

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **BUSINESS INCOME PREMIUM ADJUSTMENT**

This endorsement modifies insurance provided under the following:

BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM  
BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM

### **A. How Your Coverage Is Changed**

The initial premium you pay each year for Business Income coverage is based on the Business Income Limit of Insurance you have chosen. This form allows us to adjust that premium annually and refund any premium in excess of the amount actually required.

We will never pay more than the Limit of Insurance. If, at any time during the term of this policy, you need a higher limit, you should request that we increase the Limit of Insurance in order to maintain adequate coverage.

### **B. Limit of Insurance**

We will not pay more for loss in any one occurrence than the smallest of the following amounts:

1. The Limit of Insurance shown in the Declarations for Business Income Coverage.
2. The amount resulting from the application of the Additional Condition, Coinsurance, of the Business Income Coverage Form.
3. The result obtained by multiplying:
  - a. The amount of Net Income that would have been earned and operating expenses that would have been incurred, had no loss occurred, for the 12 months following the date of direct physical loss or damage; by
  - b. The Coinsurance percentage for Business Income Coverage shown in the Declarations.

Example No. 1:

If: The Coinsurance percentage is 50%  
The Net Income that would have been earned and operating expenses that would have been incurred, had no loss occurred, for the 12 months following the date of direct physical loss or damage would have been \$100,000

We will pay no more than \$50,000 (.50 x \$100,000).

NOTE: Subparagraph 3. does not apply if a Coinsurance percentage of 125% is shown in the Declarations for Business Income Coverage.

#### **4. The result obtained by multiplying:**

- a. The amount of loss; by
- b. The result of dividing:
  - (1) The amount of Net Income and operating expenses that you last reported to us before the loss; by
  - (2) The actual amount of Net Income and operating expenses for that period.

Example No. 2 (Values Reported Incorrectly):

If: The values reported are \$ 90,000  
The actual Business Income Values during the period reported were \$120,000  
The amount of loss is \$ 60,000

First Step:

$$\$90,000 \div \$120,000 = .75$$

Second Step:

$$.75 \times \$60,000 = \$45,000.$$

The most we will pay is \$45,000. The remaining \$15,000 is not covered.

Example No. 3. (Values Reported Correctly):

If: The values reported are \$ 120,000  
The actual Business Income Values during the period reported were \$ 120,000  
The amount of loss is \$ 60,000

First Step:

$$\$120,000 \div \$120,000 = 1.00$$

Second Step:

$$1.00 \times \$60,000 = \$60,000$$

We will cover the \$60,000 loss. No penalty for under reporting values applies.

### **C. Reporting Provisions**

For Business Income to which this endorsement applies, you must submit to us reports of Business Income values on the Business Income Report/Work Sheet as follows:

1. At the time this endorsement becomes effective, a report showing Business Income values for your latest available 12 months' operating experience.
2. Within 120 days following each succeeding 12 month period, a report of Business Income values for that 12 month period.
3. Within 120 days after your coverage ends or is cancelled, a report of Business Income values for the period of coverage since the expiration of the previous 12 months' values reported.

### **D. Failure to Submit Reports**

If you do not submit any Business Income report when and as required or if you cancel your Business Income Coverage, the terms of this endorsement will no longer apply and we will not adjust your premium.

### **E. Premium Adjustment**

1. The premium charged at the inception of each policy year is an advance premium. We will determine the final premium for this insurance after the policy year, or expiration, based on your reports of value times the Coinsurance percentage for Business Income.
2. If the adjusted premium is less than the advance premium, we will return the excess premium to you.
3. If the adjusted premium is greater than the advance premium, the advance premium is the final premium.