

Business Interruption

The following forms part of **your** Businesspack policy and must be read in conjunction with the Business Insurance policy wording insert.

The **schedule** shows whether **you** have selected cover under the Business Interruption Part.

What you are covered for

▶ Interruption to your business

You are insured for **business interruption** resulting from **insured damage**.

Please also see 'Contingent Business Interruption Extensions' and 'Optional Policy Extension' for other circumstances that we consider to be insured damage

Insured items

You only have cover for the following 'Insured Items' that are specified in the **schedule** as 'Insured'.

▶ A. Loss of insured profit

1. Reduction in turnover:

You are insured for loss of **insured profit** produced by the following formula:

[the **rate of insured profit**] x [the **reduction in turnover**].

2. Increase in cost of working:

You are insured for necessary and reasonable additional expenditure **you** incur solely to avoid or diminish the **reduction in turnover**. Provided that this additional expenditure does not exceed the sum produced by the following formula:

[the **rate of insured profit**] x [the amount of the **reduction in turnover** avoided by the additional expenditure].

3. Reduced Margin:

You are insured for the reduction in **insured profit** that equitably results from the increase in ratio of:

[the cost of materials used and goods sold] to [turnover],

if **turnover** is maintained during the **indemnity period**, but at a **rate of insured profit** that is less than would have been achieved but for the **insured damage**.

However, **you** are not insured for the reduction in **insured profit** that results from any change to any of the other **uninsured working expenses** that affects this ratio. *This is because the increase may result from a fixed cost element in the expenses that has not been insured.*

4. Savings in insured expenses:

We will deduct from **your** claim any sum saved during the **indemnity period** for costs and expenses of **your business** operations (that would be paid out of **insured profit**) that cease or reduce because of the **insured damage**.

▶ B. Loss of rent

1. Reduction in rent:

You are insured for **reduction in rent**.

2. Increase in cost of working:

You are insured for necessary and reasonable additional expenditure **you** incur solely to avoid or diminish the **reduction in rent**. Provided that this additional expenditure does not exceed the amount of the **reduction in rent** avoided by the additional expenditure.

3. Savings in insured expenses:

We will deduct from **your** claim any sum saved during the **indemnity period** for costs and expenses of **your business** operations (that would be paid out of **rent**) that cease or reduce because of the **insured damage**.

▶ C. Loss of revenue

1. Reduction in revenue:

You are insured for **reduction in revenue**.

2. Increase in cost of working:

You are insured for necessary and reasonable additional expenditure **you** incur solely to avoid or diminish the **reduction in revenue**. Provided that this additional expenditure does not exceed the amount of the **reduction in revenue** avoided by the additional expenditure.

3. Savings in insured expenses:

We will deduct from **your** claim any sum saved during the **indemnity period** for costs and expenses of **your business** operations (that would be paid out of **revenue**) that cease or reduce because of the **insured damage**.

▶ D. Claims preparation costs

You are insured for:

1. fees reasonably incurred to pay **your** accountant, auditor, or another professional financial consultant (but not an insurance broker), and
2. reasonable costs incurred for **your** own staff,

for quantification (but not negotiation) of claims under this policy and (where applicable) **your Business Assets Part** that covered the **loss**.

▶ E. Book debts

You are insured for the amount that **you** are unable to collect from customers due to **your** accounting or other **business** records suffering **insured damage**.

We will pay the difference between:

1. the total amount of debit balances in customers' accounts due to **you** and outstanding as at the start of the **indemnity period**, and
2. the total amount that can be established as owing by identifiable customers, during the 12 months after the start of the **indemnity period**.

▶ F. Rewriting of records

You are insured for costs reasonably incurred to replace or restore:

1. entries, or
2. information, or
3. data, including **electronic data** (but not **software**),

contained within any of **your business** records, provided that the need to replace or restore is as a result of the **insured damage**.

▶ G. Additional increased costs of working

You are insured for necessary and reasonable additional expenses, provided they are incurred during the **indemnity period** solely:

1. to avoid or diminish the **reduction in turnover**, or
2. to resume or maintain normal **business** operations.

