

Competition Law Compliance:

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**BUSINESS INTERRUPTION SPECIFICATION WORDINGS**

NOTE APPLICABLE TO ALL WORDINGS IN THIS APPENDIX

When used with earlier policy forms substitute "Damage" for "Incident" wherever it appears and delete the definition of "Incident".

**"GROSS PROFIT" WORDING – SUM INSURED BASIS**

Item No.		Sum Insured
1	On Gross Profit	£ _____
	Total Sum Insured	£ _____

The Insured under Item No. 1 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 of 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 Standard Charges Clause) necessarily and unreasonably 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 this item 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.

## DEFINITIONS

**Notes:** 1 To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this policy shall be exclusive of such tax

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

**Incident:** Loss or destruction of or damage to property used by the Insured at the Premises for the purpose of the Business.

**Indemnity Period:** The period beginning with the occurrence of the Incident and ending not later than the Maximum Indemnity Period thereafter during which the results of the Business shall be affected in consequence thereof.

**Maximum Indemnity Period:** months.

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

**Gross Profit:** The amount by which –

- (i) the sum of the amount of the Turnover and the amounts of the closing stock and work in progress shall exceed
- (ii) the sum of the amounts 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 and work in progress shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

### **Uninsured Working Expenses:**

**Note:** The words and expressions used in this definition (other than wages) shall have the meaning usually attached to them in the books and accounts of the Insured.

**Rate of Gross Profit –** The Rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Incident ) to which such amendments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances either before

<p><b>Annual Turnover</b> - The Turnover during the twelve months immediately before the date of the Incident</p> <p><b>Standard Turnover</b> – The Turnover during that period in twelve months immediately before the date of the Incident which corresponds with the Indemnity Period</p>	<p>) 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</p>
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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 his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover during the Indemnity Period.

**Uninsured Standard Charges Clause:** If any standing charges of the Business be not insured by the policy (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 standard charges.

**Premium Adjustment Clause:** (Use appropriate wordings from pages 80 and 81).

**Note:** Where the Uninsured Working Expenses are recognised variable charges, the Uninsured Standard Charges Clause and the reference thereto under paragraph (b) of Item No. 1 should be deleted.

**“GROSS PROFIT” WORDING – DECLARATION-LINKED BASIS**

Item No.		Estimated Gross Profit
1	On Gross Profit	£ _____

The insurance under Item No. 1 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 Standing Charges 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 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

Notwithstanding proviso 2 on the face of this policy

- (i) the liability of the Insurer shall in no case exceed, in respect of Gross Profit 133.3% of the Estimated Gross Profit stated herein, in respect of each other item 100% of the sum insured stated herein, nor in the whole the sum of 133.3% of the Estimated Gross Profit and 100% of the sums insured by other items, or such other items as may be substituted therefore by memorandum signed by or on behalf of the Insurer
- (ii) in absence of written notice by the Insured or the Insurer to the contrary the Insurer's liability shall not stand reduced by the amount of any loss, the Insured undertaking to pay the appropriate additional premium for such automatic reinstatement of cover.

## DEFINITIONS

**Notes:** 1 To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this policy shall be exclusive of such tax.

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

**Incident:** Loss or destruction of or damage to property used by the Insured at the Premises for the purpose of the Business.

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

**Maximum Indemnity Period:** months

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

**Gross Profit:** The amount by which –

- (i) the sum of the amount of the Turnover and the amounts of the closing stock and work in progress shall exceed
- (ii) the sum of the amounts 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 and work in progress shall be arrived at in accordance with the Insured's normal accountancy methods, due provision being made for depreciation.

**Uninsured Working Expenses:**

**Note:** The words and expressions used in this definition (other than wages) shall have the meaning usually attached to them in the books and accounts of the Insured.

<b>Rate of Gross Profit</b> – The Rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Incident	)	to which such amendments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances 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
<b>Standard Turnover</b> – The Turnover during that period in twelve months immediately before the date of the Incident which corresponds with the Indemnity Period	)	

**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 his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover during the Indemnity Period.

