

## **BUSINESS INTERRUPTION**

### **Loss of Profits, Salaries and Fixed Expense Insurance**

#### **Perils Covered**

Loss of net profits, salaries and fixed expenses of the insured business arising out from the operation of buildings, structures, machinery, equipment, and raw stock contained therein, as a consequence of Fire and/or Lightning perils or the additional perils contracted for in the policy covering direct damage, excepting Earthquake, Volcanic Eruption and Hydro Meteorological Perils, up to the insured sum indicated on the Policy face.

Also covered hereunder are the expenses necessarily incurred in order to reduce the loss, but not exceeding the amount actually reduced.

The insured sum represents the annual amount of profits and expenses insured therein, and should such amount be less, Clause 4. "Proportional Rule" of the General Policy Conditions shall apply.

In consideration of the rate applied to this coverage, the indemnity period covered hereunder shall in no event exceed the number of months contracted for.

#### **General Conditions**

Subject to the Individual Conditions appearing hereinafter and to the printed General Printed Policy Conditions to which this coverage is attached, this Company agrees that if the property described in the policy is destroyed or damaged by fire and/or lightning or the additional perils contracted for in the policy of direct damage, excepting earthquake, volcanic eruption and hydro meteorological perils, occurring during the term of this policy, and if the business operations are interrupted or slowed down due to the perils covered, the Company shall be liable, as further expressed, for the actual loss sustained by the Insured during the indemnity period contracted for, but not exceeding the following amounts:

1. The loss or reduction of net profits of the business as a consequence of the interruption or slowing down of operations caused by the loss.
2. The expenses necessary during the partial or total suspension of operations, but only to the extent that the business would have produced to cover such expenses, if no loss had occurred.

3. The wages of the workers employed by the Insured in the business covered under this policy, provided always that such wages have to continue to be paid during the partial or total suspension of operations, but only to the extent that the business would have produced to cover such wages, if no loss had occurred.

As the purpose of this coverage is to indemnify the Insured for the damage sustained due to the shut down or interruption of his business, the Company shall not be liable for any amount that would not have been produced by the business if loss had not occurred. For this purpose, the experience of the last fiscal year prior to the date of loss and the probable experience that it would have had if no loss had occurred shall be taken into consideration

The Insured must have in force insurance covering direct physical damage that due to fire and/or lightning may be sustained by the property herein described, the total insured sum representing no less than 80% of the replacement value of the property insured. It is binding on the Insured to maintain in force such insurance policies during the term of this coverage, without cancelling or reducing them, and will effect, if necessary, the increases required to maintain them within the minimum stipulated. Otherwise, the Company may terminate the coverage.

### **Definitions**

The terms mentioned below shall have the following meanings:

1. Raw Material. Material usual to the Insured's business, in the state in which it was acquired.
2. Products in Process of Manufacture. Raw material that has sustained voluntary transformation within the insured business for the purpose of obtaining a finished product, but which has not yet become a finished product.
3. Finished Products. The product, subject of the insured business, ready to be packed, shipped or sold.
4. Merchandise. Stock of property not manufactured by the Insured, but which he has on hand for resale.
5. Income. That collected in cash or in specie or that which the Insured must collect for merchandise sold and delivered or for work or services rendered as a logical consequence of the insured business, excluding capital income or others similar thereto.
6. Indemnity Period. The period of time beginning on the date of loss and within the term of the coverage, and that expires when the number of months stipulated therein has elapsed, within the period of which the operations of the insured business may be affected as a consequence of the referred to loss and not limited to the date of expiration of this Policy.

7. Financial Year. The last annual period of operations with a closing balance prior to the date of loss.

### **Individual Conditions**

1. Interruption by Civil Authority. This coverage is hereby extended to cover the actual loss insured, without exceeding two consecutive weeks when, as a direct result of the insured perils, access to the premises has been prohibited by order of the civil authorities.
2. Raw Material. If the shut down or slowing down of the insured business is due to the destruction of or damage to raw material caused by fire and/or lightning, the Company's liability shall be limited to the period of time which the raw material damaged or destroyed would have made possible the business operations.
3. Products in Process of Manufacture. This coverage, subject to all its conditions and limitations and within the insured sum shall include, if necessary, the time required with due diligence and dispatch but without exceeding thirty consecutive working days, to replace or restore any product in process of manufacture that is damaged or destroyed while on the premises occupied by the insured business to the same state of manufacture it had on the date of loss.
4. Resumption of Operations and Use of Other Properties. As soon as possible after any loss, it shall be binding on the Insured to totally or partially resume his business operations hereunder covered, and to use, if necessary and possible, other premises or properties if by such means the loss covered under this policy can be reduced, and such reduction shall be taken into account upon determining the losses that might be payable hereunder, in accordance with this contract.
5. Equipment and Supplementary Materials. In the event of loss, all supplementary machinery, spare parts, equipment, materials, accessories, raw material, and products in process of manufacture, excess of reserves, property of, or controlled or used by the Insured, must be utilized to resume or continue the business operations.
6. Liability Limit. If the Policy consists of several items, the Company's liability shall not exceed the sum insured under each item, neither a proportion of any loss greater than that existing between the insurance under this policy and all the insurances in force on the date of the loss, whether valid or not, collected or not, that cover in any way the loss insured under the corresponding items of this policy.