No cover is provided for expenditure which is:

- (a) covered under an Insured Item's 'Increase in cost of working', until the amount of cover under that Item for those expenses is exhausted, or
- (b) incurred for reinstating **your property damage**.

Contingent business interruption extensions

We provide the following Contingent Business Interruption cover. You only have this cover for those 'Insured Items' shown in the **schedule**.

We will consider each of the **business interruptions** in the following extensions to have resulted from **insured damage** and we will calculate **your** claim as set out in the relevant 'Insured Item' specified in the **schedule**.

▶ How much we will pay

The most we will pay under all 'Contingent Business Interruption Extensions' in total for any **event** is:

1. 10% of the sum insured shown in the **schedule** for each applicable 'Insured Item', or
 2. \$250,000 in total,
- whichever is the lesser.

▶ A. Prevention of access – property damage

You are insured for **business interruption** resulting directly from **property damage** in the **vicinity** that prevents or hinders access to the **situation**.

The **deferment period** is the first 24 hours.

▶ B. Prevention of access – injury murder or suicide

You are insured for **business interruption** resulting directly from:

1. immediate and imminent danger to human life, or
2. injury of any person, or
3. murder or suicide of any person,

occurring at the **situation** or in the **vicinity** that prevents or hinders access to the **situation**.

The **deferment period** is the first 24 hours.

▶ C. Prevention of access – closure by any authority

You are insured for **business interruption** resulting directly from closure of the **situation** by any lawful authority due to:

1. defects in drains or other sanitary arrangements, or
2. the **accidental** escape of fumes or any hazardous material.

The **deferment period** is the first 24 hours.

▶ D. Dependent business that attracts customers

You are insured for **business interruption** resulting directly from **property damage** to an anchor tenant situated in the same retail shopping complex as **your business**.

Notwithstanding the 'Indemnity Period' stated in the **schedule**, the **indemnity period** under this extension is 30 days.

The **deferment period** is the first 72 hours.

▶ E. Failure of utilities

You are insured for **business interruption** resulting directly from **property damage** to the buildings, plant, equipment, or supply lines, located in New Zealand, of any Public Utility that supplies:

1. power or gas, or
2. water or sewage disposal, or
3. telecommunications,

to **your business**.

This extension does not insure you for **business interruption** in connection with **property damage** to:

1. any off-shore oil or gas installation including undersea gas pipelines, or
2. any undersea electric or telecommunication cables.

The **deferment period** is the first 24 hours.

▶ F. Customers or suppliers premises

You are insured for **business interruption** resulting directly from **property damage** occurring at a location within New Zealand:

1. where you have property stored, deposited, processed, repaired, altered or renovated, or
2. where any of your direct customers are located, or
3. where any of your direct suppliers of goods are located.

▶ G. Closure of transport routes, ports or airports

You are insured for **business interruption** resulting directly from:

1. **property damage**, or
2. an order by a lawful authority,

that results in closure of any transport route, port or airport anywhere in New Zealand.

The **deferment period** is the first 7 days.

Automatic policy extension

The following Automatic Policy Extension applies.

▶ A. Option to defer commencement of the indemnity period

You may elect to defer the start of the **indemnity period** after **insured damage** occurs on the following basis:

1. you must notify us (in writing or by electronic means) within 90 days of the **insured damage** occurring of your intention to defer the commencement of the **indemnity period**, and
2. the deferred **indemnity period** must start:
 - (a) no later after the **insured damage** occurs than the number of months specified in the **schedule** as the 'Indemnity Period' from the date the **insured damage** occurred, or
 - (b) within 12 months of the date the **insured damage** occurred, whichever is the earlier otherwise this option to defer expires, and
3. the **indemnity period** cannot be deferred if we have already paid a claim under any 'Insured Item' of this Business Interruption policy (other than for Rewriting of Records, or Claims Preparation Costs in respect of your **Business Assets Part**) resulting from that **insured damage**.

