

MACHINERY BREAKDOWN (LOSS OF PROFIT) INFO

Scope of Cover

The Machinery Loss of Profit provides cover for the actual loss of gross profits sustained as a result of business interruption caused by a damage indefinable under the Machinery Breakdown policy. Therefore, all causes of loss covered by the basic Machinery Breakdown policy is also covered by the Machinery Loss of Profit Policy.

Indemnity Period

This is the agreed duration of business interruption for which the insurers may become liable. The Indemnity Period should relate to the amount of time required for repairing the machine damaged or for the delivery of new machinery in cases where total loss is possible.

Basis of Indemnity

The policy indemnifies the Insured for loss of gross profit due to reduction in turnover and increase in cost of working. There are several methods of defining Gross Profit, but the intention is to provide indemnity payment for:

- Continuing business expenses (standing charges);
- Net Profit.

Basis of Indemnity (cont'd)

- The salaries and wages paid to employees;
- The increase in cost of working and the additional expenditure necessary and reasonably incurred for avoiding or diminishing a reduction in turnover.

Rating

Rates are based on the Indemnity Period chosen e.g. for the Indemnity Period declared as 12 months, the rate is an agreed percentage of the sum insured.

Underwriting Consideration

The Profit and Loss Accounts are usually required to establish the sum insured. As a new Corporation estimated budget figures for operating expenses, salaries, overheads will form the basis of the sum insured.

Minimum Premium

RM 150.00

Note: This policy only granted if it is covered together with the Machinery Breakdown Insurance.