



Business Interruption Insurance

KE 03, General terms and conditions 1 April 2020

1 Purpose of insurance

In accordance with these terms and conditions and the General Terms of Contract (YL), Pohjola Insurance Ltd (hereinafter the insurance company) undertakes to cover financial loss caused to the object of insurance by damage referred to in clause 5 below.

2 Object of insurance

The object of the insurance consists of business operations engaged in by the policyholder and specified in the insurance policy. The sum insured is the estimated gross profit, or any other separately agreed expense.

3 Insurable value and sum insured

3.1 Sum insured

The amount of sum insured entered on the policy document, depending on the object of insurance, is the estimated gross profit, extra expenses or loss of rental income.

3.1.1 Estimated gross profit

The basis for calculating the estimated gross profit is an estimate on the following insurance period's net sales. Estimated gross profit is obtained by subtracting from the above net sales (12 months) the following variable costs: materials and services. In the production industry, variable payroll costs are insured unless stated otherwise in the policy document. If the sum insured is calculated for another period or on other grounds, this must be indicated in the insurance policy.

3.1.2 Extra expenses and loss of rental income

By extra expenses we refer to the compensation of higher expenses caused by a loss (such as energy, rental, transportation and labour expenses) calculated during an agreed indemnity period. KE07/706 terms are applied to extra expenses.

Business interruption insurance covering rental income loss compensates for loss of rental income to the policyholder resulting from material damage to the insured building.

3.2 Insurable value

The insurable value is the insured object's value during the calculation period as it would have been realised without the business interruption loss, or other profit specified on different grounds. The insurable value is used to estimate the amount of business interruption loss and amount of compensation. No insurable value is calculated for extra expenses.

4 Indemnity period and deductible

4.1 Period of liability

The indemnity period recorded in the insurance policy is the continuous period of time that begins at the end of the waiting period. The insurance covers business interruption during the indemnity period.

4.2 Deductible

No indemnity is paid for the qualifying period specified in the insurance policy and calculated from the beginning of a business interruption loss. The policyholder may alternatively have another deductible specified in the policy.

5 Coverable losses

5.1 The insurance covers

The insurance covers financial loss caused by interruption of business operations, provided such loss is the direct consequence one of following that occurred during the insurance period:

- of material damage caused at the location, as specified in the policy (under Business interruption cover), to the policyholders property used by the same for his business operations and which would be a coverable loss event under the terms and conditions of property insurance as specified in the insurance policy (under Business interruption cover); or
- of another event mentioned in the special terms and conditions or in the insurance policy (under Business interruption cover).

5.2 The insurance does not cover

The insurance does not cover liquidated damages or other similar damages or consequences which are based on law or an agreement.

Neither does the insurance compensate interruption of equipment malfunction caused by:

- data system break-in, referring to illegal entry into information system
- malicious software, interference with telecommunications or other similar criminal damage affecting software, files or equipment.

6 Indemnification regulations

6.1 Loss amount

6.1.1 Loss amount for the indemnity period for time exceeding the insurance period

The amount of business interruption loss is assessed on the basis of a decrease in net sales. The amount of loss is calculated from the estimated gross profit in the indemnity period which would have been realised if the loss had not occurred. The amount of loss is, in other words, the difference between the estimated gross profit in the specified indemnity period and the realised gross profit.

If the loss period and the indemnity period continue beyond the insurance period, the insurable value and estimated gross profit that would have been generated without the loss is calculated for a period of 12 months, ending at the same time when the business interruption loss ends, but no later than at the end of the indemnity period.

6.1.2 Expenses paid to reduce business interruption loss

The coverable loss also includes expediting costs and other additional financially justifiable expenses paid by the policyholder, which have reduced the business interruption loss by at least the same amount during the indemnity period. In order to mitigate losses, any excess costs are paid in the same proportion as the sum insured is of the actual insurable value.

6.2 Other regulations for calculating the loss amount

6.2.1 Over-insurance

If the estimated gross profit that has been reported to us and what has been entered in the policy document is higher than the actual gross profit, only the loss of the actual gross profit is compensated.

6.2.2 Under-insurance

If the estimated gross profit that has been reported to us and what has been entered in the policy document is lower than the actual gross profit, we compensate only the amount of the loss that was insured.

6.2.3 Termination of business operations

If business operations are discontinued after a loss, the loss amount is the operating profit lost and the paid expenses included in the sum insured for the period it would have taken to resume business operations up to the indemnity period.

6.2.4 Expansion of business operations

Any deductions due to use of part of the indemnity period for development or expansion of business operations, or for other changes, are not taken into account in calculating the reduction in net turnover.

6.2.5 Delays in repairs

Business interruption loss is covered only for the time needed to repair the material damage using effective repair methods.

This is assessed using the criteria that would be observed if the material damage were to be covered under the insurance company's property insurance terms and conditions appended to this insurance.

6.2.6 Amount of indemnity

The indemnity amount consists of the loss amount calculated in accordance with the above rules, less

- any amount saved during the indemnity period because it was unnecessary to pay the expense included in the sum insured as a result of material damage or because the expense was reduced, has or will be paid by another party or under another insurance or was otherwise saved
- the amount by which the operating profit of the policyholder, a company in the same Group or someone else acting for the policyholder increased during the indemnity period owing to the loss, and
- any gross margin included in the indemnity for material damage.

6.2.7 Maximum compensation

The insurance company's maximum liability is the sum insured specified in the policy document.

6.2.8 Compensation based on first loss

First loss refers to the sum insured agreed for the object of insurance and recorded in the insurance policy. Provisions governing underinsurance shall not apply to first loss insurance.

7 Other provisions

Each clause herein must be interpreted in accordance with the principle that the purpose of this insurance is not to benefit the policyholder but to cover a real loss arising from business interruption in accordance with these terms and conditions.

In the event of loss, the policyholder must promptly report to the insurance company and take measures to mitigate any resulting business interruption loss. Any expenses incurred by the policyholder owing to such measures will be indemnified in accordance with the principles applicable to business interruption loss.

The insurance company is discharged from any liability if the policyholder's accounting has not been performed as required by the Finnish Accounting Act and Ordinance.

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Domicile: Helsinki, main line of business: non-life insurance companies

Regulatory authority: Financial Supervisory Authority, finanssivalvonta.fi/en

