



**L&T GENERAL INSURANCE COMPANY LIMITED**

**ADVANCE LOSS OF PROFITS INSURANCE POLICY**

In consideration of the premium amount having paid by the Principal (hereinafter referred to as the insured) being named in the Schedule attached to this policy and respective Project Insurance Policy (the details of which are contained in the Schedule to this Policy), to **The L&T General Insurance Co. Ltd**, (hereinafter called the Company), the Company agrees to indemnify the Insured in respect of loss of Gross Profit actually sustained due to reduction in turnover and increased cost of working as defined in this Policy, if at any time during the period of insurance stated in the schedule to this policy any or all the insured items suffer loss or damage covered under the above referred Project Insurance Policy, unless specifically excluded in this Policy, thereby causing an interference in the construction & erection work and/or testing schedule resulting in the delay of commencement of and/or interference with the insured business, hereinafter referred to as “the delay”,

The amount payable as indemnity hereunder shall be:

- **In respect of loss of Gross Profit:** the sum obtained by applying the rate of gross profit to the amount by which the actual turnover during the indemnity period falls short of the turnover which would have been achieved had the delay not occurred;
- **In respect of Increased Cost of Working:** the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which, without such expenditure, would have taken place during the indemnity period, but not exceeding the sum obtained by applying the rate of gross profit to the amount of the reduction in turnover thereby avoided.

If the annual sum insured hereunder is less than the sum obtained by applying the rate of gross profit to the annual turnover, the amount payable shall be reduced proportionately.

**Definitions:**

**Period of Insurance:** The period of insurance shall be the period stated in the Schedule to this Section, terminating on the date specified in the Schedule or on any earlier date when the EAR/ CAR Material Damage Policy ceases.



**Schedule Date of Commencement of the Insured Business:** The provisional date specified in the schedule attached to this policy or any revised date upon which the business would have commenced had the delay not occurred.

**Indemnity Period:** The period during which the results of the business are affected in consequence of the delay, beginning on the scheduled date of commencement of the insured business and not exceeding the maximum indemnity period stated in the Schedule to this Policy.

**Time Excess:** The period as stated in the Schedule of the Policy for which the Company is not liable. The corresponding amount shall be calculated by multiplying the average daily value of loss sustained during the indemnity period by the number of days agreed upon as the time excess.

**Turnover:** The amount of money (less discount allowed) paid or payable to the Insured for goods, products or services sold, delivered or rendered in the course of the insured business conducted at the premises.

**Annual Turnover:** The turnover which, had the delay not occurred, would have been achieved during the 12 (Twelve) months after the scheduled date of commencement of the insured business.

**Annual Gross Profit:** The amount by which the value of the annual turnover and the value of the closing stock exceeds the value of the opening stock and the amount of the specified working expenses. The value of the opening and closing shall be calculated in accordance with the Insured's normal accounting methods, due provisions being made for depreciation.

Specified working expenses shall be any costs incurred for the acquisition of goods, raw materials or auxiliaries as well as for supplies (unless required for the upkeep of operations) and any costs for packaging, carriage, freight, intermediate storage, turnover tax, purchase tax, license fees and royalties for investors in so far as such costs are dependent on turnover.

**Rate of Gross Profit:** The rate which, had the delay not occurred, would have been earned on the turnover during the indemnity period.



**Special Conditions**

1. The Insured shall present the Company with updated progress reports at intervals stated in the Schedule to this Policy.

2. In the event of any material change in the original risk such as

- Changes of the envisaged progress programme, testing procedures, etc
- Alteration, modification or addition to any item of machinery or work, etc.
- Departure from prescribed construction or operation conditions
- Changes in the Insured's interest (such as discontinuation or liquidation of the business or its being placed in receivership)

taking place, the Policy shall be void unless its continuance be agreed by memorandum/ endorsement signed by the Company.

3. In the event of any occurrence which might cause a delay and give rise to a claim under this policy:

- a) the Insured shall immediately notify the Company by telephone or telegram and send written confirmation thereof within forty-eight hours of the occurrence;
- b) the insured shall do and concur in doing and permit to be done all such things as may be reasonably practicable to minimize or establish the extent of any interference with the erection work and/or testing schedule (if applicable) so as to avoid or diminish any delay resulting there from.
- c) the Company and every person authorized by the Company shall, without prejudice to any party insured by this policy, have access to the erection site where such loss or damage has occurred for the direct negotiation with the responsible contractor or subcontractor in order to establish the possible cause and extent of loss or damage, its effect on the insured items, to examine the possibilities for minimizing any delay to the scheduled date of commencement of the insured business, and if necessary to make any reasonable recommendations for the avoidance or minimization of such delay.

This condition shall be evidence of the leave and license of the Insured to the Company so to do. If the Insured or anyone acting on his behalf hinders or obstructs the Company during any of the above-mentioned acts or does not comply with such recommendations of the Company, all benefits under this policy shall be forfeited.



