Introduction

Law and Jurisdiction

This insurance is subject to English law and practice and to the exclusive jurisdiction of the English courts sitting in London.

In particular, there are rules of law in relation to disclosure and under-insurance.

Material Facts

If at any time after inception of this insurance there is a substantial change in your business, you must advise Underwriters, who reserve the right to amend the rates, terms and conditions of this insurance.

If you are in any doubt as to whether this insurance meets your needs, you should seek independent advice from your insurance advisor.

Cancellation

This insurance may be cancelled by Underwriters or the Insured giving 7 days' notice in writing to take effect from midnight on the date of issue.

Non-Contribution

This insurance does not cover subject matter that is insured by or would, but for the existence of this insurance, be insured by any other existing policy or policies; except in respect of any additional sum beyond the amount which would have been payable under such policy or policies had this insurance not been effected.

Insurance Premium Tax

Underwriters will calculate the tax liability of the Insured, who agrees to pay all amounts due.

Gross Profit Premium Declaration

The first and annual premiums in respect of loss of Gross Profit are provisional and are based on the Estimated Gross Profit

The Insured shall provide to NMU not later than six months after the expiry of each period of insurance a declaration confirmed by the Insured's auditors of Gross Profit earned during the financial year most nearly concurrent with the period of insurance

If any Insured Event shall have occurred giving rise to a claim for loss of Gross Profit the above mentioned declaration shall be increased by NMU for the purpose of premium adjustment by the amount by which the Gross Profit was reduced during the financial year solely in consequence of the Insured Event

If the declaration (adjusted as provided for above and proportionately increased where the maximum Indemnity Period exceeds 12 months) is

a) less than the Estimated Gross Profit for the relative period of insurance NMU will allow a pro rata return of the premium paid on the Estimated Gross Profit

b) greater than the Estimated Gross Profit for the relative period of insurance the Insured shall pay a pro rata addition to the premium paid on the Estimated Gross Profit

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Service Standards

Northern Marine Underwriters Limited

Faulkner House
Faulkner Street
Manchester
M1 4DY

0161 236 3380
(fax) 0161 236 0633

Northern Marine Underwriters Limited is authorised and regulated by the Financial Services Authority.

We aim to provide you with a high quality service. If you are dissatisfied in any way, then please write to or telephone the office which issued this Policy and we will do our best to resolve the problem.

If you are unhappy with the reply or explanation received, we ask that you contact our Compliance Manager, at the address shown left.

We will acknowledge your communication within 5 business days of receipt, letting you know who will be dealing with your problem and when you can expect a response.

We will let you have a formal response within 20 business days.

If that is not our final response, we will let you know the reason why and when you can expect to receive our final response.

Munich Re Underwriting Limited

St Helens
1 Undershaft
London
EC3A 8EE

020 7886 3900
(fax) 020 7886 3901

In issuing this insurance, Northern Marine Underwriters Limited acts as agent for Watkins Syndicate (WTK/457) at Lloyd's.

The Managing Agent for the Syndicate is Munich Re Underwriting Limited.

If we cannot resolve any problem to your satisfaction, you may contact the Compliance Director of Munich Re Underwriting Limited.

Lloyd's of London

One Lime Street
London
EC3M 7HA

020 7327 5693
(fax) 020 7327 5225

Lloyd's is regulated by the Financial Services Authority.

Lloyd's has strict guidelines as to how complaints should be dealt with. You may, if the matter is still not resolved to your satisfaction, or at any time, take your concerns to the Policyholder and Market Assistance team at Lloyd's.

Financial Ombudsman Service

Where appropriate, the Managing Agent and Lloyd's will also give you details of the independent arbitration scheme administered by the Financial Ombudsman Service.

However, the Financial Ombudsman Service will only consider referral of your complaint if you have given us the opportunity to resolve it and we have not, or if we do not resolve it within 40 working days (in which case you may contact them directly) ***and you are***

- a private policyholder; or
- a business with a group annual turnover of less than £1million; or
- a charity with an annual income of less than £1million; or
- a trust with a net asset value of less than £1million.

Financial Services Authority

25 The North Colonnade
Canary Wharf
London
E14 5HS

020 7066 1000

The Financial Services Authority is an independent non-governmental body established to regulate the financial services industry, under statutory powers granted by the Financial Services and Markets Act 2000.

Further information about your rights as a policyholder and guidance about making complaints can be obtained by calling their helpline: 0845 606 1234, or from their website: www.fsa.gov.uk/consumer.

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Claims Procedure

Instructions for Survey

In the event of any happening or event likely to give rise to a claim under this insurance, immediate notice must be given in writing with full particulars to the broker named herein.