**Uninsured Standard Charges Clause:** If any standing charges of the Business be not insured by the policy (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 standard charges.

**Renewal Clause:** The Insured shall prior to each renewal provide the Insurer with the Estimated Gross Profit for the financial year most nearly concurrent with the ensuing year of insurance.

**Premium Adjustment Clause:** The first and annual premiums (in respect of Item 1) are provisional and are based on the Annual Gross Profit.

The Insured shall provide to the Insurer not later than six months after the expiry of each period of insurance 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 Incident shall have occurred giving rise to a claim for loss of Gross Profit the above mentioned declaration shall be increased by the Insurer 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 Incident.

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

- (a) is less than the Estimated Gross Profit for the relative period of insurance the Insurer will allow a pro rata return of 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 of insurance shall pay a pro rata addition to the premium paid on the Estimated Gross Profit

**Notes:** 1 Where the Uninsured Working Expenses are recognised variable charges, the Uninsured Standing Charges Clause and the reference thereto under paragraph (b) of Item No. 1 should be deleted.

2 When the combined Material Damage and Business Interruption policy forms are used substitute "B" for "2" in line 1 of second paragraph

3 "Accountants" may be substituted for "Auditors" in respect of companies exempt from audit requirements

**GROSS REVENUE WORDING – SUM INSURED BASIS**

Item No.		Sum Insured
1	On Gross Revenue	£ _____
	Total Sum Insured	£ _____

The insurance under Item No. 1 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 reduction in Gross Revenue therefore 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 Revenue as may cease or be reduced in consequence of the Incident

provided that if the sum insured by this item 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.

### DEFINITIONS

**Notes:** 1 To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this policy shall be exclusive of such tax.

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

**Incident:** Loss or destruction of or damage to property used by the Insured at the Premises for the purpose of the Business.

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

**Maximum Indemnity Period:** months

**Gross Revenue:** The money paid or payable to the Insured for services rendered in the course of the Business at the Premises.

**Annual Gross Revenue -** The Gross Revenue during the twelve months immediately before the date of the Incident ) to which such amendments shall ) be made as may be necessary to ) provide for the trend of the ) Business and for variations in or ) other circumstances 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

before the date of the Incident ) nearly as may be reasonably  
which corresponds with the ) practicable the results which but  
Indemnity Period ) for the Incident would have been  
) obtained during the relative  
period after the Incident

**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 his behalf the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Gross Revenue during the Indemnity Period.

**Premium Adjustment Clause:** (Use appropriate wording from pages 80-81).

### GROSS REVENUE WORDING – DECLARATION-LINKED BASIS

Item No.		Estimated Gross
Revenue		
1	On Gross Revenue	£ _____

The insurance under Item No. 1 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 reduction in Gross Revenue therefore 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 Revenue as may cease or be reduced in consequence of the Incident

Notwithstanding proviso 2 on the face of this policy

- (i) the liability of the Insurer shall in no case exceed, in respect of Gross Revenue 133.3% of the Estimated Gross Revenue stated herein, in respect of each other item 100% of the sum insured stated herein, nor in the whole the sum of 133.3% of the Estimated Gross Revenue and 100% of the sums insured by other items, or such other items as may be substituted therefore by memorandum signed by or on behalf of the Insurer

(ii) in the absence of written notice by the Insured or the Insurer to the contrary the Insurer's liability shall not stand reduced by the amount of any loss, the Insured undertaking to pay the appropriate additional premium for such automatic reinstatement of cover.

## DEFINITIONS

**Notes:** 1 To the extent that the Insured is accountable to the tax authorities for Value Added Tax, all terms in this policy shall be exclusive of such tax.

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

**Incident:** Loss or destruction of or damage to property used by the Insured at the Premises for the purpose of the Business.

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

**Maximum Indemnity Period:** months

**Gross Revenue:** The money paid or payable to the Insured for services rendered in course of the Business at the Premises.

**Estimated Gross Revenue:** The amount declared by the Insured to the Insurer 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 for a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months).

