

LOSS OF PROFITS, FIXED EXPENSES, WAGES AND SALARIES

CONSEQUENTIAL LOSS

1. SCOPE

The loss of net profits, wages and fixed expenses of the business insured arising from the operation of buildings, structures, machinery, equipment and raw materials contained therein; as a consequence of the occurrence of a compensable loss, and up to the Sum Insured specified in the Policy.

The expenses incurred are also covered, in order to reduce the loss, but not exceeding the reduced amount.

The Sum Insured represents the annual amount for profits and expenses insured thereunder; and in case the sum is less, Clause 4 "Proportional Rule" of the General Conditions of the Policy shall be applied.

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

2. Subject to the printed General Conditions of 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 Policy of direct damage occurring during the term thereof, and the business operations are interrupted or suspended as a consequence of the perils covered, the Company shall be liable, as have to forthwith agreed for the actual loss sustained by the Insured during the contracted indemnity period, but not exceeding the amounts indicated in the Specification of the Policy.

2.1. The loss or reduction of the net profits of the business as a consequence of business interruption or suspension of the operations caused by the loss.

2.2. The expenses that necessary arise during the total or partial business interruption, but only to cover such expenses of the business production had the loss not occurred.

2.3. The workers' wages in the Insured's service in the business covered under this Policy provided always that such wages must continue to be paid during the total or partial business interruption, but only to cover such wages of the business production had the loss not occurred.

Since the purposes of this coverage is to indemnify the Insured for the damage sustained due to the business interruption or suspension, the Company shall not be liable for any amount of estimated future business produced had the loss not occurred. For this purpose, the experience of the business should be taken into consideration, over the last three fiscal years prior to the loss and the probable experience which might have been obtained, had this loss not occurred.

3. DEFINITIONS

3.1. **Raw material.-** The usual materials in the Insured's business in the condition that they are acquired.

3.2. **Products in process.-** Raw material which has sustained some voluntary transformation within the insured business in order to obtain a finished product, but not yet in its final condition.

3.3. **Finished Products.-** The product, subject of insured business, in its final condition to be packed, shipped or sold.

3.4. **Merchandise.-** Existing non manufactured stock or property kept by the Insured for sale.

- 3.5. **Incomes.-** Money, coins or collectable items which the Insured should receive from the sale or delivery of merchandise or for works or services rendered as a consequence of the insured business, excluding capital income or others alike.
- 3.6. **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, but not limited to the expiry date of this coverage.
- 3.7. **Fiscal year.-** Pertaining to the last annual closeout balance prior to the date of loss.

4. CONDITIONS

- 4.1. **Interruption by a civil authority.-** This coverage is extended to insure the actual loss insured, but not exceeding two consecutive weeks when as a direct result of the insured Perils, the entrance to the premises is prohibited by order of civil authorities.
- 4.2. **Raw materials.-** Should the suspension or interruption of the insured business arise from the destruction or damage of raw material by the covered perils, the Company's liability shall be limited to the period in which the damaged or destroyed raw materials would have been part of the normal business operations.
- 4.3. **Products in process.-** This coverage, subject to all conditions and limitations and within the Sum Insured hereunder shall include the necessary length of time with the exercise of due diligence and dispatch, but not exceeding 30 (thirty) consecutive working days to repair or replace any products in process which might have been damaged or destroyed whilst being within the premises occupied by the business insured, and bring them to the same manufacturing condition they had at the time of the occurrence of the loss.
- 4.4. **Resumption of operations and use of other property.-** As soon as possible after the occurrence of any loss, the Insured is obliged to resume totally or partially the operations of his insured business in this coverage, and make use, when necessary and where possible, any other location or property when by doing so the loss covered by this policy, may be reduced, whereby such reduction shall be taken into account so as to determine the loss to be paid in accordance with this contract.
- 4.5. **Supplementary equipment and material.-** All supplementary machinery, spare parts, equipment, materials, fittings, raw material, and products in process or stock excess owned by, controlled and employed by the Insured shall be used, in case of loss, to resume or continue with the business insured under this coverage.
- 4.6. **Limit of liability.-** Should the Policy consist of various items, the Company's liability under this policy shall not exceed the sum insured under each item, nor shall it be for a greater proportion of any loss than that existing between the insurance under this policy and all insurances in force at the time of loss, whether valid or not, collectable or not, covering in any such form the loss insured under the corresponding items of the Policy.
- 4.7. **Modifications in occupancy of the 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.

5. EXCLUSIONS

IT IS UNDERSTOOD THAT THIS COMPANY SHALL NOT BE LIABLE FOR:

- 5.1. ANY LOSS RESULTING FROM DAMAGE OR DESTRUCTION OF FINISHED PRODUCTS**
- 5.2. THE NECESSARY TIME TO REPRODUCE ANY FINISHED PRODUCT WHICH MIGHT HAVE BEEN DAMAGED OR DESTROYED**
- 5.3. ANY LOSS THAT MAY BE CAUSED BY CIVIL ORDINANCE OR LAW REGULATING THE CONSTRUCTION OR REPAIR OF BUILDINGS.**
- 5.4. THE SUSPENSION, LAPSE OR CANCELLATION OF ANY LEASE OR CONCESSION, CONTRACT, SUPPLY ORDER.**
- 5.5. ANY OTHER CONSEQUENTIAL LOSS.**

6. REDUCTION OF EXPENSES COVERED.-

The Insured is obliged to reduce, where possible, the expenses covered during the period of indemnity in order to reduce the loss.

7. ACCOUNTING BOOKS.-

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

8. CAUSES FOR CONTRACT CANCELLATION

- 8.1. 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 THE LOSS.**
- 8.2. SHOULD THE BUSINESS REMAIN CLOSED DURING A PERIOD OF 20 (TWENTY) OR MORE CONSECUTIVE DAYS.**
- 8.3. SHOULD THE BUSINESS BE HANDLED OVER TO A LIQUIDATOR OR SYNDICATE, WHETHER BY JUDICIAL ORDER, CREDITORS' AGREEMENT OR VOLUNTARILY BY THE INSURED.**
- 8.4. 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.**

9. DEDUCTIBLE

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

10. INSURED'S OBLIGATIONS

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

- 10.1. 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.
- 10.2. 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.

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 the goods received in the premises that increase the stock, and of all the goods taken from such stock, either by the Insured or by others although such operations neither constitute purchases nor sales.

Should the nature of the Insured's business under this coverage be manufacturing, this "complete register of operations carried out" should also indicate all raw materials received and the products manufactured thereby, including the cost of manufacturing, and shall indicate the reduction or waste resulting from the process of manufacture, together with all the raw materials and manufactured products removed from the described building or buildings.

- 10.3. 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.

All 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.

Furthermore, it is agreed that in fact that the Company requests or receives any such books or inventories or carries out the examination thereof does not constitute the admission of any liability, or waiver of any provision or condition of this Policy therein.