



# PROPERTY LOSS OF PROFITS INSURANCE

*Property loss of profits insurance indemnifies the actual loss of gross profit sustained because of a business interruption caused by a loss covered under property insurance. The cover is important for business continuity.*

A hand is shown pointing at a glowing spot on a circular interface. The word 'PROFIT' is written in large, bold, white letters across the center of the circle. To the right of the circle, there are labels '+ MAX' and '- MIN' indicating a range or scale.

**PROFIT**

+ MAX

- MIN

## COVERS INSURED

- › Loss of profit including fixed (*standing*) charges such as salaries and rent which would continue even after the business is interrupted by a loss or damage
- › Reasonable additional expenses (*increase in cost of working*) incurred to avoid a reduction in turnover

The period for which the insurance will indemnify losses is the indemnity period. It depends on the estimated replacement period for property insured. Normally, indemnity period is 12 months. However, if insured estimates a higher replacement period for the property it may exceed 12 months.

The sum insured is, the 12 months' gross profit (*or higher if the indemnity period is more than 12 months*) obtained from the turnover of goods produced or handled in the course of the insured's business.

Instead of a monetary deductible, this type of insurance usually carries a time excess of normally 3 to 14 days or higher for certain businesses.

Loss of profit cover will indemnify the insured only if the loss is caused by physical damage to property covered by underlying property insurance. Both policies therefore, are like two sides of the same coin.

## OPTIONAL EXTENSIONS

- › Failure of public utilities
- › Customers and suppliers extensions
- › Denial or prevention of access
- › Additional expenditure other than increase in cost of working
- › Payment on account

## MAJOR EXCLUSIONS

- › War, sabotage, political risks and terrorism
- › Nuclear risks and radioactive contamination
- › Cyber risks
- › Asbestos risks
- › Date recognition
- › Communicable diseases