information or discarding of data media and from loss of information caused by magnetic fields;
 5. *Consequential loss* or any costs to reduce it, except as provided in *section 2* (business interruption);
 6. The cost of carrying out of normal maintenance, such as the tightening of loose parts, recalibration or adjustments;
 7. Loss of or damage which the *insured* knew or reasonably should have known to be defective before the loss or damage occurred;
 8. Damage caused during the course of maintenance, inspection, repair, alteration, modification or overhaul;
 9. Damage caused during installation, erection or relocation;
 10. Damage to foundations, brickwork, and refractory materials other than as a result of insured damage;
 11. Damage arising out of plant being subjected to tests involving abnormal stresses or arising out of plant being deliberately overloaded;
 12. Damage caused by a deliberate act, neglect or omission on the *insured's* part;
 13. Loss or damage for which the manufacturer or supplier or other parties are responsible under a maintenance or warranty agreement;
 14. The cost of alterations, improvements or overhauls unless it is required for the repair or replacement;
 15. Loss or damage caused directly or indirectly from fire, smoke or soot, extinguishing of a fire or subsequent demolition, lightning, hail, wind, rain, *storm*, *flood*, impact by aircraft or other aerial devices, theft or attempted theft, malicious damage, *earthquake*, subsidence, landslip earth movement, subterranean fire, *volcanic eruption*, impact by land vehicles or watercraft;

16. Loss of or damage to exchangeable tools, e.g. dies, moulds, engraved cylinders, parts which by their use and/or nature suffer a high rate of wear or depreciation, e.g. refractory linings, crushing hammers, objects made of glass, belts, ropes, wires, rubber tyres, operating media, e.g. lubricants, fuels, catalysts; and
17. Wear and tear, rust, corrosion, erosion, cavitation, boiler scale, incrustation, deterioration, settling, gradual cracking, gradually developing deformation or distortion, gradual deterioration due to atmospheric conditions or due to other causes, but this exclusion shall be limited to the items immediately affected and shall not exclude liability for loss or damage to other parts of the *property insured* as a consequence thereof.
18. *Enter text or delete.*
19. *Enter text or delete.*
20. *Enter text or delete.*
21. *Enter text or delete.*

Sublimit: *Enter sublimit.*

All other terms and conditions of this *policy* remain unchanged.

301 Fine art endorsement

1. This *policy* is extended to cover the actual physical loss or damage sustained by the *insured* to *fine arts* whilst situated at the *location(s)* covered by this *policy*.
2. The *fine art* exclusion at 3.6.1.5 shall not apply but all other exclusions shall apply and the *fine art* definition shall apply to this endorsement.
3. This additional coverage excludes loss or damage
 1. if the *fine arts* cannot be replaced with other property of similar type and quality, unless it is notified to the *insurer* prior to the commencement of the *policy* or, if purchased after the commencement, within two (2) weeks of that purchase; or
 2. caused by repairing, restoration or retouching process.

Sublimit: Enter sublimit

All other terms and conditions of this *policy* remain unchanged.

302 Professional accountants clause endorsement

Any particulars of details contained in the *insured's* book of account or other business books or documents which may be required by the *insurer* under 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 the *insured* and their report shall be prima facie evidence of the particulars and details to which such report relates.

The *insurer* shall pay to the *insured* the reasonable charges payable by the *insured* to their professional accountants for producing such particulars or details or any other proofs, information or evidence as may be required by the *insurer* under this *policy* and reporting that such particulars or details are in accordance with the *insured's* book of account or other business books or documents provided that the sum of the amount payable under this clause and the amount otherwise payable under the *policy* shall in no case exceed the liability of the *insurer* as stated.

Submit: [Enter submit](#)

All other terms and conditions of this *policy* remain unchanged.

303 Public authorities endorsement

This *policy* is extended to include such additional cost of reinstatement of the *property insured* subject to a covered loss or damage as may be incurred solely by reason of the necessity to comply with building or other regulations under or framed in pursuance of any act of parliament or with bye-laws of any public authority, excluding the cost incurred by complying with any of such legislation regulations or bye-laws (i) under which notice has been served upon the *insured* prior to the happening of any covered loss or damage, (ii) in respect of loss or damage not insured by this *policy*, (iii) in respect of undamaged *property insured* or undamaged portions of *property insured*.

