

BUSINESS INCOME COVERAGE FORM (AND EXTRA EXPENSE)

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us", and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION F - DEFINITIONS.

A. COVERAGE

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration". The suspension must be caused by direct physical loss of or damage to property at the premises described in the Declarations, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from any Covered Cause of Loss.

1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

2. Covered Causes of Loss.

See Standard Property Policy Section A.3.

3. Additional Coverages and Limitations.

a. Extra Expense.

Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

- (1) We will pay any Extra Expense to avoid or minimize the suspension of business and to continue "operations":
 - (a) At the described premises; or
 - (b) At replacement premises or at temporary locations, including:
 - (I) Relocation expenses; and
 - (II) Costs to equip and operate the replacement temporary locations.
- (2) We will pay any Extra Expense to minimize the suspension of business if you cannot continue "operations".

(3) We will pay any Extra Expense to:

- (a) Repair or replace any property; or
- (b) Research, replace or restore the lost information on damaged valuable papers and records;

to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

b. **Civil Authority.** We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to two weeks from the date of that action.

c. **Alterations, New Buildings and Seasonal Operations.** We will pay for the actual loss of Business Income you sustain due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures;
- (3) Machinery, equipment, supplies

or building materials located on or within 100 feet of the described premises and:

- (a) Used in the construction, alterations or additions; or
- (b) Incidental to the occupancy of new buildings;

(4) Buildings or structures with an established pattern of seasonal or cyclical "operations". If such direct physical loss or damage delays the start of "operations", the "period of restoration" will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred. This limitation, however, does not apply to provisions concerning Extra Expense under Coverage Agreement A.3.a. or Loss Condition D.4.b. (1).

d. **Extended Business Income.** We will pay for the actual loss of Business Income you incur during the period that:

- (1) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (2) Ends on the earlier of:
 - (a) The date you could restore our business, with reasonable speed, to the condition that would have existed if no direct physical loss or damage occurred; or
 - (b) 30 consecutive days after the date determined in (1) above.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

B. EXCLUSIONS

See Standard Property Policy, Section B.

C. LIMITS OF INSURANCE

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

Payments under the following Additional Coverages will not increase the applicable Limit of Insurance:

1. Alterations, New Buildings and Seasonal Operations;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

D. LOSS CONDITIONS

The following conditions apply in addition to the Common Policy Conditions (Section E of the Standard Property Policy), and Loss Conditions Nos. 4 and 6 (Section F of the Standard Property Policy).

1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

2. Duties In the Event Of Loss

You must see that the following are done in the event of loss:

- a. Notify the police if a law may have been broken.
- b. Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- c. As soon as possible, give us a description of how, when, and where the direct physical loss or damage occurred.
- d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance.

- e. Permit us to inspect the property and records proving the loss.

Also permit us to take samples of damaged property for inspection, testing and analysis.

- f. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.
- g. Send us a signed, sworn statement of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- h. Cooperate with us in the investigation or settlement of the claim.
- i. Resume all or part of your "operations" as quickly as possible.

3. Limitation - Electronic Media And Records

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

- a. 60 consecutive days from the date of direct physical loss or damage; or
- b. The period, beginning with the date of direct physical loss or damage necessary to repair, rebuild or replace, with reasonable speed and similar quality, other property at the described premises due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

- (1) Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;
- (2) Data stored on such media; or
- (3) Programming records used for electronic data processing or electronically controlled equipment.

This limitation does not apply to Extra Expense.

Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1 - September 1. Loss during the period September 2 - October 1 is not covered.

Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1. The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1 - September 29 (60 consecutive days). Loss during the period September 30 - October 15 is not covered.

4. Loss Determination

- a. The amount of Business Income loss will be determined based on:

- (1) The Net Income of the business before the direct physical loss or damage occurred;
 - (2) The likely Net Income of the business if no loss or damage occurred;
 - (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
 - (4) Other relevant sources of information, including:
 - (a) Your financial records and accounting procedures;
 - (b) Bills, invoices and other vouchers; and
 - (c) Deeds, liens or contracts.
- b. The amount of Extra Expense will be determined based on:
- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
 - (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and
 - (b) Any Extra Expense that is

paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) All necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

5. Loss Payment

We will pay for a covered loss within 30 days after we receive the sworn statement of loss, if:

- a. You have complied with all of the terms of this Coverage Part; and
- b. (1) We have reached agreement with you on the amount of loss; or
(2) An appraisal award has been made.

6. Resumption of Operations

We will reduce the amount of your:

- a. Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
- b. Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

7. Vacancy

Except as provided in Section A, Paragraph 3.c., we will not pay any amount

under this Business Income Coverage Form (and Extra Expense) if the building where the direct physical loss or damage occurs is "vacant" or "unoccupied" at the time the loss or damage commences to occur.

E. MONTHLY LIMIT OF INDEMNITY

The most we will pay for the actual loss of Business Income you sustain during each period of 30 consecutive days after the direct physical loss or damage is 25 percent of the Limit of Insurance.

Example:

When the Limit of Insurance is \$120,000, the most we will pay for the loss you sustain during each period of 30 consecutive days is $\$120,000 \times .25 = \$30,000$. If, in this example, the actual amount of loss is:

Days 01-30	\$40,000
Days 31-60	20,000
Days 61-90	30,000

	\$90,000

We will pay:

Days 01-30	\$30,000
Days 31-60	20,000
Days 61-90	30,000

	\$80,000

The remaining \$10,000 is not covered.

F. DEFINITIONS

1. "Finished Stock" means stock you have manufactured.

"Finished Stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.

"Finished Stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

2. "Operations" means your business activities occurring at the described premises.

3. "Period of Restoration" means the period of time that:

- a. Begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
- b. Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

"Period of Restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1) Regulates the construction, use or repair, or requires the tearing down of any property; or
- (2) Requires any insured or others to test or, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".

The expiration date of this policy will not cut short the "period of restoration".

4. "Pollutant" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

5. "Vacant" means containing no contents pertaining to the operations or activities customary to the occupancy of the building.

6. "Unoccupied" means containing contents pertaining to the occupancy of the building while operations or other customary activities are suspended.

SAMPLE