

# ENGINEERING BUSINESS INTERRUPTION SECTION

*Only applicable if this Section is shown as operative in the Schedule*

## **Definitions**

NOTE 1: To the extent that the Insured are accountable to the tax authorities for Value Added Tax all terms in this Section shall be exclusive of such tax

NOTE 2: For the purpose of these definitions any adjustment implemented in current cost accounting shall be disregarded

## **Incident**

1. Sudden and unforeseen physical damage (including breakdown) to the Machinery and Plant at the Premises which is sufficient to prevent the Machinery and Plant from undertaking its normal work and necessitates its repair or replacement before working can be resumed
2. Breakdown of the Machinery and Plant at the Premises meaning
  - a) the actual breaking distortion or burning out of any part of any item of the Machinery and Plant whilst in use arising from either mechanical or electrical defects in the item causing sudden stoppage of the functions of the item
  - b) damage to any item of the Machinery and Plant caused by frost

which is sufficient to prevent the item from undertaking its normal work and necessitates its repair or replacement before working can be resumed

In the case of a boiler or pressure vessel it shall also include damage to the item by overheating or cracking or fracturing due to internal pressure low-water water hammer action or unequal expansion or contraction provided that such damage gives rise to leakage of the contents of the item

3. The accidental failure of
  - a) the public electricity supply at the terminal ends of the supply authorities service feeders at the Premises
  - b) the public gas supply at the supply undertakings meters at the Premises
  - c) the public water supply at the supply undertakings main stop cock servicing the Premises (other than drought)
  - d) the public supply of telecommunications services (other than satellite services) at the incoming line terminals or receivers at the Premises

## **Machinery and Plant**

Machinery and Plant (not otherwise excluded) owned by or leased by the Insured described in clause 001 in the Schedule

## **Indemnity Period**

The period beginning with the expiry of the Excluded Period and ending not later than the Maximum Indemnity Period after the occurrence of the Incident during which the results of the Business shall be affected in consequence thereof

## **Consequential Loss**

The words 'CONSEQUENTIAL LOSS' in capital letters shall mean loss resulting from interruption of or interference with the Business carried on by the Insured at the Premises in consequence of loss or destruction of or damage to property used by the Insured at the Premises for the purpose of the Business

## **Turnover**

The money paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business at the Premises

**Excluded Period**

The period of time stated below for which indemnity is not provided under this Section

- a) 24 hours in respect of paragraphs 1 and 2 of the Definition Incident
- b) 30 minutes in respect of paragraph 3 of the Definition Incident

**Maximum Indemnity Period**

As stated in the Schedule

**Uninsured Working Expenses**

Purchases (net of discounts) packaging and freight

**Gross Profit**

The amount by which

- 1) the sum of the amount of the Turnover and the amounts of the closing stock and work in progress shall exceed
- 2) the sum of the amount of the opening stock and work in progress and the amount of the Uninsured Working Expenses

Note: The amounts of the opening and closing stocks (including work in progress) shall be arrived at in accordance with the Insured's usual accounting methods due provision being made for depreciation

**Gross Revenue**

The money paid or payable to the Insured for services rendered in the course of the Business at the Premises less the amount of any Uninsured Working Expenses

**Estimated Gross Profit**

The amount declared by the Insured to the Company as representing not less than the Gross Profit which it is anticipated will be earned by the Business during the financial year most nearly concurrent with the Period of Insurance (or a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months)

**Estimated Gross Revenue**

The amount declared by the Insured to the Company as representing not less than the Gross Revenue which it is anticipated will be earned by the Business during the financial year most nearly concurrent with the Period of Insurance (or a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months)

**Rate of Gross Profit**

The rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Incident

**Annual Turnover**

The Turnover during the twelve months immediately before the date of the Incident

**Standard Turnover**

The Turnover during the period in the twelve months immediately before the date of the Incident which corresponds with the Indemnity Period

**Annual Gross Revenue**

The Gross Revenue during the twelve months immediately before the date of the Incident

**Standard Gross Revenue**

The Gross Revenue during that period in the twelve months immediately before the date of the Incident which corresponds with the Indemnity Period to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Incident or which would have affected the Business had the Incident not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Incident would have been obtained during the relative period after the Incident

### **Indemnity**

The Company agrees if the Business of the Insured at the Premises is interrupted or interfered with in consequence of an Incident then the Company will pay the Insured in respect of each item in the Schedule the amount of loss resulting from such interruption or interference provided that the liability of the Company under this Section shall not exceed