No survey is required for any claims unlikely to exceed £1,000 or the equivalent in other currencies.

Duty of the Insured

The Insured shall take all reasonable precautions to prevent Damage

a) In the event of receipt of a Notice of Adjudication relating to any circumstance which has given or may give rise to a claim under this contract the Insured shall provide immediate notice (or on the first working day thereafter) thereof by telephone to NMU

b) On the happening of any Damage the Insured shall

i) notify NMU in writing immediately
ii) inform the police immediately if the Damage is caused by thieves or malicious persons
iii) provide NMU with full details of Damage by riot civil commotion strikers locked-out workers or persons taking part in labour disturbances within seven days of its happening
iv) send to NMU a written claim not later than thirty days or such further time as NMU may in writing allow after the Damage has happened providing at the Insured's own expense all the detailed particulars and evidence regarding the cause and amount of the claim as NMU may reasonably require together with (if demanded) a statutory declaration of the truth of the claim and of any matters connected therewith
v) carry out and permit to be taken any action which may be reasonably practicable to diminish the Damage and to prevent further loss
vi) permit NMU and every person authorised by NMU without thereby incurring any liability to enter any premises where the Damage has occurred and to take and keep possession of and deal with any salvage

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Definitions

For the purposes of this insurance, these words and phrases shall always be taken as having the following meanings:

Insured As stated in the **Schedule**, and any party to whom insurable interest in subject-matter insured hereunder passes under a contract of sale.

And **you** and **your** shall be construed accordingly.

Excess The amount for which the Insured is responsible as the first part of each claim.

Damage Physical loss destruction or damage

Business As detailed in the Schedule

Property Property includes Boiler and Pressure Plant (unless stated otherwise) and shall mean all integral parts of any item of machinery and plant described in the Schedule but excludes (unless specifically stated as being insured)

a) chimneys masonry brickwork foundations supporting structures racking or shelving

b) computer or data processing equipment (unless linked and wholly dedicated to the control of any machine or production or treatment process) communications or alarm systems vending machines games machines and office equipment including but not limited to typewriters adding machines calculators facsimile machines and equipment for the printing or reproduction of documents or other records

c) any item or part of equipment sold supplied processed serviced manufactured or stored in the course of the Insureds trade or business

d) exchangeable or detachable tools equipment and appliances or parts requiring renewal in the normal course of operation

e) vehicles other than purpose-built lifting and handling machinery

f) machinery and plant of a prototypical or experimental or novel nature in use or application

Current Cost Accounting Any adjustment implemented in current cost accounting shall be disregarded

Situation As described in the Schedule

Boiler and Pressure Plant

a) Boilers

b) Property subject to internal steam pressure

c) Property used for storage of fluids under pressure

d) Vacuum vessels

e) Piping associated with any of the above

Reinstatement

a) Where any item of Property suffers Damage to the extent that it cannot be economically repaired replacement by equivalent Property of comparable performance and/or capacity or if such be impracticable replacement by comparable Property having the nearest comparable performance and/or capacity to the Property which has suffered Damage

b) Where any item of Property suffers other Damage the repair of the Damage and the restoration of the portion of Property suffering Damage to a working condition substantially the same as but not better or more extensive than its condition when new

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Definitions

Breakdown

a) The actual failure breaking distortion or burning out of any part of the Property whilst in use arising out of

i) mechanical or electrical defects in the Property

ii) failure or fluctuation of electricity supply

iii) Damage caused by the error or omission of the operator(s) of the Property other than in respect of any failure to maintain

b) Fracturing of any part of the Property by frost when such fracture renders the item inoperative

Incident

Any occurrence or series of occurrences attributable to one proximate cause.

Period

As stated in the **Schedule**.

If notice of cancellation is given, then the end of the period will be midnight on the last day before cancellation becomes effective.

Subsidiary Company

As defined in section 736 of the Companies Act 1985 and any statutory amendments thereto.