When you do elect to defer commencement of the **indemnity period** as described above, then:

- A. you must notify us (in writing or by electronic means) of the actual date on which you elect the **indemnity period** to start as soon as possible, but no later than 30 days after that actual date, and
- B. the definition of **standard turnover** is deleted and replaced with:
'The **turnover** during the period in the previous 12 months immediately before the date of the **insured damage**, subject to any adjustments as per 'What We Will Pay – D. Standard Adjustments'.
If **insured damage** occurs before the end of the first year in business, the results to date will be the basis for establishing standard turnover', and
- C. the definition of **standard revenue** is deleted and replaced with:
'The **revenue** during the period in the previous 12 months immediately before the date of the **insured damage**, subject to any adjustments as per 'What We Will Pay – D. Standard Adjustments'.
If **insured damage** occurs before the end of the first year in business, the results to date will be the basis for establishing standard revenue'.

Optional policy extension

This Optional Policy Extension only applies where shown in the **schedule** as 'Insured' and applies to the 'Insured Items' shown in the **schedule**.

▶ A. Natural disaster cover

You are insured for **business interruption** in connection with **natural disaster damage**.

For contingent business interruption extensions the **deferment period** is the first 21 days. This replaces any other **deferment period** that applied.

Exclusions

▶ A. Natural disaster

This policy does not insure **business interruption** in connection with **natural disaster damage** other than cover provided by Optional Policy Extension A: Natural Disaster Cover.

Please also see the General Exclusions under the 'Business Insurance' Policy Wording Insert.

What we will pay

▶ A. Maximum amount payable for insured items

The most we will pay during an **indemnity period** for any one 'Insured Item' is the specific sum insured shown in the **schedule** for that 'Insured Item'.

▶ B. Accumulated stock

If there is a shortage of stock after the **indemnity period** ends because the **turnover** was temporarily maintained from accumulated stock held by you during the **indemnity period**, we will make a fair allowance for this in settling the claim.

▶ C. Departments

If your **business** operations are conducted in departments that have separately identifiable trading results, this policy shall apply separately to each department. However, 'What We Will Pay – A. Maximum Amount Payable for Insured Items' remains unchanged and any claim settlement shall be calculated by reference to the trading results of all departments affected (whether positively or negatively) by the **business interruption**.

▶ D. Standard adjustments

When calculating your claim under all Insured Items, we will make allowance for adjustments that are necessary to provide for:

1. the trend of your **business** operations, and
 2. variations in your **business** operations, and
 3. other circumstances affecting your **business** operations,
- that:

- (a) occur before or after the start of the **indemnity period**, or
- (b) would have affected your **business** operations had the **insured damage** not occurred,

so that the final adjusted figures should represent, as close as is reasonably practicable, the results that would have been achieved during the **indemnity period** but for the **insured damage**.

We will take into account both positive and negative adjustments to your business operations.

Definitions

The definitions apply to the plural and any derivatives of the bolded words. For example, the definition of 'accidental' also applies to the words 'accidentally', 'accident' and 'accidents'.

accidental

Unexpected and unintended by **you**.

annual period

The **period of insurance**. However, if:

- (a) **you** pay the premium monthly or quarterly, or
- (b) the **period of insurance** is for more than 12 months,

the annual period is the current 12 month period calculated consecutively from the date this policy first started.

business

The business described in the **schedule**.

Business Assets Part

The insurance policy that **we** call the Business Asset Part, that **you** have with **us** that insures **loss** to tangible property.

business interruption

Interruption to or interference with **your business** operations.

deferment period

The period by which the start of the **indemnity period** is deferred.

electronic data

As defined in General Exclusion 3 – Electronic Data and Software in the 'Business Insurance' Policy Wording Insert.

event

Any one event or series of events arising from one source or original cause.

indemnity period

The period during which **your business** suffers a **business interruption** that starts when the **insured damage** occurs and ends no later than the number of months specified in the **schedule** as the 'Indemnity Period'.