Sublimit: **Enter sublimit**

All other terms and conditions of this *policy* remain unchanged.

350 Civil authority interruption endorsement

This *policy* is extended to cover the actual loss sustained by the *insured* during the period of time, not exceeding fourteen (14) consecutive calendar days, when access to covered *locations* is specifically prohibited by order of civil authority, provided such order is a direct result of actual loss or damage sustained from a peril covered under *section 1* of this *policy* to *property insured* against under *section 1* of this *policy* which is located within one (1) statute mile of the covered *locations* to which access is prohibited.

The *insurer* shall not be liable under this extension for more than the sublimit specified under the *schedule* for civil authority interruption, which shall apply to all loss arising out of any one *occurrence*.

All other terms and conditions of this *policy* remain unchanged.

351 Contingent business interruption endorsement

This extension is subject to the exclusions, conditions and limitations of this *policy* to which this extension is attached.

In consideration of the *premium* paid this *policy* is extended to cover the actual loss sustained by the *insured* during the *period* of insurance as a direct result of actual loss or damage sustained from a peril named under *section 1* of this *policy* to property owned or controlled by the following direct suppliers or direct receivers:

Enter names of direct suppliers or direct receivers.

The *insurer* shall not be liable under this extension for more than the sublimit specified under the *schedule* of this *policy* for contingent business interruption, which shall apply to all loss arising out of any one *occurrence*.

All other terms and conditions of this *policy* remain unchanged.

352 Denial of access endorsement

This *policy* is extended to cover the actual loss sustained by the *insured* during the period of time, not exceeding fourteen (14) consecutive calendar days, when access to covered *locations* is prevented as a direct result of actual loss or damage sustained from a peril covered under *section 1* of this *policy* to *property insured* against under *section 1* of this *policy* which is located one (1) statute mile of the covered *locations* to which access is prevented.

The *insurer* shall not be liable under this extension for more than the sublimit specified under the *schedule* of this *policy* for denial of access, which shall apply to all loss arising out of any one *occurrence*.

All other terms and conditions of this *policy* remain unchanged.

353 Service interruption endorsement

This extension is subject to the exclusions, conditions and limitations of this *policy* to which this extension is attached.

In consideration of the *premium* paid, it is understood and agreed that if this *policy* covers business interruption such coverage shall extend to actual loss sustained resulting from necessary interruption of *business insured* caused by actual direct physical loss or damage sustained, as covered by this *policy* to which this extension is attached to gas, electric, water and telephone facilities supplying the *insured's location(s)*. Transmission and distribution lines, however, shall be limited to within one thousand (1,000) feet of the *insured's location*.

The *insurer* shall not be liable under this extension for more than the sublimit specified under the *schedule* of this *policy* for service interruption, which shall apply to all loss arising out of any one *occurrence*.

All other terms and conditions of this *policy* remain unchanged.

354 Discontinuance of business clause endorsement

If the *business insured* is discontinued after the *occurrence* of the insured event, the indemnity shall be paid for the period (up to the *maximum indemnity period*) which would normally have been required to bring the *business insured* back to normal. In the event that the *insured* controls the circumstances because of which the *business insured* is discontinued, the said indemnity, shall not be payable in full. The *insurer* shall only indemnify the *insured* for that part of the said indemnity which equals unavoidable insured expenses actually incurred.

All other terms and conditions of this *policy* remain unchanged.

355 Gross earnings endorsement

In consideration of the *premium* paid, and subject to the exclusions, conditions and limitations this *policy* to which this extension is attached, and also to the following additional conditions, exclusions, and limitations, this *policy* is extended to cover actual loss sustained resulting from necessary interruption of *business insured* caused by actual direct physical loss or damage sustained, as covered by this *policy* to which this extension is attached, to *property insured* by this *policy*.

In the event of such direct physical loss or damage, the *insurer* shall be liable for the actual loss sustained by the *insured* resulting directly from such necessary interruption of the *business insured*, but not exceeding the reduction in gross earnings, as defined hereafter, less charges and expenses which are not necessary during the interruption of the *business insured*, for a period of indemnity not to exceed the lesser of:

- a. Such length of time as would be required, with the exercise of due diligence and dispatch, to repair, rebuild or replace such part of the *property insured* as has been destroyed or damaged,

or

- b. Eighteen (18) calendar months,

Commencing with the date of such direct physical loss or damage and not limited by the expiration of this *policy*.