Territorial Limits

Great Britain Northern Ireland the Isle of Man and the Channel Islands

Estimated Gross Profit

The amount declared by the Insured to NMU as representing not less than the Gross Profit which it is anticipated will be earned by the Business during the financial year most nearly concurrent with the period of insurance

(or a proportionately increased multiple thereof where the maximum Indemnity Period exceeds 12 months)

Gross Profit

The amount by which the sum of the amount of the Turnover and the amounts of the closing stock and work in progress shall exceed the sum of the amounts of the opening stock and work in progress and the amount of the Uninsured Working Expenses

Note: The amounts of the opening and closing stocks and work in progress shall be arrived at in accordance with the Insured's normal accountancy methods due provision being made for depreciation

Indemnity Period

The period beginning with the expiry of the exclusion period stated in the Schedule and ending when the results of the Business cease to be affected by the Insured Event but not exceeding the maximum Indemnity Period stated in the Schedule commencing with the occurrence of the Insured Event

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Definitions

Insured Events

a) Damage to the Property by sudden and unforeseen cause (including Breakdown) at the Situation which is sufficient to prevent the Property from undertaking its normal work and necessitates its repair or replacement before working can be resumed

b) Damage to the Property by Breakdown of the Property at the Situation meaning
   i) the actual breaking distortion or burning out of any part of any item of the Property whilst in use arising from either mechanical or electrical defects in the item causing sudden stoppage of the functions of the item
   ii) damage to any item of Property caused by frost

   which is sufficient to prevent the item from undertaking its normal work and necessitates its repair or replacement before working can be resumed

   In the case of a Boiler or Pressure Plant it shall also include Damage to the Property by overheating or cracking or fracturing due to internal pressure low-water hammer action or unequal expansion or contraction provided that such Damage gives rise to leakage of the contents of the item

c) The accidental failure of the public supply of electricity at the terminal ends of the supply authority's service feeders at the Situation for a period exceeding thirty minutes

d) The accidental failure of the public supply of gas at the supply authority's meters at the Situation for a period exceeding thirty minutes

e) The accidental failure of the public supply of water at the supply authority's main stop cock serving the Situation (other than by drought) for a period exceeding thirty minutes

f) The accidental failure (being outside the control and responsibility of the Insured) of the fixed public effluent system from the Situation

Failure of a System

Failure of a System means the failure or inability of a System (whether or not owned by the Insured)

a) Correctly to recognise or utilise any data concerning a date (whether a date in the Year 2000 or any other date) as being such calendar date as the data is intended to represent

b) to operate as a result of any command programmed in to the System utilising any date (whether a date in the Year 2000 or any other date)

System

System includes computers and other computing and electronic and mechanical equipment linked to a computer hardware software programs data electronic data processing equipment Microchips and anything which relies on a Microchip for any part of its operation

Microchip includes integrated circuits and microcontrollers

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Definitions

New Business	For the purpose of any claim arising from an Insured Event occurring before the completion of the first year's trading of the Business the terms of Gross Profit and Standard Turnover shall bear the following meanings
New Business Rate of Gross Profit	The rate of Gross Profit earned on the Turnover during the period between the date of the commencement of the Business and the date of the Insured Event to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Insured Event or which would have affected the Business had the Insured Event not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Insured Event would have been obtained during the relative period after the Insured Event
New Business Standard Turnover	The proportional equivalent for a period equal to the Indemnity Period of the Turnover realised during the period between the date of the commencement of the Business and the date of the Insured Event to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Insured Event or which would have affected the Business had the Insured Event not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Insured Event would have been obtained during the relative period after the Insured Event
Rate of Gross Profit	The rate of Gross Profit earned on the Turnover during the financial year immediately before the date of the Insured Event to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Insured Event or which would have affected the Business had the Insured Event not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Insured Event would have been obtained during the relative period after the Insured Event
Standard Turnover	The Turnover during that period in the twelve months immediately before the date of the Insured Event which corresponds with the Indemnity Period to which such adjustments shall be made as may be necessary to provide for the trend of the Business and for variations in or other circumstances affecting the Business either before or after the Insured Event or which would have affected the Business had the Insured Event not occurred so that the figures thus adjusted shall represent as nearly as may be reasonably practicable the results which but for the Insured Event would have been obtained during the relative period after the Insured Event
Turnover	The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in the course of the Business
Uninsured Working Expenses	Purchases (net of discounts) packaging carriage and freight (unless as otherwise stated in the Schedule) Note: The words and expressions used in this definition shall have the meaning usually attached to them in the books and accounts of the Insured
Value Added Tax	To the extent that the Insured is accountable to the tax authorities for Value Added Tax all terms in this contract shall be exclusive of such tax

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Definitions

NMU Northern Marine Underwriters Limited, acting on behalf of MC Watkins and Others, Syndicate 457 at Lloyd's.

And **we**, **us** and **our** shall be construed accordingly.