- i) in the whole the total sum insured or in respect of any item its sum insured at the time of the loss destruction or damage
- ii) the sum insured remaining after deduction for any other interruption or interference consequent upon loss destruction or damage occurring during the same Period of Insurance unless the Company shall have agreed to reinstate any such sum insured

### **Basis of Loss Settlement**

The undernoted terms of settlement apply only if the paragraph title appears in the Schedule to this Section

#### **Gross Profit/Estimated Gross Profit**

The insurance under this item is limited to loss of Gross Profit due to a) Reduction in Turnover and b) Increase in Cost of Working and the amount payable as indemnity thereunder 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 fall short of the Standard Turnover in consequence of the Incident
- b) in respect of Increase in Cost of Working: the additional expenditure (subject to the provisions of the Uninsured Working Expenses clause) 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 Incident 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 charges and expenses of the Business payable out of Gross Profit as may cease or be reduced in consequence of the Incident provided that if the sum insured by the item on Gross Profit be less than the sum produced by applying the Rate of Gross Profit to the Annual Turnover (or to a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced

#### **Increase in Cost of Working**

The Insurance under this item is limited to Increased Cost of Working and the amount payable as indemnity thereunder shall be

The Additional Expenditure necessarily and reasonably incurred by the Insured in consequence of the Incident in order to prevent or minimise the interruption of the Business during the Indemnity Period

#### **Gross Revenue/Estimated Gross Revenue**

The insurance under this item is limited to (a) loss of Gross Revenue and (b) Increase in Cost of Working and the amount payable as indemnity thereunder shall be

- a) in respect of loss of Gross Revenue: the amount by which the Gross Revenue during the Indemnity Period shall fall short of the Standard Gross Revenue in consequence of the Incident

- b) in respect of Increase in Cost of Working: the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in Gross Revenue which but for that expenditure would have taken place during the Indemnity Period in consequence of the Incident but not exceeding the amount of the reduction in Gross Revenue thereby avoided

less any sum saved during the Indemnity Period in respect of such of the charges or expenses of the Business payable out of the Gross Revenue as may cease or be reduced in consequence of the Incident

provided that if the sum insured by the item on Gross Revenue be less than the Annual Gross Revenue (or a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced

### **Clauses**

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#### **Alternative Trading Clause**

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 services shall be brought into account in arriving at the Turnover or Gross Revenue during the Indemnity Period

#### **Automatic Reinstatement of Sum Insured**

In the event of loss the sum insured by this Section will be automatically reinstated from the date of the loss unless written notice is given to the contrary either by AXA Insurance or by the Insured and the Insured undertake to pay such necessary premiums as may be required for such reinstatement from that date The Company will waive the additional premium if the cost of the claim does not exceed £25,000

#### **New Business Clause**

For the purpose of any claim arising from an Incident occurring before the completion of the first year's trading of the Business at the Premises the terms "Rate of Gross Profit" "Annual Turnover" "Standard Turnover" "Annual Gross Revenue" and "Standard Gross Revenue" shall bear the following meanings and not as within stated –

#### **Rate of Gross Profit**

The rate of Gross Profit earned on the Turnover during the period between the date of the commencement of the Business and the date of the Incident

#### **Annual Turnover**

The proportional equivalent for a period of twelve months of the Turnover realised during the period between the commencement of the Business and the date of the Incident

#### **Standard Turnover**

The proportional equivalent for a period equal to the Indemnity Period of the Turnover realised during the period between the commencement of the Business and the date of the Incident

#### **Annual Gross Revenue**

The Proportional equivalent for a period equal to the Indemnity Period of the Turnover realised during the period between the commencement of the Business and the date of the Incident

#### **Standard Gross Revenue**

The proportional equivalent for a period equal to the Indemnity Period of the Gross Revenue realised during the period between the commencement of the Business and the date of the Incident to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Incident or which would have affected the Business had the Incident not occurred so that the figures thus adjusted shall represent as nearly as may be

reasonably practicable the results which but for the Incident would have been obtained during the relative period after the Incident

### **Payments on Account Clause**

Payments on account may be made to the Insured monthly during the Indemnity Period if desired

### **Premium Adjustment Clause**

The premium paid hereon may be adjusted on receipt by AXA Insurance of a declaration of Gross Profit or Gross Revenue earned during the financial year most nearly concurrent with the Period of Insurance as reported by the Insured's auditors

