

# Business Interruption Proposal (supplementary to Your Commercial Property Proposal)



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## Some explanations or definitions applicable to the policy

Your Business Interruption insurance contract with Us is based on the information You disclose in Your Business Interruption and Commercial Property Insurance Proposals to Us.

The terms and conditions of Your Business Interruption insurance contract with Us are contained in the policy document that We will issue to You. There are important terms You need to understand in arranging Your insurance, some of which We have mentioned below to assist You. To see all the terms and conditions of the policy You can view a copy on Our web site or request a copy from Us prior to arranging this insurance.

**Gross Profit (Additions Method)** is the sum produced by adding to the Net Profit the amount of the Insured Standing charges, or if there is no Net Profit the amount of the Insured Standing Charges less such a proportion of any net trading loss as the amount of the Insured Standing Charges bears to all Standing Charges of the Business.

**Net Profit** is the net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the Business at the Premises, after due provision has been made for all outstanding and other charges, including depreciation, but before the deduction of any taxation chargeable on profits.

**Standing Charges** are all charges included in the annual calculation of insured Gross Profit for the purpose of premium adjustment

**Gross Profit (Difference Method)** is the amount by which the sum of the Turnover and the Closing Stock exceeds the sum of the Opening Stock and the Uninsured Working Expenses

Note: The amounts of the Opening and Closing Stock are to be arrived at in accordance with Your normal accountancy methods, due provision being made for depreciation.

**Turnover** is the money paid or payable to You for goods sold and delivered and for services rendered in the course of the Business at the Premises. And any money paid or payable to the Insured by tenants in respect of rental of the Premises and for services rendered, and any money paid or payable by tenants for rates, insurance and other fixed expenses which, but for that payment, would be payable by You.

## Your sum insured

The intention of a Business Interruption policy is to indemnify You for any pretax net profit and all fixed expenses of the business lost or reduced as a result of any insured material damage loss to Your buildings, plant and or contents. We strongly recommend that the calculation of the sums insured be agreed to by your accountant. On the next page is a suggested calculation guide to help you arrive accurately at the Gross Profit Item. Your sum insured should be sufficient to cover a loss which may happen on the last day of the period of insurance. Refer calculation guide next page. You will note that there are two ways to calculate the appropriate sum insured. Use either method A or B.

For your protection and to avoid Underinsurance/Average applying to a claim it is better to overestimate Your sum insured. A return premium clause is included in the policy to provide for over estimation.

## Your indemnity period

This is the period stated in months during which the turnover of the business could be affected by major damage to the buildings, plant or contents. Allowance should be made for the drawing up of new building plans, construction time, locating new premises, ordering, importing and installing new machinery and the period required to re-establish markets and turnover.

The indemnity period should be the period You consider it would take to restore the income of Your business to the same position it was on the day the loss occurred.

If Your indemnity period exceeds 12 months Your sum insured should be increased proportionately.

## Your sum insured calculation

<b>A. Difference Method. This method subtracts the variable expenses from the turnover</b>		<b>TOTAL</b>
State the total turnover during the period ending / 200	\$	
Add Closing Stock	\$	
<b>Sub total</b>	<b>\$</b>	<b>\$</b>
Now deduct the sum of Your opening Stock and variable expenses		
1. Opening Stock	\$	
2. Stock Purchases	\$	
3. Wages (if not required or insured separately)	\$	
4. Electricity	\$	
5. Water	\$	
6. Commissions paid	\$	
7.	\$	
8.		
<b>9. Total variable or uninsured working expenses</b>	<b>\$</b>	<b>\$</b>
<b>Gross Profit</b> (deduct total 9 from Sub Total above)		<b>\$</b>
Where the indemnity period exceeds 12 months multiply the Gross Profit figure by the relevant factor e.g. 15 months = 125%, 18 months =150%, 27 months = 225%		\$
Plus adjustment for inflation and business trend		\$
Plus 10% for insurance of VAT liability (if required)		\$
<b>TOTAL SUM INSURED FOR GROSS PROFIT</b>		<b>\$</b>

<b>B. Additions Method. This method adds to the pre tax net profit all of the fixed operating expenses.</b>		<b>TOTAL</b>
Total pretax profit for the period ending / 200		\$
Plus all fixed operating expenses e.g.		
1. Interest	\$	
2. Wages (if not required or insured separately)	\$	
3. Rates	\$	
4. Insurance	\$	
5. Rent	\$	
6. Other	\$	
7.		
<b>8. Total fixed expenses or standing charges</b>	<b>\$</b>	<b>\$</b>
<b>Gross Profit</b> (add total 8 to pretax profit above)		<b>\$</b>
Where the indemnity period exceeds 12 months multiply the Gross Profit figure by the relevant factor e.g. 15 months = 125%, 18 months =150%, 27 months = 225%		\$
Plus adjustment for inflation and business trend		\$
Plus 10% for insurance of VAT liability (if required)		\$
<b>TOTAL SUM INSURED FOR GROSS PROFIT</b>		<b>\$</b>

