PRODUCT BRIEF – Advance Loss of Profits (ALOP) POLICY

It is proposed to offer the following cover under the Advance loss of profits (ALOP) policy in conjunction with Erection All Risk or Contractors All Risk Insrance (EAR / CAR) policy. The full terms, conditions, warranties and additional covers would depend on the options exercised by the proposers and the final terms as offered by Reinsurer. The terms, conditions, warranties under the policy will be same as the one's provided by the reinsurers.

In ALOP insurance, the range of material damage which triggers the insurer's liability is by far the broadest, compared with all the other types of Loss Of Profits (LOP) insurance. The professional evaluation of the ALOP risks which are exposed to this great number of perils is therefore even more significant than in other engineering classes.

Risk control will be exercised in the wake of risk assessments before insurance is taken out, in order to investigate whether an object can be insured and to render it insurable, if necessary, by means of special conditions. Risk monitoring activities carried out during the policy period include the progress of work, deviations from the original plans and safety standards, and the updating of the scheduled date of commencement of the insured business. This places the insurer in a position to recognize changes in the risk and to react accordingly

The ALOP underwriter must be careful enough to selectively request the precise technical information required on the risk to be insured and to assess this information in an expert manner.

Coverage:

The indemnity 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.

Basis of Loss Settlement:

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

1. The results of the insured business for the 12-month period after commencement of commercial operation of the insured premises.

2. Variations and special circumstances which would have affected the insured business had the delay not occurred,

3. Variations and special circumstances affecting the insured business after commencement of commercial operation of the insured premises 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 of commercial operations had the delay not occurred.

Underwriting Control: All ALOP proposals will be handled by the Corporate office for a better risk control.