7. Changes in the Occupancy of the Insured Risk. As the rate hereon is based on that corresponding to the physical damage insurance, it is binding on the Insured to inform the Company of any change in the occupancy or any modification to the insured business, so that the Company may adjust the corresponding difference in premium, if any. If such change involves an essential increase of hazard and the Insured does not give notice thereof to this Company within a period of 24 hours, the Company shall be released from its obligations.
8. **Exclusions. This Company shall not be liable for any loss resulting from damage to or destruction of finished products or for the time required to reproduce any finished product that has been damaged or destroyed, neither for any loss that might result from any order or law regulating the construction or repair of buildings, nor for the suspension, expiration or cancellation of any lease contract or concession, contract, petition, order or for any other consequential loss.**
9. Reduction of Insured Expenses: It is binding on the Insured to reduce, as much as possible, the insured expenses during the indemnity period for the purpose of reducing the loss.
10. Accounting Books. With respect to indemnity hereunder, the Insured does hereby authorize the Company to review his accounting books.
11. Causes for Rescission of Coverage
  - a) If after a loss, the Insured voluntarily suspends his business operations, and they will not be resumed again, this coverage shall be cancelled and the Company shall refund the unearned premium at pro rata, as of the date of loss.
  - b) If the business is closed during a period of twenty consecutive days or more.
  - c) If the business is to be handled by a receiver or syndicate, whether by judicial order, a creditor agreement or a decision reached by the Insured.
  - d) If outstanding differences not justified by the normal operation of the Insured's business are discovered between the amounts declared by the Insured to the Company and those obtained through an analysis of his accounting.

### **Insured's Obligations**

It is hereby agreed that the Insured shall have the following obligations:

1. The Insured shall take, within the thirty days following the issuance date of this insurance, a general, complete and detailed inventory of his business, and at least once every year and within the twelve months following the date of the previous inventory, unless the Insured has on the date of issuance of this coverage an inventory of this nature, taken from the previous twelve months, as well as a set of books giving a complete list of the operations effected since the inventory was taken.
2. The Insured shall maintain during the normal course of his business, from the date of this coverage and thereafter, a set of books showing clearly and simply a complete record of the operations effected, including all purchases, sales and shipments both in cash and on credit.

The term "complete record of operations effected" as used in the previous paragraphs, is intended to include in the mentioned set of books a complete list of all the goods received on the premises and added to the stock, and all the goods withdrawn from such stock, whether by the Insured or by others, even when not technically purchases or sales.

If the Insured's business covered hereunder is a manufacturing plant, this "complete record of operations effected" must also indicate all raw material received and all products manufactured therewith, including the cost of manufacture, and show the decrease or waste in the manufacturing process, and all raw material and finished products manufactured, withdrawn or removed from the described building or buildings.

3. The Insured shall keep and safeguard all inventories taken during the present year, as also those taken during the previous year existing at the time of the issuance of this coverage. He shall also keep and safeguard of all books he has up to that time, showing the record of his business operations during the present year and those of the previous year.

Each and every book and inventory, as mentioned, shall be kept by the Insured under lock and key in a fireproof safe during the night and at all times while the building or buildings mentioned in this policy are not open for business, or if a safe is not available, the Insured shall keep each and every book or inventory in a safe place, not exposed to a fire that may destroy the buildings mentioned, and if

loss or damage insured hereunder should occur, such books and inventories must be delivered by the Insured to the Company for examination.

It is also agreed that if the Company requests or receives such books or inventories or examines them, it shall not be construed as an admission of liability or waiver of any stipulation or condition hereof.

**IMPORTANT NOTE:**

**This is only a sample courtesy translation of a policy form in Mexico. This sample should only be used for informational purposes, as it does not represent or constitute the actual terms & conditions of a given policy. Insurance companies in Mexico may use a modified or amended version of this coverage depending on a particular risk or Insured. For legal interpretation of this coverage, as well as the territory jurisdiction, please refer to the original Spanish version of the policy in the country of Mexico.**