<b>C. GROSS RENTALS</b> - Annual Rental income for the year ending / 200 (allow for rent review)	\$
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<p><b>D. WAGES</b> Annual wage roll for the period ending / 200</p> <p>Wages should equal the wages subtracted as an uninsured working expense in calculating the Gross Profit sum insured using the difference method. and include FNPF, FNTC contributions, meal allowances etc.</p> <p><b>Dual Basis</b></p> <p>a. The number of weeks for which 100% of wages need to be insured</p> <p>b. The percentage of total wages which need to be insured for the remainder of the indemnity period</p> <p>c. Specified period the number of weeks for which insurance of wages is required 100%. The maximum number of weeks allowed is equal to the period of indemnity.</p>	<p>\$</p> <p>_____</p> <p>_____ %</p>
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**IMPORTANT NOTE**

**In order to insure against Business Interruption You must first insure Your Commercial Property with Us.  
Questions answered on Your Commercial Property Proposal are material to this Business Interruption Proposal**

**1. SITUATION OF THE PREMISES – for more than one situation please complete a new page 3 for each**

Location	Unit number	Street, Avenue, Crescent etc	Town
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<b>2. INSURANCE COVER REQUIRED</b>	<b>INDEMNITY PERIOD (Months)</b>	<b>SUM INSURED</b>
1 Gross Profit		\$
2 Gross Rentals		\$
3 Payroll ( Dual Basis ) 100% for ____ weeks, remainder ____ %		\$
4 Wages - number of weeks		\$
5 Claim Preparation Costs		\$
6 Other		\$
7 Other		\$

**3. IMPORTANT QUESTIONS**

3.1 What method was used to calculate the gross profit sum insured?      Additions method <input type="checkbox"/> Difference method <input type="checkbox"/>	
3.2 How often do you complete a stock take?	3.3 How often do you produce a profit & loss account?
3.4 Are your accounts audited and if so by whom	
3.5 when does your financial year end	

**4. ADDITIONAL PERILS AND/OR COVER**

Any peril insured under Business Interruption must also be insured under Your Commercial Property policy with Us. The perils insured under this Business Interruption Policy can however be more restrictive than the Commercial property policy.)

4.1 Earthquake    Yes <input type="checkbox"/> No <input type="checkbox"/>	4.2 Cyclone        Yes <input type="checkbox"/> No <input type="checkbox"/>	4.3 Flood            Yes <input type="checkbox"/> No <input type="checkbox"/>
4.4 Burglary        Yes <input type="checkbox"/> No <input type="checkbox"/>	4.5 Riot             Yes <input type="checkbox"/> No <input type="checkbox"/>	4.6 Looting         Yes <input type="checkbox"/> No <input type="checkbox"/>
4.7 Do you wish to insure your liability for VAT following receipt of a claim payment      Yes <input type="checkbox"/> No <input type="checkbox"/>		

Under the Value Added Tax Decree You will be liable to pay 1/11 of any claim payment received to the inland Revenue Department. The policy can be extended to pay 111.11% of the adjusted claim in return for an additional premium of 11.111%)

**5. DECLARATION**

I/We understand that:

- Dominion is relying on the answers to questions contained in Our Commercial Proposal to evaluate My/Our application for this insurance.
- I/We am/are obliged to inform Dominion of any information which may be material to its consideration of this application.
- Failure to provide any of this information or pay the premium may result in Dominion refusing to provide the insurance.
- I/We have read pages 1 - 2 of this proposal application and have been offered the full policy document to read.

Signed by the proposer . \_\_\_\_\_ Date \_\_\_\_\_

Print your full name

OFFICE USE	G Profit	G Rentals	Payroll	Wages	Claim Prep.	Other	TOTAL
A	BASIC PREMIUM						
B	CYCLONE PREMIUM						
C	FLOOD						
D	BURGLARY						
F	FARTHQUAKE						
F	RIOT						
G	LOOTING						
H	TOTAL PREMIUM						
I	INSURERS ADMIN FEE						
J	VAT						
K	A+B+C+D+E+F+G+H +I+J =						
BRANCH				INTERMEDIARY			
CLIENT REFERENCE							
REPLACING POLICY NUMBER				POLICY NUMBER			