

## Section 2H

# Gross Profit - Declaration Linked

(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.

### Estimated Gross Profit

The amount declared by the Insured to **NFU Mutual** 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).

### 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 buildings to the public mains
- c) falling trees or parts of trees, excluding
  - i) **damage** caused during a felling or lopping operation by or on behalf of the Insured
  - ii) **damage** to fences, gates or 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 and Rate of Gross Profit

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

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

## 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 or the Business**

**NFU Mutual** will have no liability 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 Premium Adjustment**

The first and annual premiums are provisional and are based on the **estimated gross profit**.

Not later than six months after the expiry of each **period or insurance**, the Insured shall provide to **NFU Mutual** a declaration confirmed by the Insured's auditors of the **gross profit** earned during the year most nearly concurrent with the **period or insurance**.

If any **insured damage** has happened resulting in a claim under this section, the above mentioned **gross profit** shall 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 above and proportionately increased where the maximum indemnity period exceeds twelve months)

- a) is less than the **estimated gross profit** for the relative **period or insurance**, **NFU Mutual** will allow a proportionate return of the premium paid on the **estimated gross profit** but not exceeding 50% of such premium
- b) is greater than the **estimated gross profit** for the relative **period or insurance**, the Insured will pay a proportionate addition to the premium paid on the **estimated gross profit**.

### **5 Renewal**

The Insured will prior to each renewal provide **NFU Mutual** with the **estimated gross profit** for the ensuing **period or insurance**.

### **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.

