

An Ordinary Fire Policy covers damage to a Building and its Contents. It does not compensate for Loss of Trade.

A Loss of Profits Policy covers :-

- (a) Loss of Net Profit due to the partial or total stoppage of the business in consequence of FIRE, LIGHTNING, or EXPLOSION "in a building in which gas is not generated and which does not form part of any gasworks" of GAS used therein for illuminating or domestic purposes.
- (b) Payment of Overheads such as Rent, Rates and Taxes; Interest, on Debentures, Mortgages and Loans; Insurance Premiums; Advertising; Salaries and Wages to Employees; Travelling Expenses and like charges which will continue to be payable during interruption of business.

The rate of premium varies with the Indemnity Period, that is, with the period after any fire during which compensation is desired, e.g. twelve, eighteen or twenty-four months.

Notes Relating to the Proposal

If the Indemnity Period is to be :

Twelve months, then the sum insured under Item 1 must represent the estimated annual Gross Profit and the sum insured under Item 2 (if required) must represent 100 % of the estimated annual wages.

Greater than twelve months, then the sum insured must be increased proportionately.

Less than twelve months, then the sum insured under Item 1 must nevertheless represent the estimated Gross Profit for a whole year.

- 1. **Gross Profit** - as indicated in the Pro Forma overleaf the Sum Insured on Gross should be calculated from the latest available annual accounts of the business as follows :-

Annual Turnover (not of discounts allowed) plus Closing Stock
less

Opening Stock, Purchases and other Working Expenses which vary with Turnover

(as specified for Item 1 of the Proposal) due allowance being made for any anticipated increase in business.

- 2. **Wages** - If it is not desired to insure Wages in full throughout the Indemnity Period selected, the amount of the Wages can be deducted in arriving at the Sum Insured for Gross Profit and the Wages can then be separately insured by Item 2 under which 100 % wages cover is provided for a short initial period (of not less than four weeks) following a fire and a smaller percentage for the remainder of the Indemnity Period selected for Item 1 on Gross Profit. This form of Wages cover is not conceded in conjunction with insurances for Gross Profit for indemnity periods of less than twelve months, under which it is recommended that Wages be included in full in the Gross Profit Item.

- 3. **Auditors' Fees** - The insurance of Auditors' Fees is to provide for fees payable to your Auditors for extracting and certifying information required in connection with a claim.

- 4. **Extensions of Cover** -

(1) Where the ordinary form of Fire cover effected by the Proposer has been extended to include forms of Explosion (other than as specified in (a) above) or other extraneous perils, the Loss of Profits Policy can be correspondingly extended subject to the appropriate additional premium and it is generally desirable to arrange for the scope of the perils under the Loss of Profits Policy to coincide with those covered under the Fire Policy.

(2) The Loss of Profits Policy would normally apply to all premises used by the Insured and specified in the Proposal but extensions can be considered to provide for interruption of the Proposer's business through damage by fire (and such extraneous perils for which the basic Loss of Profits Policy is extended) at other premises such as -

- (a) Public Power Stations from which the Proposer obtains supplies
- (b) Premises of suppliers of raw materials, components and other goods if the continuity of the Proposer's business is dependent upon such supplies which could not be readily obtained from alternative sources.

PRO FORMA FOR CALCULATION OF THE SUM INSURED

This Pro Forma is for the use of the Proposer and is intended to assist him in formulating the sum to be insured.

Item 1 Gross Profit

Turnover for the last financial year (net of discounts allowed)	.....
Add Closing Stock at end of year	.....
Deduct Opening Stock at beginning of year.	.....
Deduct Specified Working Expenses which vary directly with turnover	
(i) Purchases (less discounts received)	.....
(ii) Wages* (if insured under Item 2)	.....
(iii)	.....
(iv)	.....
(v)	.....
(vi)	.....

* (Delete if Wages are to be insured in full for entire Indemnity Period)

Gross Profit for last financial year	.....
Add allowance for future increase	.....
Basic annual figure for Item 1	.....
Proportionate increase if Indemnity Period exceeds 12 months	.....
Sum to be Insured under Item 1	<u>.....</u>

Item 2 Wages (Not required if Wages are to be insured in full throughout the Indemnity Period selected) :

Total annual wages roll for last financial year	.....
Add allowance for future increase	.....
Basic annual figure for Item 2	.....
Proportionate increase if Indemnity Period exceeds 12 months	.....
Sum to be Insured under Item 2	<u>.....</u>

Return of Premium

The intention of the policy is to pay for loss of Gross Profit which would have been earned or Wages which would have been paid during the period of interruption following the damage. The Sum Insured should therefore be fixed at a figure high enough to allow for any possible upward trend of the business. An Auditors' Certificate showing the actual Gross Profit earned and Wages paid should be submitted annually to the Company and should this disclose that there has been over-insurance a return premium will be made to the Insured under each Item of the insurance up to a maximum return of one-half of the actual premium paid during the relative period of insurance.