

# TEXAS WINDSTORM INSURANCE ASSOCIATION

## Windstorm and Hail (All Commercial)

### BUSINESS INCOME COVERAGE ENDORSEMENT AND EXTRA EXPENSE

**IMPORTANT NOTICE: PREMIUM IS FULLY EARNED WHEN WRITTEN, EXCEPT FOR CANCELLATION OF AN ENTIRE POLICY.**

Attached to and forming part of Policy No. \_\_\_\_\_ of the Texas Windstorm Insurance Association issued at Austin, Texas.

Throughout this Endorsement the words “you” and “your” refer to the named insured shown on the declaration page. The words “we”, “us” and “our” refer to the Texas Windstorm Insurance Association providing this insurance.

Date Printed \_\_\_\_\_ Agent \_\_\_\_\_

In consideration of an additional premium shown on the declaration page, this policy is extended to provide the following coverage:

#### A. COVERAGE

1. We will pay you the daily limit or a “prorata amount” of the daily limit specified in this endorsement if you sustain a loss of “business income” and/or “rental value” due to the necessary suspension of your “operations” during the “period of restoration,” provided:
  - a. The suspension is the result of direct physical loss caused by windstorm or hail to property at the “building(s)” described in this endorsement, or in the open or in a vehicle or railroad car within 100 feet of the building; and
  - b. The loss occurs during the term of this policy.
2. We will pay:
  - a. The daily limit shown in this endorsement for each “working day” during the suspension of your “operations;” or
  - b. A “prorata amount” of the daily limit shown in this endorsement for each “working day” during a “partial suspension” of “operations” at the “building(s)” specified in this endorsement; and
  - c. The reasonable expense incurred by you to reduce or prevent the suspension of “operations.” The amount we pay for this expense is limited to the extent that any payment under paragraphs a. and b. is reduced.
3. Extra Expense.

We will pay necessary extra expense you incur during the “period of restoration” that you would not have incurred if there had been no direct physical loss or damage to property at the described “building(s).” The maximum amount that will be paid for Extra Expense coverage is \$10,000 and payment for “Extra Expense” does not affect the daily limit or the limit of liability specified in the attached schedule.

“Extra Expense” means expense incurred:

- a. To avoid or minimize the suspension of “operations” and to continue “operations:”
  - (1) At the described “building(s);” or
  - (2) At a replacement location(s) or at temporary buildings, including:
    - (i) Relocation expenses; and
    - (ii) Costs to equip and operate the replacement or temporary location(s).
- b. To minimize the suspension of “operations” if you cannot continue normal “operations;”
- c. (1) To repair or replace any property, or
- (2) To research, replace or restore the lost information or damaged valuable papers and records;

to the extent it reduces the amount of loss that otherwise would have been payable under this endorsement.

We will pay for “Extra Expense” that occurs within 365 consecutive days after the date of direct physical loss due to windstorm or hail.

## **B. LOSS PAYABLE**

The loss will be payable to you on a monthly basis or any other basis mutually agreed upon by you and the Texas Windstorm Insurance Association.

## **C. EXCLUSIONS**

We will not pay for any loss or expense due to:

1. The suspension of "operations" that would not or could not have been carried on if the direct physical loss had not occurred;
2. Your failure to use due diligence and dispatch and all reasonable means to resume "operations" at the "building(s)" shown in this endorsement; or
3. The suspension, lapse or cancellation of a contract following a loss extending beyond the time "operations" could have resumed if the contract had not lapsed, been suspended, or cancelled.

## **D. EXPIRATION**

This coverage will cease on the earlier of the following:

1. When the property is restored and you are back in business; or
2. When the property should have been restored, with reasonable speed, to its condition prior to the loss; or
3. When the limit of business income coverage in this endorsement has been paid.

## **E. COINSURANCE**

The coinsurance clause is not applicable to this coverage, but all other provisions of the policy remain in effect.

## **F. DEDUCTIBLE**

Time Deductible.

Texas Windstorm Insurance Association shall not be liable for any loss under this endorsement until 168 hours have expired after the direct physical loss caused by windstorm or hail to the property at the "building(s)" described in this policy. If there is a subsequent covered loss within the same policy period and the prior loss and "period of restoration" is still in progress at the time of the subsequent loss, the time deductible will be waived for the new loss. If the prior loss had been adjusted to a conclusion at the time of the subsequent loss, another deductible will be applied for the new loss.

