

Consequential Loss (Fire) Insurance Policy

Your Standard Fire Insurance Policy only covers loss or damage to tangible assets such as building, plant and stock due to fire and allied perils. However, the full effects of fire cannot be measured solely in terms of property damage as your business will also suffer and overhead charges would in turn be paid out of reduced income. The operating expenses combined with lower business income might adversely affect your business leading to a diminished turnover and loss of profits.

Presenting the Consequential Loss / Business Interruption Insurance Policy

The Consequential Loss Policy also known as Business Interruption Policy covers loss of profits of your business due to reduction in the turnover caused by a loss or damage that is covered in the Standard Fire Policy. This insurance includes cover for increased business operating expenses following the loss. This policy can be taken only in conjunction with a Standard Fire Insurance Policy.

What does this policy cover?

The policy provides the following cover due to reduction in turnover or output caused by perils covered in the Standard Fire and Special Perils Insurance Policy. Coverage includes:

- Loss of net trading profit
- Standing charges (continuing fixed expenses)
- Loss in respect of wages other than those covered by the standing charges.
- Increased cost of working
- Auditor's fees

What are the typical Standing Charges that can be insured?

- Interest on loans and bank drafts
- Rent
- Rates and taxes
- Salaries/wages to permanent staff
- Director's fee, Auditor's fee
- Insurance Premium
- Advertisement
- Postage and stationery
- Bad debt reserves
- Depreciation
- Minimum Fuel & Electricity charges

What is the sum insured?

- The basis of sum insured for Consequential Loss Insurance Policy is the annual gross profit
- The indemnity period is the maximum period required to put your business back into normal operation after damage to insured property
- The indemnity period could vary from 6 months to 3 years
- Up to an indemnity period of one year, your annual gross profit should be selected as sum insured. Thereafter the gross profit should be in proportion to the indemnity period selected.
- Your gross profit should represent the net trading profit plus insured standing charges (fixed charges)
- The standing charges which are to be insured have to be specified.
- Gross profit can also be insured on one of the following basis:
 - Turnover basis
 - Output basis
 - Difference basis
 - Revenue basis

What additional covers does this policy offer?

For a more comprehensive cover, you have the option to select the following add-ons at an additional premium.

- Accidental failure of public electricity/gas/water supply
- Damage to customer's premises due to perils covered under Fire Insurance Policy
- Damage to supplier's premises due to perils covered under Fire Insurance Policy

What does this policy not cover?

This Policy does not cover:

- The difference between the value of stock at the time of fire and value at the time of subsequent replacement
- Depreciation of undamaged stock after a fire
- Cost of preparation of fire and consequential loss claims
- Litigation costs connected with fire or consequential loss claims generally
- Third party claims
- Failure to recover book debts owing to destruction of records
- Loss of goodwill
- Loss of market
- Fines and penalties payable due to delayed fulfillment or cancellation of sale/service contract
- War, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war
- Mutiny, civil commotion assuming the proportion of or amounting to a popular rising, military rising, insurrection, rebellion, revolution, and military usurped power
- Nuclear power reactions and radiations

This is not an exhaustive list. For a detailed list of exclusions, please read our policy terms and conditions.

What is the Premium Payable?

The premium payable depends on the following factors –

- Average rate of the contents of the process blocks under Fire Material Damage Insurance
- Duration of indemnity period
- Nature of process – continuous or otherwise

Is there any provision for refund of premium on expiry of the policy?

If the insured declares at the latest twelve months after the expiry of the policy, that the Gross Profits earned during the accounting period of 12 months most nearly concurrent with the policy period, as certified by the Insured's Auditors, was less than the Sum Insured thereon, a pro-rata return of premium not exceeding 50% of the premium paid on such Sum Insured for such period of insurance shall be made in respect of the difference. Where however the declaration is not received by the Company within twelve months after the expiry of the period of insurance no refund shall be admissible.