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***ERC Frankona***

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***Simple LoP coverage forms***

***Loss of Profit Seminar***

***1 - 2 June 1999 Bratislava***

# LoP coverage forms

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- Per diem contract
  - Predetermined sum paid per day of outage
  - If the Actual loss sustained is less, the insured gets less
  - Premium based on the maximum daily amount agreed upon
  - Disadvantages :
    - No expenses to reduce loss are reimbursed
    - Coverage is not proportional to fixed and semifixed costs
    - Limited payments to the insured
    - Limited period of indemnity

# LoP coverage forms

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- Increased cost of operation
  - Only pays for expenses to continue the business operation
  - Does not cover the complete interruption of business
  - Coverage adapted to a company that has a large number of plants producing the same product
  - Disadvantages :
    - Limit of Liability ranges between 50 and 100% of the declared values of property
    - Limited period of indemnity (6 months)

# LoP coverage forms

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- Small LoP
  - Packaged solution
    - No real calculation of the value insured is necessary
  - Condition of coverage
    - Sum insured for Property is DM 750 000 max
    - Premium is 80% of that for Fire insurance
  - Scope of coverage
    - Sum insured for BI is the same as property sum insured
    - Period of indemnity is maximum 12 months
  - Endorsements
    - An extra 15% (DM 112 500) sublimit can be added against extra premium, to cover Suppliers Extension
    - Wages of workers can be covered for 30 to 90 days for extra premium

# LoP coverage forms

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- Medium LoP
  - Same packaged solution as small LoP
  - Condition of coverage
    - Sum insured is : Turnover - Cost of raw materials & utilities
    - Premium is 80% of that for Fire insurance
  - Scope of coverage
    - Limit of Liability is max DM 20 Million
    - Period of indemnity is maximum 12 months
    - For extra premium, the Limit of liability can be increased by 33% (DM 6,6 Million)