If any Incident shall have occurred giving rise to a claim for loss of Gross Profit or Gross Revenue the above mentioned declaration shall be increased by the Company for the purpose of premium adjustment by the amount by which the Gross Profit or Gross Revenue was reduced during the financial year solely in consequence of the Incident

If either declaration (adjusted as provided for above and proportionately increased where the Maximum Indemnity Period exceeds 12 Months) is less than the sum insured on Gross Profit or Gross Revenue for the relative period of insurance the Company will allow a pro-rata return of premium not exceeding 50% of the premium paid

### **Professional Accountants Clause**

Any particulars or details contained in the Insured's books of account or other business books or documents which may be required by the Company under part (b) of Special Condition 2 for the purpose of investigating or verifying any claim hereunder may be produced by professional accountants if at the time they are regularly acting as such for the Insured and their report shall be prima facie evidence of the particulars and details to which such report relates

The Company will pay to the Insured the reasonable charges payable by the Insured to his professional accountants for producing such particulars or details or any other proofs information or evidence as may be required by the Company under part (b) of Special Condition 2 of this Section and reporting that such particulars or details are in accordance with the Insured's books of account or other business books or documents provided that the sum of the amount payable under this clause and the amount otherwise payable under the Section shall in no case exceed the liability of the Company as stated

### **Uninsured Working Expenses**

If any working expenses of the Business be not insured by this Section (having been deducted in arriving at the Gross Profit as defined herein) then in computing the amount recoverable hereunder as Increase in Cost of Working that proportion only of any additional expenditure shall be brought into account which the Gross Profit bears to the sum of the Gross Profit and the Uninsured Working Expenses

### **Departmental Clause**

Where the Business is conducted in departments the independent trading results of which are ascertainable all provisions shall apply separately to each department affected by the Incident

### **Waiver of Subrogation Rights**

The Company agree to waive any rights remedies or relief to which they may become entitled by subrogation against any company standing in relation of Parent to Subsidiary (or Subsidiary to Parent) to the Insured or any company which is a Subsidiary of a Parent company of which the Insured are a Subsidiary as defined in current legislation in each case

### **Accumulated Stocks**

In adjusting any loss account shall be taken and an equitable allowance made if any reduction in Turnover due to the Incident is postponed by reason of the Turnover being temporarily maintained from accumulated stocks of raw materials work in progress or finished goods

### **Loss Avoidance Measures**

Subject to the Limit(s) of Indemnity the Company will pay reasonable costs incurred in taking exceptional measures to prevent or mitigate impending loss or damage for which indemnity is provided by this Section provided that

- a) loss or damage would reasonably be expected if such measures were not implemented
- b) the Company are satisfied that loss or damage has been avoided or mitigated by means of the exceptional measures
- c) the amount payable will be limited to the cost of loss or damage which would have otherwise occurred
- d) the terms and conditions of this Policy apply as if loss or damage had occurred

### **Option to Convert to Output**

The Insured shall have the option to convert the basis of settlement from Turnover to output or other basis as may more realistically measure a loss For this purpose output shall mean the sale value of materials produced by the Insured in the course of the Business at the Premises provided that only one basis shall be operative in connection with any one loss

## **General Exclusions**

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This Section does not Cover

### **1. War Risks**

CONSEQUENTIAL LOSS occasioned by or in consequence of war invasion acts of foreign enemies hostilities (whether war be declared or not) civil war rebellion revolution insurrection military or usurped power or confiscation or nationalisation or requisition or destruction of or damage to property by or under the order of any government or public or local authority

### **2. Excluded Perils**

CONSEQUENTIAL LOSS caused by fire lightning explosion aircraft or other aerial devices or articles dropped therefrom riot civil commotion strikers locked out workers persons taking part in labour disturbances malicious persons earthquake theft storm flood escape of water from any tank apparatus or pipe or impact by any road vehicle or animal

### **3. Nuclear Risks**

Loss destruction or damage occasioned by or happening through or occasioning loss destruction or damage to any property or loss expense or consequential loss directly or indirectly caused by or arising from

- i) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel
- ii) the radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof

### **4. Sonic Bangs**

CONSEQUENTIAL LOSS caused by the pressure waves of aircraft or other aerial devices travelling at sonic or supersonic speeds



**5. Intentional Acts**

CONSEQUENTIAL LOSS or damage caused by

- a) the intentional act or wilful neglect of the Insured
- b) i) intentional overloading
- ii) testing or experiments involving the imposition of any abnormal conditions