**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 amendments shall  
) be made as may be necessary to  
) provide for the trend of the  
) Business and for variations in or  
) other circumstances 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

**Alternative Trading Clause:** If during the Indemnity Period goods shall be sold or services rendered 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 shall be brought into account in arriving at the Gross Revenue during the Indemnity Period.

**Renewal Clause:** The Insured shall period to each renewal provide the Insurer with the Estimated Gross Revenue for the financial year most nearly concurrent with the ensuing year of insurance.

**Premium Adjustment Clause:** The first and annual premiums (in respect of Item 1) are provisional and are based on the Estimated Gross Revenue.

The Insured shall provide to the Insurer not later than six months after the expiry of each period of insurance a declaration confirmed by the Insured's auditors of the Gross Revenue earned during the financial year most nearly concurrent with the period of insurance.

If any Incident shall have occurred giving rise to a claim for loss of Gross Revenue the above mentioned declaration shall be increased by the Insurer for the purpose of premium adjustment by the amount by which the 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).

- (a) is less than the Estimated Gross Revenue for the relative period of insurance the Insurer will allow a pro rata return of premium paid on the Estimated Gross Revenue (but not exceeding 50% of such premium).
- (b) is greater than the Estimated Gross Revenue for the relative period of insurance the Insurer shall pay a pro rata addition to the premium paid on the Estimated Gross Revenue.

**Notes:** 1 When the combined Material Damage and Business Interruption policy forms are used substitute "B" for "2" in line 1 of second paragraph.

2 "Accountants" may be substituted for "Auditors" in respect of companies exempt from audit requirements.

## FINES OR DAMAGES

£

**Item No**

On Fines or Damages for breach of contract

**Item No**

The insurance under this item is limited to fines or damages for breach of contract and the amount payable as indemnity thereunder shall be such sums as the Insured shall be legally liable to pay and shall pay in discharge of fines or damages, incurred solely in consequence of the Incident, for non-completion or late completion to orders.

**PREMIUM ADJUSTMENT CLAUSES**

- Notes:**
- 1 When "Gross Revenue" specification applies, substitute "Revenue" for "Profit" wherever it occurs.
  - 2 "Accountants" may be substituted for "Auditors" in respect of companies exempt from audit requirements.

PROVISIONAL PREMIUM – SUM INSURED BASIS ONLY

NON-PROVISIONAL PREMIUM – SUM INSURED BASIS ONLY

The first and annual premiums are provisional being (75%) of the premiums payable at the commencement of the period of insurance with the balance of (25%) to be paid within 6 months of the expiry of that period except that –

in respect of any item(s) on Gross Profit the premium shall be adjusted on receipt by the Insured of a declaration of Gross Profit during the financial year most nearly concurrent with such 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 the above mentioned declaration shall be increased by the Insurer for the purpose of premium adjusted by the amount by which Gross Profit was reduced during the financial year solely in consequence of the Incident

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

- (a) is less than (75%) of the sum insured on Gross Profit for the relative period, the Insurer will allow a pro rata return of premium not exceeding (33.3%) of the provisional premium paid.
- (b) is greater than (75%) of the sum insured on Gross Profit for the relative period, the Insured shall pay a pro rata additional premium not exceeding (33.3%) of the provisional premium paid.

In the event that no declaration is received within 6 months of the expiry of such period of insurance the balance of (25%) shall be paid.

The premium paid hereon may be adjusted on receipt by the Insurer of a declaration of Gross Profit 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 the above mentioned declaration shall be increased by the Insurer 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 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 for the relative period of insurance the Insurer will allow a pro rata return of premium not exceeding 50% of the premium paid.

#### DECLARATION-LINKED BASIS

The first and annual premiums (in respect of Item No. 1) are provisional and are based on the Estimated Gross Profit.

The Insured shall provide to the Insurer not later than six months after the expiry of each period of insurance 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 Incident shall have occurred giving rise to a claim for loss of Gross Profit the above mentioned declaration shall be increased by the Insurer for the purpose of the premium adjustment by the amount by which the Gross Profit was reduced during the financial year solely in consequence of the Incident.