## **G. CONDITIONS**

The following conditions apply in addition to the policy conditions:

### 1. Payment Limits.

Payment for loss or expense under this Endorsement is subject to the following:

- a. The most we will pay for any one "working day" is the amount shown as the daily limit on the schedule in this endorsement;
- b. Our total payment for any one loss for suspension of "operations" will not exceed the total limit of liability shown on the schedule in this endorsement.
- c. Loss or expense under this coverage from a loss that occurs during the time this coverage is in force may continue beyond the expiration of this endorsement. Our liability for that loss or expense is not limited by the expiration of this endorsement

### 2. Reducing Your Loss

As soon as possible after a loss you must:

- a. Resume "operations," partially or completely;
- b. Make use of every available means including:
  - (1) Working extra time or overtime, either at the described "building" or at other building(s) you acquire to carry on the same operation;
  - (2) The property or services of other concerns; and
  - (3) Merchandise or other property, such as surplus machinery, duplicate parts, equipment, supplies and surplus or reserve stock you own, control or can obtain.

## **H. DEFINITIONS**

1. **“Business Income”** - net income (net profit before income taxes) that would have been earned and continuing normal operating expenses incurred, including payroll.
2. **“Net profit”** - the difference between all income and all expenses.
3. **“Operations”** - means:
  - a. Your business activities occurring at the building(s) described in this policy;
  - b. The tenantability of the described building(s) if coverage for business income and/or “rental value” applies.
4. **“Period of Restoration”** - means the period of time that:
  - a. Begins with the date of direct physical loss of or damage caused by windstorm or hail at the building(s) described in this policy; and
  - b. Ends on the date when the damaged property at the described “building(s)” is repaired or replaced or should have been repaired, with reasonable speed, to its prior condition.
5. **“Prorata Amount” (Other than Production/Manufacturing)** - means if the insured operations has a “partial suspension”, only a portion of the daily limit for each “working day” during the “period of restoration” will be paid. This will be calculated by determining “net profit” made per “working day” during the “period of restoration” and deducting this amount from the daily limit. The difference is the “prorata amount” that will be paid and this amount could vary from “working day” to “working day.”
6. **“Prorata Amount” (Production/Manufacturing)** - means if the insured operations has a “partial suspension”, only a portion of the daily limit for each “working day” during the “period of restoration” will be paid. This will be calculated on a percentage of the loss of normal production of your finished product ready for packing, shipment or sale. The difference is the “prorata amount” that will be paid and this amount could vary from “working day” to “working day.”
7. **“Prorata Amount” (Rental Value)** - means if the insured has a “partial suspension” of rental income, only a portion of the daily limit during the “period of restoration” will be paid. This will be calculated by deducting the actual rental income received during the “period of restoration” from the daily limit. Rent is normally paid by the month; therefore, the daily limit can be converted to a monthly limit by multiplying the daily limit amount times 30 days.

For example, the insured building is a 10 unit apartment complex with \$5,000 monthly rental income. The specified daily limit is \$100 or \$3,000 per month. The rental income after the loss is \$2,500 per month. Deduct \$2,500 from \$3,000 for a monthly net claim of \$500 or a daily claim of \$16.67 (\$500 divided by 30 days).
8. **“Building(s)”** - means the building(s) at the address(es) shown on the business income endorsement. There can be multiple buildings at the same premises.
9. **“Working Day”** - means a period of 24 consecutive hours beginning at 12:01 a. m. that your business would have normally been open.
10. **“Partial Suspension”** - means a decrease in “operations” during part or all of a “working day.”
11. **“Rental Value”** - means the:
  - a. Total anticipated rental income from tenant occupancy of the “building(s)” described in the endorsement as furnished and equipped by you; and
  - b. Amount of all charges which are the legal obligation of the tenant(s) and which would otherwise be your obligations; and
  - c. Fair rental value of any portion of the described “building(s)” which is occupied by you.

This coverage is additional insurance. However, in no event will payment of a covered loss under this policy, including this endorsement, exceed the total maximum limit of liability established by law that can be insured by the Texas Windstorm Insurance Association. All terms, exclusions, and conditions of the policy to which this endorsement is attached apply to the coverage provided in this endorsement, except for the coinsurance clause.