**6. Computers Foundations and Products**

CONSEQUENTIAL LOSS caused by damage to

- a) computer and ancillary equipment used for the storage and communication for electronically processed data but this exclusion shall not apply to any such equipment controlling any manufacturing process
- b) foundations masonry brickwork or chimneys
- c) plant or machinery serviced processed or manufactured as a product of the Business

**7. Utilities**

CONSEQUENTIAL LOSS due to the failure of the public supply of electricity gas or water or failure of the public effluent disposal services due to the deliberate act of the authority responsible for such supplies or services or the exercise by such authority of its power to withhold or restrict supply or services other than for the sole purpose of safeguarding life or the authority's property

**8. Wear and Tear**

CONSEQUENTIAL LOSS solely due to

- a) wear and tear gradual deterioration or rust
- b) gradually developing defects
- c) scratching or chipping of painted or polished surfaces
- d) erosion or corrosion

- e) slowly developing deformation distortion cracks fractures blisters laminations flaws or grooving or the making good of defective tube joints or other defective joints or seams

- f) deposit of boiler scale

but this shall not exclude subsequent loss or damage not otherwise excluded

**9. Guarantees of Performance**

Penalties for delay or detention or in connection with guarantees of performance or efficiency

**10. Date Recognition**

CONSEQUENTIAL LOSS directly or indirectly caused by or contributed to by or arising from the failure of any computer or other equipment data processing service product microchip micro processor integrated circuit embedded chip or similar device computer software program or process or any other electronic system or any design or advice in connection with any of the foregoing irrespective of ownership possession or use and whether occurring before during or after the Year 2000

- i) correctly to recognise any date as its true calendar date
- ii) to capture save or retain and/or correctly to manipulate interpret or process any data or information or command or instruction as a result of treating any date otherwise than as its true calendar date
- iii) to capture save or retain or correctly to process any data as a result of the operation of any command which has been programmed into any computer software being a command which causes the loss of data or the inability to capture save retain or correctly to process such data on or after any date

### 11. Airborne and Waterborne Craft

CONSEQUENTIAL LOSS in respect of any airborne or waterborne vessel craft platform or rig nor any machinery situated thereon

### 12. Terrorism

Loss damage cost or expense of whatsoever nature directly or indirectly caused by resulting from or in connection with:

1. Any act of Terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss
2. Any action taken in controlling preventing suppressing or in any way relating to any act of Terrorism

If the Company alleges that by reason of this exclusion any loss damage cost or expense is not covered by this Section of the Policy the burden of proving the contrary shall be upon the Insured

In the event any portion of this exclusion is found to be invalid or unenforceable the remainder shall remain in full force and effect

#### Definition – Terrorism

For the purpose of this exclusion an act of Terrorism shall mean an act including but not limited to the use of force or violence and or threat thereof of any person or group(s) of persons whether acting alone or on behalf of or in connection with any organisation(s) or government(s) committed for political religious ideological or similar purposes including the intention to influence any government and or put the public or any section of the public in fear

### 13. Northern Ireland

CONSEQUENTIAL LOSS in Northern Ireland occasioned by or happening through or in consequence directly or indirectly of

- i) civil commotion
- ii) TERRORISM as defined in 12. Terrorism

In any action suit or other proceedings where the Company alleges that by reason of this definition any CONSEQUENTIAL LOSS is not covered by this Section the burden of proving that such CONSEQUENTIAL LOSS is covered shall be upon the Insured

### 14. Electronic Risks

CONSEQUENTIAL LOSS directly or indirectly caused by or arising from any programming or operator error Virus or Similar Mechanism or Hacking in respect of any computer or other equipment or component or system or item which processes stores transmits or retrieves data or any part thereof whether tangible or intangible (including but without limitation any information or programs or software) and whether the property of the Insured or not

For the purposes of this Section Exclusion the following Definitions apply:

#### Definitions:

- a) Virus or Similar Mechanism shall mean any program code programming instruction or any set of instructions intentionally constructed with the ability to damage interfere with or otherwise adversely affect computer programs data files or operations whether involving self-replication or not

This Definition of Virus or Similar Mechanism includes but is not limited to Trojan horses worms and logic bombs



- b) Hacking shall mean unauthorised access to any computer or other equipment or component or system or item which processes stores transmits or retrieves data

### **Special Conditions**

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#### **1. Alterations**

This Section shall be avoided if after the commencement of this insurance the Business be wound up or carried on by a liquidator or receiver or permanently discontinued

