

Form #S42003.2 - Profits Form
(Rev. 1 January 2015)

FOR USE WITH EQUIPMENT BREAKDOWN INSURANCE

Words and phrases in quotation marks have special meaning as defined in this form or as defined in the Equipment Breakdown Insurance Form attached to this policy.

1. INSURING AGREEMENT

The Insurer agrees with the Insured that so long as this policy shall be in force if any "insured equipment" or any part thereof used by the Insured at the "premises" described in the "Declarations Page" for the purpose of the Insured's business shall be destroyed or damaged at the described "premises" by a "breakdown" insured against at any time during the period of insurance and the business carried on by the Insured at the said "premises" be in consequence thereof interrupted or interfered with, the Insurer will pay the Insured up to the amount of insurance stated in the "Declarations Page" for loss resulting from such interruption or interference in accordance with the provisions herein contained.

2. MEASURE OF RECOVERY

This insurance, subject to the limit of the amounts of insurance as stated in the "Declarations Page", 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 "breakdown" insured against, fall short of the Standard Turnover;
- (b) **In respect of Increase in Cost of Working:** The additional expenditure (subject to clause 5.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 "breakdown" 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 "breakdown" 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.

3. INSURED STANDING CHARGES

All standing charges are insured unless otherwise specified by endorsement.

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

- (a) Depreciation of Stock;
- (b) Bad Debts;
- (c) 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.

4. DEFINITIONS

"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.

"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.

"Turnover" – The money paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business at the "premises".

"Indemnity Period" – The period beginning with the occurrence of a "breakdown" insured against and ending no later than twelve (12) months thereafter during which the results of the business shall be affected in consequence of the destruction or damage by a "breakdown" 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 "breakdown" insured against then the Indemnity Period in respect thereof shall not extend beyond;

- (a) thirty (30) consecutive days after the occurrence of such destruction or damage; or
- (b) 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.

"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 "breakdown"(s) insured against.

"Annual Turnover" – The Turnover during the twelve (12) months immediately before the date of the destruction or damage by a "breakdown" or "breakdown"(s) insured against.

"Standard Turnover" – The Turnover during that period in the twelve (12) months immediately before the date of the destruction or damage by a "breakdown" or "breakdown"(s) insured against which corresponds with the Indemnity Period.

To the Rate of Gross Profit, Annual Turnover and Standard Turnover such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the destruction or damage by "breakdown"(s) insured against or which would have affected the business had the destruction or damage by a "breakdown" or "breakdown"(s) 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 "breakdown"(s) insured against would have been obtained during the relative period after the destruction or damage by a "breakdown" or "breakdown"(s) insured against.

"Premises" – Wherever the word Premises is used in this Form, it shall mean the entire area within the property lines at the location described in the "Declarations Page", including areas under adjoining sidewalks and driveways.

"Provincial Conditions" – This Form shall be subject only to the Statutory Conditions and Conditions of the Policy of the Province in which the property insured is located and to such variations of the Conditions and such other terms and conditions as are herein printed or represented in writing.

“Breach of Conditions” – Where a loss occurs and there has been a breach of condition relating to a matter before the happening of the loss, which breach would otherwise disentitle the Insured to recover under the policy, the breach shall not disentitle the Insured to recover if the Insured establishes that the loss was not caused or contributed to by the breach of condition.

5. PROVISIONS

- (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 the Insured’s 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 liability of the Insurer shall in no case exceed the total amount of insurance or such other sum or sums as may be endorsed hereon.
- (d) 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.
- (e) The Insurer shall be liable for actual loss sustained as insured hereunder during the period of time, not exceeding two consecutive 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 neighbouring premises by a “breakdown” insured against.
- (f) Any loss hereunder shall not reduce the amount of insurance applicable to this Form.
- (g) On the happening of any destruction or damage by a “breakdown” 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.
- (h) 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.

6. PREMIUM ADJUSTMENT

If within twelve (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 policy term; 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 the 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 fifty per cent (50%) of the premium paid by the Insured under this Form.

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 Form.

7. PERMISSION IS GRANTED

For further concurrent insurance either prior, co-incident or subsequent, and to increase or decrease insurance without notice until required, but this permission shall not be construed to waive the provision 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.

To do such work and to keep and use such articles, materials, and supplies in such quantities as are usual or necessary to the Insured’s business.

AT UNSPRINKLERED LOCATIONS ONLY:

- To make additions, alterations or repairs without limit of time.
- To cease operations or to remain vacant or unoccupied for a period not exceeding thirty (30) days at any one time.
- To keep and use fuel oil in the building for heating purposes.
- To keep automobiles, tractors or other motor vehicles.

AT SPRINKLERED LOCATIONS ONLY:

For plant changes, alterations and repairs, and for ordinary additions without limit of time; but extraordinary additions and extensions are only permitted provided notice thereof is given the Insurer, at or about the time when work is commenced. Subject to the foregoing, the insurance on the property covered under this Form is hereby extended to said additions and extensions, subject to all the terms and conditions of the policy and to any adjustment of premium deemed necessary.

To cease operations in, and for any individual buildings to remain vacant or unoccupied without limit of time, but the entire plant not to cease operations, or to be vacant or unoccupied for a period exceeding thirty (30) days at any one time.

AUTOMATIC FIRE PROTECTION MAINTENANCE CLAUSE

The rate of premium being fixed having regard to the fact that the risk is mainly under sprinkler protection, it is understood and agreed that the Insured shall forthwith notify the Insurer of any interruption to or flaw or defect in the sprinkler equipment coming to the knowledge of the Insured.