

## Section 2H

# Gross Profit

(Operative only if so stated in the schedule)

### Definitions

#### British Isles

Great Britain, Northern Ireland, the Isle of Man and the Channel Islands, but not the Republic of Ireland.

#### Business

As stated in the schedule.

#### Damage

Loss, destruction or damage.

#### Event Insured

- a) An event defined in Appendix A and stated in the schedule to be an event insured.
- b) accidental **damage** to fuel oil or underground water or gas supply pipes or underground electricity or telecommunication cables extending from the building to the public mains
- c) falling trees, or parts of trees, excluding
  - i) **damage** caused by a felling or lopping operation by or on behalf of the Insured
  - ii) **damage** to fences, gates and hedges
  - iii) the cost of removing fallen trees or parts of trees, except where they have given rise to a valid claim under this section
- d) falling television aerials or aerial fittings or masts
- e) escape of oil from a fixed heating installation or apparatus connected to such installation
- f) escape of fertiliser from any storage tank
- g) explosion of any boiler or economiser on the **premises**.

#### Gross Profit

The amount by which

- a) The sum of the amount of the **turnover** and the amount of the closing stock and work in progress, exceeds
- b) The sum of the amount of the opening stock and work in progress and the amount of the **uninsured working expenses**.

#### Indemnity Period

The period, beginning with the happening of **insured damage** and not extending beyond the maximum indemnity period stated in the schedule, during which the results of the **business** are affected in consequence

of **insured damage**.

#### Insured Damage

**Damage** to property, used by the Insured at the **premises** for the purpose of the **business**, by an **event insured**.

#### Machinery or Plant - solely in respect of Event O

Plant and machinery permanently at the **premises**, excluding

- a) Office machinery, computers and other data processing equipment
- b) Plant and machinery which is
  - i) prototype or experimental or otherwise not proven under normal operating conditions
  - ii) more than 15 years old unless on the happening of an **event insured** the necessary parts to repair the plant and machinery are either held by the Insured or are obtainable from the manufacturer or the agents or factors of the manufacturer at listed prices
- c) Tools, dies or moulds.

#### Premises

As stated in the schedule

#### Standard Turnover, Annual Turnover and Rate of Gross Profit

Standard turnover means the turn over during that period in the twelve months immediately before the date of insured damage which corresponds with the **indemnity period**

Annual **turnover** means the **turnover** during the twelve months immediately before the date of **insured damage**

Rate of **gross profit** means the rate of **gross profit** earned on the **turnover** during the financial year would immediately before the date during the of **insured damage**.

adjusted as necessary to provide for the trend of the **business** and for variations in, or other circumstances affecting, the business, either before or after insured damage, or which would have affected the **business** had **insured damage** not happened, so that the figures thus adjusted will represent, as nearly as may be reasonably practicable, the results which, but for the **insured damage**, would have been obtained during the relative period after the **insured damage**.

### Turnover

The money paid or payable to the Insured for goods sold and delivered and for services provided in course of the **business** at the **premises**.

### Uninsured Working Expenses

- a) Purchases (less discounts received)
- b) carriage, packing and freight
- c) bad debts.

## Cover

If the **business** is interrupted or interfered with in consequence of **insured damage** happening during the **period of insurance**, **NFU Mutual** will indemnify the Insured by payment in accordance with the terms applying to each of the items.

Provided that

- 1) there is an insurance in force covering the Insured's interest in the property **damaged** and liability has been admitted under that insurance, unless such liability is not admitted due solely to the insurance excluding liability for **damage** below a specified amount
- 2) **NFU Mutual's** liability (including any liability under cover extensions) will not exceed
  - a) in respect of each item, the sum insured on that item
  - b) in all, the total sum insured,  
at the time of the **insured damage**.

The sum insured will be reduced by the amount **NFU Mutual** has paid or is liable to pay for any previous **insured damage** which has occurred during the same **period of insurance**.

## Exclusions

**NFU Mutual** will not be liable under any item for any consequence of interruption or interference resulting from **damage** caused by

- a) riot or civil commotion (unless event E, event F or event R is insured in respect of such item)
- b) earthquake or subterranean fire (unless event J or event R is insured in respect of such item)
- c) pollution or contamination, except for any consequence of interruption or interference, resulting from **insured damage**, not otherwise excluded, caused by
  - i) pollution or contamination, which itself results from **insured damage**
  - ii) **insured damage**, which itself results from pollution or contamination.

