

Form #HBB-BI (Rev. May 26, 2021)
Home Based Business - Business Interruption Insurance (Profit)

INDEMNITY AGREEMENT

1. This Form insures, up to the limit specified in the Declaration Page(s), against loss directly resulting from necessary interruption of the Insured's business caused by destruction or damage by the perils insured against, occurring during the term of this Policy, to building(s), structure(s), machinery, equipment or stock on the "premises" specified in the Declaration Page(s).

MEASURE OF RECOVERY

2. This insurance, subject to the limit of the amounts of insurance as stated in the Declarations, is limited to loss of "gross profit" due to (a) Reduction in Turnover and (b) Increase in Cost of Working and the amount payable shall be:
 - (a) In Respect of Reduction in Turnover: The sum produced by applying the "rate of gross profit" to the amount by which the "turnover" during the "indemnity period" shall, in consequence of the destruction or damage by a peril insured against, fall short of the "standard turnover";
 - (b) In Respect of Increase in Cost of Working: The additional expenditure (subject to Provisions Clause (b)) 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 destruction or damage by a peril insured against, 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 such of the "insured standing charges" as may cease or be reduced in consequence of the destruction or damage by the perils insured against; provided that if the amount of insurance be less than the sum produced by applying the "rate of gross profit" to the "annual turnover", the amount payable shall be proportionately reduced.

PAYROLL OPTION

3. Applicable only when an amount is shown in the Declarations.

The Insured's entire ordinary payroll expense is insured for a period of time not in excess of 90 consecutive days immediately following the date of loss, which may continue during a total or partial suspension of business, insuring only to the extent necessary to resume the "normal" business of the Insured with the same quality of service which existed immediately preceding the destruction or damage by the perils insured against, and which would have been earned had no destruction or damage by perils insured against occurred.

This Item does not insure any portion of salaries described under "insured standing charges".

The Insurer shall not be liable, in the event of loss, for a greater proportion of the loss under this Item than the amount hereby insured under the said Item bears to 80% of the Insured's entire ordinary payroll expense, excluding only salaries described under "standing charges", that would have been earned (had no destruction or damage by a peril insured against occurred) during the 90 consecutive days immediately following the date of damage to or destruction of the described property.

INSURED STANDING CHARGES

3. All standing charges are insured unless otherwise specified below.

The following shall in no event be deemed to be standing charges:

 - (i) Depreciation of Stock;
 - (ii) Bad Debts;
 - (iii) Wages and salaries other than salaries to permanent staff and wages to foremen and important employees whose services would not be dispensed with should the business be interfered with or interrupted.

DEFINITIONS

4. (a) "Gross Profit": 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 standing charges of the business.
- (b) "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 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.
- (c) "Turnover": the money paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business at the premises.
- (d) "Indemnity Period": the period beginning with the occurrence of a peril insured against and ending no later than 12 months thereafter during which the results of the business shall be affected in consequence of the destruction or damage by a peril insured against, except that if media for, or programming records pertaining to; electronic data processing or electronically controlled equipment including data thereon be destroyed or damaged by a peril insured against then the "indemnity period" in respect thereof shall not extend beyond:
 - (i) 30 consecutive days after the occurrence of such destruction or damage; or
 - (ii) the date upon which liability ceases under this insurance for loss arising from other property destroyed or damaged by the same occurrence; whichever shall be the later.
- (e) "Rate of Gross Profit": the "rate of gross profit" earned on the "turnover" during the financial year immediately before the date of the destruction or damage by perils insured against
- (f) "Annual Turnover": the "turnover" during the 12 months immediately before the date of the destruction or damage by perils insured against
- (g) "Standard Turnover": the "turnover" during that period in the 12 months immediately before the date of the destruction or damage by perils insured against which corresponds with the "indemnity period."

PROVISION

5. (a) If during the "indemnity period" goods shall be sold or services shall be rendered elsewhere than at the premises for the benefit of the business either by the Insured or by others on his behalf the money paid or payable in respect of such sales or service shall be brought into account in arriving at the "turnover" during the "indemnity period".
- (b) If any standing charges of the business be not insured by this Form, then in computing the amount recoverable hereunder as "increase in cost of working", that proportion only of the additional expenditure shall be brought into account which the sum of the "net profit" and the "insured standing charges" bears to the sum of the "net profit" and all standing charges.
- (c) The Insurer shall not be liable for any loss due to fines or damages for breach of contract, for late or non-completion of orders, or for any penalties of whatever nature.
- (d) The Insurer shall be liable for actual loss sustained as insured hereunder during the period of time, not exceeding two weeks, while access to the described premises is prohibited by order of civil authority but only when such order is given as a direct result of damage to neighboring premises by a peril insured against.
- (e) In case of loss or damage by a peril insured against, the insurance provided by this Form extends to insure any increase in loss resulting from, or contributed to by, the operation of any by-law, ordinance or law which regulates zoning or the demolition, repair or construction of damaged buildings or structures, but shall in no way operate to extend the "indemnity period" or to increase the amount of insurance.

- (f) On the happening of any destruction or damage by a peril insured against in consequence of which a claim is or may be made under this Form, the Insured shall with due diligence do and concur in doing and permit to be done all things which may be reasonably practicable to minimize or check any interruption of or interference with the business or to avoid or diminish the loss.
- (g) No term or condition of this Form shall be deemed to be waived by the Insurer in whole or in part unless the waiver is clearly expressed in writing signed by a person authorized for that purpose by the Insurer. Neither the Insurer nor the Insured shall be deemed to have waived any term or condition of this Form by any act relating to the appraisal of the amount of loss or to the delivery and completion of proofs, or the investigation or adjustment of any claim under this Policy.

BUSINESS ADJUSTMENT

- 6. If within 12 months after the expiration of this Policy the Insured shall file with the Insurer a premium adjustment application form showing:
 - (a) the total amount of insurance carried under this and all other policies insuring "gross profit" during the annual term of this Policy and that such amount of insurance was not decreased during the said annual term or period; and
 - (b) that the "gross profit" certified by the Insured's Auditors as earned during the Insured's financial year most nearly concurrent with the annual term of this Policy was less than the total amount of insurance carried thereon, then the Insurer will allow in respect of its pro rata proportion of the difference a return of premium not exceeding 50% of the premium paid by the Insured under this insurance.

In the event of loss originating within the term of this Policy, the premium for the full term of this insurance on the full amount paid or payable for such loss shall be regarded as earned and no return premium shall be allowed in respect thereof.

The Insurer reserves the right to inspect the Insured's books, records and such policies as relate to this insurance for verification of any statement filed for the purpose of adjusting the premium of this insurance.

Adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the destruction or damage by perils insured against or which would have affected the business had the destruction or damage by perils insured against not occurred, so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the destruction or damage by perils insured against would have been obtained during the relative period after the destruction or damage by perils insured against.

Nothing herein contained shall vary, alter or extend any provision or condition of the Policy other than as above stated. This Form attaches to and forms part of the Policy.

SAMPLE