

INCOME REDUCTION DUE TO BUSINESS INTERRUPTION

CONSEQUENTIAL LOSS

1. SCOPE

The actual loss sustained by the Insured resulting necessarily from the Interruption of business as a direct consequence of the destruction or damage of the property, which constitutes the insured business, caused by the occurrence of a compensable loss, and up to the Sum Insured indicated in the Specification of the Policy.

However, the indemnity shall not exceed the "Income Reduction" as hereinafter stipulated. It also covers the expenses necessarily incurred with the purpose to reduce the loss, but not exceeding the reduced amount.

The Sum Insured represents the annual amount for income prior to the date of loss; and in case where the amount is less, Clause 4 "Proportional Rule" of the General Conditions of the Policy shall be applied.

In consideration of the rate applied to this Policy, the insured indemnity period in no case shall exceed the period indicated in the Specification of the Policy.

Subject to the conditions contracted in the Policy, to which this coverage is attached, the Company agrees that when the described property is destroyed or damaged by the perils contracted in the direct damage Policy occurring during the term of this coverage, and the business operations are interrupted, the indemnity payable by the Company under this insurance shall be the income reduction resulting directly from such business interruption, and for only the necessary time required exercising due diligence and dispatch to rebuild, repair or replace such part of the damaged or destroyed property covered, within the contracted period.

Such period shall commence from the date of such loss and shall not be limited to the expiry date of this coverage. However, it is specially agreed upon that the Company's maximum indemnity shall not exceed 100% of the actual loss sustained by the Insured, and resulting from such business interruption. The indemnity shall include ordinary expenses incurred for the business resumption, including necessary wages which have to be paid in order to resume normal operations with the same service quality which existed prior to the occurrence of the loss.

2. DEFINITIONS:

2.1. Incomes.- The total net sales plus any other perception derived from the normal business operation less:

2.1.A. The cost of merchandise sold, including packing cost.

2.1.B. The cost of materials and supplies utilized for services rendered to clients.

2.1.C. The cost of services contracted from third parties (except Insured's employees).

In the event of loss, the incomes shall be determined taking into consideration the experience of the business prior to the loss and the probable experience thereafter had no loss occurred.

2.2. Merchandise.- Existing non manufactured items kept by the Insured for sale.

2.3. Period of indemnity.- The period beginning on the date of loss and within the term of the coverage, and ending at the end of the period stipulated therein, whereas the operations of the Insured's business may be affected as a consequence of such loss, and not limited to the expiry date of this coverage.

2.4. Financial year.- Pertaining to the last annual closeout balance prior to the date of loss.

3. CONDITIONS

3.1. Interruption by a civil authority

This coverage is extended to insure the actual loss sustained by the Insured, in accordance with the covered perils, when access to the Insured's premises or in his custody is prohibited by order of civil authorities, but not exceeding two consecutive weeks.

3.2. Stock

This insurance is extended to cover, with the exercise of due diligence, any replacement or repair of any damaged or destroyed stock in the business, subject to its other conditions and limitations, within the Sums Insured as established in the Specification of the Policy, at the time of the occurrence of the loss, during the indemnity period the time required, but not exceeding 30 (thirty) consecutive days. For the purpose of this Clause, the replacement or repair shall not exceed the conditions existing at the time of loss.

3.3. Resumption of business

Should the Insured be able to resume whether partially or totally the business mentioned in these conditions by making use of other property, equipments or supplies and thereto for reduce the loss resulting from the business interruption, whereby such reduction shall be taken into consideration so as to determine the sum to be indemnified by the Company.

3.4. Modifications in the occupancy of covered risk

Since the rate of this coverage is based on the corresponding physical damage insurance, the Insured is obliged to declare to the Company any modification in the occupancy or alteration of the insured business, whereas the Company may adjust the corresponding difference in premium, if any.

Should the modification imply an essential increase of hazard, and the Insured fails to notify the Company within a period of 24 (twenty four) hours, the Company shall be released from all obligations therefore mentioned.