## Cover Extensions

### 1 Book Debts

Cover includes money owed to the Insured by customers which, in consequence of **insured damage**, cannot be collected.

**NFU Mutual** will pay

- a) the difference between the money owed and collected
- b) expenses incurred with **NFU Mutual's** agreement in tracing money owed.

**NFU Mutual's** maximum liability is £25,000.

**NFU Mutual's** liability is in addition to the sum insured.

### 2 Damage at Other Premises

**Insured damage** includes **damage**

- a) at the land-based premises located in the **British Isles** of
  - i) any of the Insured's suppliers of goods or materials or of the Insured's customers with whom, at the time of the **damage**, the Insured has contracts or trading relationships to supply goods or services
  - ii) suppliers of electricity, gas, water or telecommunications services,  
  
provided that the maximum liability of **NFU Mutual** under each of i) and ii) above in respect of each item stated in the schedule will not exceed, in respect of any one occurrence of **insured damage**, 15% of the sum insured on such item.
- b) to property in the vicinity of the **premises** which prevents or hinders the use of or access to the **premises**.

Proviso 1 of Cover does not apply to this extension.

### 3 Professional Accountants' Charges

**NFU Mutual** will pay the professional accountants' charges reasonably incurred by the Insured for producing information required by **NFU Mutual** under the terms of the general conditions of this policy and reporting that such information is in accordance with the Insured's accounts.

**NFU Mutual** will accept, in connection with the general conditions, the information so produced.

## Terms Applying to Items insuring Gross Profit

The amount payable will be:

- a) for reduction in **turnover**; the sum produced by applying the **rate of gross profit** to the amount by which, in consequence of **insured damage**, the **turnover** during the **indemnity period** falls short of the **standard turnover**,
- b) for increase in cost of working; the additional expenditure 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 **insured damage**, but not exceeding the sum produced by applying the **rate of gross profit** to the amount of the reduction in **turnover** avoided by such expenditure, less any savings, during the **indemnity period**, in the expenses of the **business** payable out of **gross profit** in consequence of the **insured damage**.

## Special Conditions

### 1 Accounting Terms

The amounts of the opening and closing stock and work in progress will be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

The words and expressions used in the definition of **uninsured working expenses** have the meaning usually attached to them in the books and accounts of the Insured.

For the purpose of the definitions in this section, any adjustment implemented in current cost accounting will be disregarded.

### 2 Alternative Trading

If, during the **indemnity period**, goods are sold or services provided elsewhere than at the **premises** for the benefit of the **business** either by the Insured or by others on his behalf, the money paid or payable in respect of such sales or services will be brought into account in arriving at the **turnover** during the **indemnity period**.

### 3 Cessation of the Business

**NFU Mutual** will have no liability under this section if the **business** is wound up, or carried on by a liquidator or receiver, or permanently discontinued, unless it agrees in writing to the insurance being continued

### 4 Refund of Premium

The premium paid in respect of each item insuring **gross profit** may be adjusted on receipt by **NFU Mutual** of a declaration, confirmed by the Insured's auditors, of the **gross profit** earned during the financial year most nearly concurrent with the **period of insurance**.

If any **insured damage** has happened, resulting in a claim under this section, the above mentioned declaration will be increased by **NFU Mutual**, for the purpose of premium adjustment, by the amount by which the **gross profit** was reduced during the financial year solely in consequence of the **insured damage**.

If the **gross profit** declared (adjusted as provided for above and proportionately increased where the maximum indemnity period exceeds twelve months) is less than the sum insured on such **gross profit** for the relative **period of insurance**, **NFU Mutual** will allow a proportionate return of premium, not exceeding 50% of the premium paid.

### 5 Underinsurance

If the sum insured on an item insuring **gross profit** is less than the sum produced by applying the **rate of gross profit** to the **annual turnover** (increased proportionately if the maximum indemnity period exceeds twelve months) **NFU Mutual's** liability under that item will be proportionately reduced.

### 6 Value Added Tax

To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this section are exclusive of such tax.