However, for a claim under any Contingent Business Interruption Extension, Indemnity Period means the period during which **your business** suffers a **business interruption** that starts when the **business interruption** occurs and ends no later than the number of months specified in the **schedule** as the 'Indemnity Period'.

insured damage

1. Sudden and **accidental loss** occurring at the **situation** to any property (or part) owned or used by **you** for the **business**, provided that the **loss** is:
 - (a) covered as a claim under **your Business Assets Part**, or would have been but for the excess, or
 - (b) caused by the explosion of a **pressure vessel**.
2. **property damage**.

insured profit

The amount by which the sum of the **turnover** plus the amount of the closing stock exceeds the sum of the amount of the opening stock plus the amount of the **uninsured working expenses**.

With regard to this calculation:

- (a) the amount of the opening and closing stocks must be in accordance with **your** normal accounting methods, allowing for depreciation, and
- (b) the words and expressions used have the usual meaning attached to them as used in **your** books and accounts, including the **uninsured working expenses**.

loss

Physical loss or physical damage occurring during the **period of insurance**.

natural disaster damage

Insured damage that results directly or indirectly from earthquake, subterranean fire, volcanic eruption, tsunami, geothermal activity, hydrothermal activity, or fire caused by any of these.

pressure vessel

Any boiler or economiser that, during ordinary use are subjected to either generated fluid pressure or vacuum, including:

- (a) all integral parts including pipes, and
- (b) controls, and
- (c) systems (other than systems forming part of a building or structure).

property damage

Sudden and **accidental loss** to property that would have been covered (but for the excess) as a claim under **your Business Assets Part**, if **you** owned the property.

rate of insured profit

The rate of **insured profit** earned on the **turnover**, during the financial year immediately before the date of the **insured damage**, subject to any adjustments as per 'What We Will Pay – D. Standard Adjustments'.

reduction in rent

The amount that the **rent**, during any part of the **indemnity period**, shall fall short of the **standard rent** that relates to the same period, as a result of **insured damage**.

reduction in revenue

The amount that the **revenue**, during any part of the **indemnity period**, shall fall short of the **standard revenue** that relates to the same period, as a result of **insured damage**.

reduction in turnover

The amount that the **turnover** during any part of the **indemnity period**, shall fall short of the **standard turnover** that relates to the same period, as a result of **insured damage**.

rent

The actual amount of any:

- (a) rent **you** receive, and
- (b) payments to **you** for services provided, for letting out the premises at the **situation**.

revenue

The monies paid to **you**, or monies billed by **you** for work done or services provided as part of **your business** operation.

situation

The location or locations referred to in the **schedule**.

software

As defined in General Exclusion 3 – Electronic Data and Software in the 'Business Insurance' Policy Wording Insert.

standard rent

The **rent you** received during the period in the previous 12 months immediately before the date of the **insured damage**, subject to any adjustments as per 'What We Will Pay – D. Standard Adjustments'.

If **insured damage** occurs before the end of the first year in business, the results to date will be the basis for establishing standard rent.

standard revenue

The revenue during the period in the previous 12 months immediately before the date of the **insured damage** that corresponds with the **indemnity period**, subject to any adjustments as per 'What We Will Pay – D. Standard Adjustments'.

If **insured damage** occurs before the end of the first year in business, the results to date will be the basis for establishing standard revenue.

standard turnover

The **turnover** during the period in the previous 12 months immediately before the date of the **insured damage** that corresponds with the **indemnity period**, subject to any adjustments as per 'What We Will Pay – E. Standard Adjustments'.

If **insured damage** occurs before the end of the first year in business, the results to date will be the basis for establishing standard turnover.

turnover

Whichever of the following options provides the most equitable measurement of **your** claim:

- (a) all money, or other reimbursements **you** receive for goods or services in connection with **your business** operations, or
- (b) such other index of **your business** operations that gives the most equitable result.

uninsured working expenses

Those expenses listed in the **schedule** as 'Uninsured Working Expenses'. If no expenses are listed in the **schedule** then uninsured working expenses are deemed to be expenses that vary in direct proportion to the **turnover** and/or production.

vicinity

The area within a 5 kilometre radius of the **situation**.

you

The person(s) or entity named in the **schedule** as 'Insured'. **We** may also use the word 'insured' to describe **you**.

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