3.5. Reduction of expenses covered

The Insured has the obligation to reduce, where possible, the covered expenses with the purpose to reduce the loss.

4. EXCLUSION

THIS COMPANY SHALL NOT BE LIABLE FOR ANY INCREASE TO THE AMOUNT TO BE INDEMNIFIED BY THE SUSPENSION, LAPSE OR CANCELLATION OF ANY CONTRACT OR ORDER BY THE APPLICATION OF ANY LAW OR ORDINANCE OF AUTHORITIES REGULATING THE CONSTRUCTION OR REPAIR OF BUILDINGS NOR FOR ANY INCREASE OF PECUNIARY LOSS RESULTING FROM INTERFERENCE BY STRIKERS OR OTHER PERSONS IN LOCK-OUTS, LABOR DISTURBANCES OR MUTINIES INTERRUPTING THE RESUMPTION OR CONTINUATION OF THE BUSINESS OPERATIONS.

5. ACCOUNTING BOOKS

For the purposes of indemnity under this coverage, the Insured authorizes the Company to review the accounting books.

6. CAUSES FOR CONTRACT CANCELLATION

- 6.1. SHOULD THE INSURED, AFTER A LOSS, VOLUNTARILY INTERRUPT THE BUSINESS WITH THE INTENTION NOT TO RESUME NORMAL OPERATIONS, THIS COVERAGE SHALL BE CANCELLED, AND THERETOFORE THE COMPANY SHALL REFUND THE UNEARNED PREMIUM AT PRO RATA, AT THE DATE OF LOSS.**
- 6.2. SHOULD THE BUSINESS REMAIN CLOSED DURING A PERIOD OF 20 (TWENTY) OR MORE CONSECUTIVE DAYS, IF NO SUCH LOSS HAS OCCURRED.**
- 6.3. IF THERE ARE NON JUSTIFIED DISCREPANCIES BETWEEN THE AMOUNTS DECLARED BY THE INSURED, AND THOSE PRESENTED BY AN ACCOUNTING AUDIT, DURING THE NORMAL OPERATIONS OF THE INSURED BUSINESS.**

7. DEDUCTIBLE

A deductible as indicated in the Specification of the Policy shall be applied to each loss.

8. INSURED'S OBLIGATIONS:

It is stipulated that the Insured shall comply with the following obligations:

- 8.1.** During the following 30 (thirty) days from the inception date of this coverage, the Insured shall make a complete and detailed inventory of his business, and hereinafter once every 12 (twelve) calendar months the previous inventory, unless the Insured has taken such inventory prior to the date of issuance of this coverage, together with inventory books clearly describing the operations in effect at the time herein.
- 8.2.** At the inception date of this coverage and from thereon, the Insured shall maintain, in the normal course of his business, an updated set of books then register clearly the operations in effect at the time, including all purchases, sales and shipments, both in cash and on credit.
- 8.3.** The term "complete register of operations carried out" in the form in which it is used in the above paragraphs has the intention to include in the aforementioned set of books a complete description of all goods received in the premises that increase the stock, either by the Insured or by others, although such operations neither constitute purchases nor sales.
- 8.4.** The Insured shall keep and protect all current and previous inventories that exist at the time of issuing this coverage, and shall keep and protect all such books as a registry of his business operations during the current and previous year.

Furthermore, the Insured shall keep and protect all inventories taken and books showing the register of his business operations, after the issuance of this coverage.

The books and inventories shall be kept by the Insured in a fireproof safe deposit box at all times during which the building or buildings mentioned in this Policy are not actually open for business. In case of loss or damage occurring to the covered property, such books and inventories shall be furnished by the Insured to the Company for purposes of examination.

It is also agreed that in fact that the Company requests or receives any such books or inventories or any other document referred to in the above Clause does not constitute the admission of any liability, or waiver of any right provided in the coverage.