

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## Loss of Gross Profit

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This Endorsement modifies insurance provided under the following:

### PRODUCT RECALL INSURANCE FOR CONSUMER GOODS & PRODUCTS

1. It is understood and agreed that the definition of *Loss* under Section 2 is amended to include *Loss of Gross Profit*.
2. It is further understood and agreed that Section 2., Definitions, is amended by the addition of the following definition:

*Loss of Gross Profit* means the *Insured(s)* sales revenue projected prior to the happening of an *Insured Event*, but which has been lost during a period of 6 months beginning after the decrease in sales attributable to and caused directly by an *Insured Event*:

- i. less the variable costs that would have been incurred during the same period, but which have been saved as a result of not making those sales (including the cost of raw materials and all other saved costs) and less
  - ii. less the increased sales of another *Insured Product(s)* within the same product line as the affected product(s) claimed in the *Loss* as a result of an *Insured Event*
3. It is further understood and agreed that Exclusion 3.22 is deleted in its entire.
  4. It is further understood and agreed that General Condition 4.13 is deleted in its entire and replaced as follows:

#### COMPUTATION OF LOSS:

- i. In the event of any *Loss*, detailed claims for payment by the *Insurer(s)* shall be made by the *Insured(s)* as soon as practicable and shall be accompanied by a computation of *Loss*, which sets out in detail how the *Loss* has been calculated and what assumptions have been made. The *Insured(s)* shall produce any documentary evidence, books of account, bill, invoices and other vouchers and copies of the same which *Insurer(s)* or their representatives, including forensic accountants, may require and the *Insured(s)* shall afford them every assistance in their investigations including reasonable access to the *Insured(s)* premises, personnel and necessary documents for the purpose of the computation of *Loss*.
- ii. The *Insurer* shall determine the amount of any *Loss*, taking into account any savings or recoveries or offsetting or make-up of *Loss(es)* which have been made or which the *Insured(s)* could reasonably have been expected to make and the ability of the *Insured(s)* to resume operations.
- iii. *Loss of Gross Profit* shall be assessed by the *Insurer* based on an analysis of the profits generated by the affected *Insured Product(s)* and other *Insured Product(s)* which lost sales as a direct result of the *Insured Event*, during each month of the twelve (12) months prior to the *Insured Event* and taking into account:
  - a) The future profitability of such product(s) had no *Insured Event* occurred; and
  - b) All material changes in the market conditions of any nature whatsoever that would have affected the future marketing of and profits generated by the *Insured Product(s)* or other affected *Insured Product(s)*.

- iv. In determining the amount of any **Loss**, **Insurer(s)** shall apply standard accounting principles as recognized by the relevant regulatory authorities in the **Insured(s)** jurisdiction. Where an **Insured** is present in more than one jurisdiction the relevant principles to be applied will be those of the jurisdiction in which the entity that has suffered the **Loss** is based.
- v. Where **Loss(es)** are paid by the **Insurer** in currency other than the currency in which the premium is paid, the rate of exchange for payment of **Loss** shall be based on the published wholesale exchange rate on the date written notice of the **Insured Event** is received by the **Insurer**.
- vi. Whether or not any partial payments have been made, a final statement of **Loss** with respect to all items of **Loss** must be submitted to the **Insurer** in writing no earlier than twelve (12) months and no later than twenty (24) months after an **Insured Event** becomes known to the **Insured(s)**.

Nothing in the clause shall be deemed to override the provisions of the Notice of **Loss** clause.

It is a condition precedent to the **Insurer(s)** liability under this policy that the **Insured** provides satisfactory documentary evidence which sets out in detail how the **Loss of Gross Profit** has been calculated. The **Insured** shall produce any such documentary evidence which the **Insurer** or their representatives, including forensic accountants, may require, and the **Insured** shall afford them every assistance in their investigations including reasonable access to the **Insured(s)** premises, personnel and necessary correspondence for the purpose of the computation of **Loss**.

Nothing herein contained shall be held to vary, alter, waive or change any of the terms, limits or conditions of this policy except as set forth above.

All other terms, conditions and exclusions remain unchanged.