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

- (a) is less than the Estimated Gross Profit for the relative period of insurance the Insurer will allow a pro rata 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 of insurance the Insured shall pay a pro rata addition to the premium paid on the Estimated Gross Profit.

## SPECIAL CLAUSES

### PROFESSIONAL ACCOUNTANTS CLAUSE modifying the Insurer's rights under Claims Condition 1

Any particulars or details contained in the Insured's books of account or other business books or documents which may be required by the Insurer under Claims Condition 1 of this policy for the purpose of investigating or verifying any claim hereunder may be produced by professional accountants if at any 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 Insurer will pay to the Insured the reasonable charges payable by the Insured to their professional accountant for producing such particulars or details or any other proofs, information or evidence as may be required by the Insurer under the terms of Claims Condition 1 of this policy 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 policy shall in no case exceed the liability of the Insurer as stated.

**Notes:** (1) "Auditors" may be substituted for "professional accountants"

(2) the second paragraph and the proviso may be omitted

(3) substitute "Condition 4", "Condition 14" or "Condition 15" as appropriate for "Claims Condition 1" when used with earlier versions of policy forms.

### DEPARTMENTAL CLAUSE incorporating a departmental basis into specifications

If the Business be conducted in departments the independent trading results of which are ascertainable, the provisions of clauses (a) and (b) of the item on Gross Profit shall apply separately to each department affected by the Incident [except that if the sum insured by the said item be less than the aggregate of the sums produced by applying the Rate of Gross Profit for each department of the Business (whether affected by the Incident or not) to its relative Annual Turnover (or to a proportionately increased multiple thereof where the Maximum Indemnity Period exceeds twelve months) the amount payable shall be proportionately reduced].

**Note:** For insurances on the declaration-linked basis the words in square brackets should be omitted.

## SALVAGE SALE CLAUSE

If, following any Incident giving rise to a claim under this policy, the Insured shall hold a salvage sale during the Indemnity Period, clause (a) of the item on Gross Profit shall, for the purpose of such claim, read as follows:-  
(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 (less the Turnover for the period of the salvage sale) shall, in consequence of the Incident, fall short of the Standard Turnover, from which sum shall be deducted the Gross Profit actually earned during the period of the salvage sale.

NEW BUSINESS CLAUSE for businesses which have not completed a full year's working

**Rate of Gross Profit** – The Rate of Gross Profit earned on the Turnover during the period between the date of 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

) to which such amendments shall  
) be made as may be necessary to  
) provide for the trend of the  
) Business and for variations in or  
) other circumstances 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

**Note:** Where “Gross Revenue” specification applies omit “Rate of Gross Profit” definition and substitute “Gross Revenue” for “Turnover” wherever it occurs.

MATERIAL DAMAGE PROVISIO WAIVER for use with earlier version of Standard Fire Policy form.

It shall not be a condition precedent to liability in respect of interruption or interference in consequence of destruction or damage (as within defined) that payment shall have been made or liability admitted under the insurance covering the interest of the Insured in the property at the Premises against such destruction or damage if no such payment shall have been made nor liability admitted solely owing to the operation of a proviso in such insurance excluding liability for losses below a specific amount.

## ACCUMULATED STOCKS CLAUSE

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 finished goods in warehouses or depots.

**Notes:** The only combination of circumstances in which it is envisaged such a clause would operate are:

1. If a manufacturer's stock of finished goods
  - a. be depleted in keeping down the reduction in Turnover during the Indemnity Period, and
  - b. cannot be made good by the end of the Maximum Indemnity Period

and
2. after the end of the period the manufacturer suffers loss because of the deficiency.

In such circumstances, provided that the Maximum Indemnity Period is not less than 12 months, it is equitable that within the limit of the benefit the Insurer has obtained under 1(a) an allowance should be made for the loss under 2.

It is recommended that the clause should not operate except in the above combination of circumstances.