4. In the event of a claim being made under this policy, the Insured shall at its own expense deliver to the Company not later than thirty days after the delay or within such further periods as the Company may allow in writing a written statement setting forth particulars of claim lodged with the Company. Furthermore, the Insured shall at his own expense produce and furnish to the Company such books of account and other business books, e.g. invoices, balance sheets and other documents, proofs, information, explanation or other evidence as may reasonably be required by the Company for the purpose of investigation or verifying the claim, together with – if required – a statutory declaration of the truth of the claim and of any matters connected therewith.
5. The indemnity shall become payable one month after final determination of its amount. Notwithstanding the above, the Insured may, one month after the Company have been duly notified of the loss and they have acknowledged their liability, claim as advance payment(s), the minimum amount(s) payable under the prevailing circumstances.

The Company shall be entitled to postpone payment:

- a) if there are doubts as to the Insured's right to receive payment, until the necessary proof is furnished;
- b) if, as a result of any loss or damage or any delay to the anticipated date of commencement of the insured business, police or criminal investigations have been initiated against the Insured, until completion of such investigation.

The Company shall not be liable to pay interest on indemnity moneys withheld other than interest for default.

### **Special Exclusions**

The Company shall not be liable for

1. loss of gross profit and/or increased cost of working due to any delay caused by or resulting from
  - a) loss or damage cover under Section I of the Project insurance Policy (details of which are mentioned in the schedule hereto) by way of endorsement, unless it has been specifically agreed in writing;
  - b) earthquake, volcanic eruption, tsunami unless it has been specifically agreed in writing
  - c) Loss of or damage to Surrounding Property, Construction Machinery, Plant & Equipment;
  - d) Loss of or damage to operating media or feedstock, shortage, destruction, deterioration of or damage to any materials necessary for the insured business;



- e) Any restrictions whatsoever imposed by a public authority;
  - f) Non-availability of funds;
  - g) Alterations, additions, improvements, rectifications of defects or faults or elimination of any deficiencies carried out after the occurrence;
  - h) Loss or damage to items taken over or taken into use by the Insured or for which the cover under Section I of EAR/CAR insurance policy has ceased;
2. Any loss due to fines or damages for breach of contract, for late or non-compliance of orders, or for any penalties of whatever nature;
  3. Loss of business due to causes such as suspension, lapse or cancellation of a lease, license or order, etc. which occurs after the actual date of commencement of the business;
  4. Loss of or damage to erection work of a prototype nature, unless agreed by an endorsement

### **Provisions**

#### **Memo 1- Extension of Period:**

Any extension of the period of insurance under the concurrent EAR/CAR insurance policy shall not automatically lead to an extension of the period of insurance stated in the Schedule of this policy.

Any extension of the period of insurance under this policy shall be requested in writing as early as possible by the Insured, stating the circumstances leading to the need for extension, and shall have effect for this policy only if specifically agreed upon in writing.

Any alteration of the scheduled date of commencement of the insured business shall be reported and shall have effect for this Policy only specially agreed upon in writing.

#### **Memo 2 – Basis of Settlement of Loss:**

In calculating the rate of gross profit and annual turnover, the following points shall in particular be taken into consideration

- a) the results of the insured business for the 12 month period after commencement,
- b) variations and special considerations which would have affected the insured business had the delay not occurred,
- c) variations and special circumstances affecting the insured business after commencement,

so that the final figures represent as closely as may be reasonably practicable the results which the insured business would have obtained after the scheduled date of commencement had the delay not occurred.



**Memo 3 – Return of Premium:**

If the Insured declares (duly certified by the Insured's auditors) that the gross profit earned during the accounting period of twelve months following the commencement of the insured business or the date on which but for the delay the business would have commenced was less than the sum insured thereon, a pro rata return of premium not exceeding one third of the premium paid shall be made in respect of the difference.

If any loss or damage has occurred giving rise to a claim under this Policy, such return shall be made in respect only of so much of said difference as is not due to such damage.

**Conditions:**

1. This Policy, the Schedule and the Proposal Form annexed (which forms an integral part of this Policy) shall be read together as one contract, and words and expressions to which specific meanings have been attached in any part of this Policy or of the Schedule shall bear such specific meanings wherever they may appear.
2. If any dispute or difference shall arise as to the quantum to be paid under this policy of insurance (liability being otherwise admitted) such difference shall independently of all other questions be referred to the decision of a sole arbitrator, to be appointed in writing by the Insured *and* Company to or, if they cannot agree upon a single arbitrator within 30 days of any party invoking arbitration, the same shall be referred to a panel of three arbitrators comprising of two arbitrators - one to be appointed by Insured *and* Company, respectively to the dispute/difference, and the third arbitrator to be appointed by such two arbitrators and arbitration shall be conducted under and in accordance with the provisions of the Arbitration and Conciliation Act 1996.

It is agreed and understood that no difference or dispute shall be referable to arbitration as hereinbefore provided, if the Company has disputed or not accepted liability under or in respect of this policy of insurance.

It is hereby expressly stipulated and declared that it shall be a condition precedent to any right of action or suit upon this policy of insurance that the award by such arbitrator/arbitrators of the amount of the loss or damage shall be first obtained.

If a claim is in any respect fraudulent, or if any false declaration is made or used in support thereof, or if any fraudulent means or devices are used by the Insured or anyone acting on his behalf to obtain any benefit under this policy of insurance, or if a claim is made and rejected and no action or suit is commenced within three months after such rejection or, in case of arbitration taking place as provided



therein, within three months after the arbitrator or arbitrators or umpire have made their award, all benefit under this policy of insurance shall be forfeited.