Due consideration shall be given to the continuation of normal charges and expenses, including payroll expenses, to the extent necessary to resume operations of the *insured* with the same operational capability as existed immediately before the loss.

Conditions:

1. Direct damage

No claim shall be payable under this extension unless and until a claim has been paid, or liability admitted, in respect of direct physical loss or damage to *property insured* under this *policy* to which this extension is attached and which gave rise to the interruption of the *business insured*.

This condition shall not apply if no such payment shall have been made, or liability admitted, solely owing to the operation of a *deductible* in said *policy* which excludes liability for losses below a specified amount.

2. Resumption of operations

If the *insured* could reduce the loss resulting from the interruption of the *business insured*,

- a. By complete or partial resumption of operation of the *property insured*,
and/or
- b. By making use of merchandise, stock (raw, in process or finished), or any other property at the *insured's locations* or elsewhere,
and/or
- c. By using or increasing operations elsewhere,

Then such possible reduction shall be taken into account in arriving at the amount of loss hereunder.

3. Expenses to reduce loss

This extension also covers such expenses as are necessarily incurred for the purpose of reducing loss under this extension (except expenses incurred to extinguish a fire), and, in respect of manufacturing risks, such expense, in excess of normal, as would necessarily be incurred in replacing any finished stock used by the *insured* to reduce loss under this extension; but in no event to exceed the amount by which loss under this extension is thereby reduced. Such expenses shall not be subject to the application of any contribution clause.

Exclusions:

This extension does not insure against:

1. Increase in loss resulting from interference at the *insured's location(s)*, by strikers or other persons, with rebuilding, repairing or replacing the *property insured* or with the resumption or continuation of operation.
2. Increase in loss caused by the suspension, lapse, or cancellation of any lease, licence, contract, or order, unless such results directly from the interruption of the *business insured*, and then the *insurer* shall be liable for only such loss as affects the *insured's* earnings during, and limited to, the period of indemnity covered under this endorsement.
3. Increase in loss caused by the enforcement of any ordinance or law regulating the use reconstruction, repair or demolition of any *property insured* hereunder.
4. Loss of market or any other consequential loss.

Limitations:

1. The *insurer* shall not be liable for more than the smaller of either:
 - a. Any specific *sum(s) insured* for the interruption of the *business insured* stated in the *schedule*,
 - or
 - b. The *sum(s) insured* stated in the *schedule*, where such includes the interruption of the *business insured*, if such is a combined limit,

in respect of such loss, regardless of the number of *locations* suffering an interruption of the *business insured* as a result of any one *occurrence*.

Definitions:

1. Gross earnings are for the assessment of *premium* and for adjustment in the event of loss defined as,

The sum of:

- a. Total net sales value of production or sales of merchandise,
- and
- b. Other earnings derived from the operations of the *business insured* less the cost of
- c. Raw stock from which production is derived,
- d. Supplies consisting of materials consumed directly in the conversion of such raw stock into finished stock, or in supplying the services sold by the *insured*,
- e. Merchandise sold including packaging materials therefore,
- f. Materials and supplies consumed directly in supplying the service(s) sold by the *insured*,
- g. Service(s) purchased from outsiders (not employees of the *insured*) for resale which do not continue under contract,
- h. The difference between the cost of production and the net selling price of finished stock which has been sold but not delivered.

No other costs shall be deducted in determining gross earnings.

In determining gross earnings due consideration shall be given to the experience of the *business insured* before the date of loss or damage and the probable experience thereafter had the loss not occurred.

2. Raw stock

Materials in the state in which the *insured* receives it for conversion into finished stock.

3. Stock in progress

Raw stock which has undergone any ageing, seasoning, mechanical or other process of manufacture at the *insured's location(s)* but which has not become finished stock.

4. Finished stock

Stock manufactured by the *insured* which in the ordinary course of the *business insured* is ready for packing, shipment or sale.

5. Merchandise

Goods kept for sale by the *insured* which are not the product of manufacturing operations conducted by the *insured*.

6. Normal

The condition that would have existed had no loss occurred.

All other terms and conditions of this *policy* remain unchanged.