#### **2. Claims Conditions**

- a) In the event of any loss destruction or damage in consequence of which a claim is or may be made under this Section the Insured shall
  - notify the Company immediately
  - deliver to the Company at the Insured's expense within 7 days of its happening full details of loss destruction or damage caused by riot civil commotion strikers locked-out workers persons taking part in labour disturbances or malicious persons
  - with due diligence carry out and permit to be taken any action which may be reasonably practicable to minimise or check any interruption of or interference with the Business or to avoid or diminish the loss
- b) In the event of a claim being made under this Section the Insured at their own expense shall
  - not later than 30 days after the expiry of the Indemnity Period or within such further time as the Company may allow deliver to the Company in writing particulars of their claim together with details of all other insurances covering property used by the Insured at the Premises for the purpose of the Business or any part of it or any resulting consequential loss

- deliver to the Company such books of account and other business books vouchers invoices balance sheets and other documents proofs information explanation and other evidence as may be reasonably required by the Company for the purpose of investigating or verifying the claim together with if demanded a statutory declaration of the truth of the claim and of any matters connected with it

- c) If the terms of this condition have not been complied with
  - no claims under this Section shall be payable and
  - any payment on account of the claim already made shall be repaid to the Company forthwith

#### **3. Identification**

This Section incorporates the schedule memoranda and endorsements which shall be read together as one contract Words and expressions to which specific meaning is given in any part of this Section shall have the same meaning wherever they appear

## Special Clauses

*Clauses 1 and 3 applicable only if the clause numbers are entered in the Schedule Clause 2 applicable only if referred to in the Schedule*

### 1. Temporary Cover

The first premium has been calculated to take into account the cost of temporary cover (in accordance with particulars lodged with the Company) pending issue of this Section

### 2. Long Term Agreement

The discount shown in the Schedule is allowed off the net premiums on this Section in consideration of the Insured having signed an undertaking expiring on the date specified in the Schedule to offer the insurance on the terms and conditions in force at the expiry of each Period of Insurance and to pay the premium annually in advance it being understood that: –

- a) the Company shall be under no obligation to accept an offer made in accordance with the above mentioned undertaking
- b) the sum insured may be reduced at any time to correspond with any reduction in Business

The above mentioned undertaking applies to any section or sections which may be issued by the Company in substitution for this Section and the same discount shall be allowed off the net premiums on any substituted section or sections issued by the Company as aforesaid

### 3. Declaration Linked Clause

- a) The Insured shall prior to each renewal furnish AXA Insurance with the Estimated Gross Profit or Estimated Gross Revenue as insured hereby for the financial year most nearly concurrent with the ensuing year of insurance

- b) The first and annual premiums in respect of each item on Estimated Gross Profit or Estimated Gross Revenue as insured hereby are provisional and are based on the Estimated Gross Profit or Estimated Gross Revenue

The Insured shall provide AXA Insurance not later than six months after the expiry of each Period of Insurance with a declaration confirmed by the Insured's auditors of the Gross Profit or Gross Revenue earned during the financial year most nearly concurrent with the Period of Insurance

NB Accountants may be substituted for auditors in respect of companies exempt from audit requirements

If any Incident shall have occurred giving rise to a claim for loss of Gross Profit or Gross Revenue the above mentioned declaration shall be increased by the Company for the purpose of premium adjustment by the amount by which the Gross Profit or Gross Revenue was reduced during the financial year solely in consequence of the Incident

If the declaration (adjusted as provided above and proportionately increased where the Maximum Indemnity Period exceeds 12 months)

- i) is less than the Estimated Gross Profit or Estimated Gross Revenue as insured hereby for the relative Period of Insurance the Company will allow a pro rata return of the premium paid on the Estimated Gross Profit or Estimated Gross Revenue as insured hereby but not exceeding 50% of such premium

- ii) is greater than the Estimated Gross Profit or Estimated Gross Revenue as insured hereby for the relative Period of Insurance the Insured shall pay a pro rata addition to the premium paid on the Estimated Gross Profit or Estimated Gross Revenue as insured hereby
  - c) Notwithstanding proviso 2 in the Indemnity Clause the liability of the Company shall in no case exceed in respect of Gross Profit or Gross Revenue 133 1/3% of the Estimated Gross Profit or Estimated Gross Revenue stated herein and in respect of each other item 100% of the sums insured by the said items or such other amounts as may be substituted therefor by memorandum signed by or on behalf of the Company

The Premium Adjustment Clause is deleted