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Cover

Loss of Gross Profit

If during the period of insurance the Business carried on at the Situation by the Insured is interrupted or interfered with in consequence of an Insured Event NMU will pay to the Insured the amount of loss resulting from such interruption or interference in accordance with the following provisions

The insurance under this contract is limited to loss of Gross Profit due to

a) Reduction in Turnover

and

b) Increase in Cost of Working

and the amount payable as indemnity thereunder shall be

a) in respect of Reduction in Turnover the sum produced by applying the Rate of Gross Profit to the amount by which the Turnover during the Indemnity Period shall fall short of the Standard Turnover in consequence of the Insured Event

b) in respect of Increase in Cost of Working the additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in Turnover which but for that expenditure would have taken place during the Indemnity Period in consequence of the Insured Event but not exceeding the sum produced by applying the Rate of Gross Profit to the amount of the reduction thereby avoided

less any sum saved during the Indemnity Period in respect of any expenses of the Business payable out of Gross Profit as may cease or be reduced in consequence of the Insured Event

Limit of Liability

The liability of NMU shall not exceed in any period of insurance

- in respect of Gross Profit 133.33% of the Estimated Gross Profit stated in the Schedule
- in respect of each other item 100% of the sum insured stated herein
- in total the sum of 133.33% of the Estimated Gross Profit and 100% of the sums insured by other items or such other amounts as may be substituted therefor by endorsement

In the event that the Insured consists of more than one party or legal entity the liability of NMU shall not exceed the amount for which NMU would have been liable had an Insured Event been sustained by any one of the Insured

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Extensions

1. Accumulated Stocks

In adjusting any loss account shall be taken and an equitable allowance made if any shortage in Turnover due to the Insured Event is postponed by reason of the Turnover being temporarily maintained from accumulated stocks of raw materials work in progress or finished goods at the Situation or elsewhere

2. Payments on Account

Where liability under this insurance is admitted the Insured shall be entitled to receive payment(s) as agreed between the Insured and NMU in advance of final settlement

3.Option to Convert to Output

In respect of any loss insured by this contract the Insured shall have the option to convert the basis of settlement from Turnover to output or such other basis as may more realistically measure the loss For this purpose output shall mean the sale value of materials produced by the Insured in the course of the Business at the Situation provided that only one basis shall be operative in connection with any one loss

4.Professional Accountants Charges

Any particulars or details contained in the Insured's books of account or other business books or documents which may be required under the *Duty of the Insured* Condition for the purpose of investigating or verifying any claim hereunder may be produced by professional accountants if at the time they are regularly acting as such for the Insured and their report shall be prima facie evidence of the particulars and details to which such report relates

NMU shall pay to the Insured the reasonable charges payable by the Insured to their professional accountants for producing such particulars or details or any other proofs information or evidence as may be required by NMU under the terms of the *Duty of the Insured* Condition and reporting that such particulars or details are in accordance with the Insureds books of account or other business books or documents

provided that the sum of the amount payable under this memorandum and the amount otherwise payable under the contract shall in no case exceed the sum of the amounts specified herein as the limits of NMU's liability

5.Automatic Reinstatement of Limits of Liability

The amounts specified in this contract as limits of NMU's liability will be automatically reinstated from the date of occurrence of any Damage or liability at additional premium to be agreed between NMU and the Insured except that NMU will not require additional premium if the cost of the claim does not exceed £5,000

6.Automatic Reinstatement of Sum Insured

The sums insured stated in the Schedule will be automatically reinstated without additional premium from the date of occurrence of any Damage or liability of £5,000 or less

7.Departmental Trading

If the Business is conducted in departments the independent trading results of which are ascertainable the cover shall apply separately to each department affected by the Insured Event

8.Alternative Trading

If during the Indemnity Period goods shall be sold or services rendered elsewhere than at the Situation for the benefit of the Business either by the Insured or by others on behalf of the Insured the money paid or payable in respect of such sales or services shall be brought into account in arriving at the Turnover during the Indemnity Period

9.Subrogation Waiver

In the event of a claim arising under this contract NMU shall not enforce any rights of subrogation against any company being a parent of or subsidiary to the Insured or any company which is a subsidiary of a parent company of which the Insured are themselves a subsidiary in each case within the meaning of current legislation

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Extensions

10. Special Provisions

a) No payment beyond the amount which would have been payable in the absence of this memorandum shall be made

i) unless Reinstatement commences and proceeds without unreasonable delay

ii) until Reinstatement has been carried out

iii) if the Property insured at the time of its Damage shall be insured by any other insurance effected by or on behalf of the Insured which is not upon the same basis of reinstatement

b) If at the time of Reinstatement the sum representing 85% of the cost which would have been incurred in reinstating the whole of the Property exceeds the sum insured thereon at the commencement of any Damage the liability of NMU shall not exceed that proportion of the amount of the Damage which the sum insured shall bear to the sum representing the cost of reinstating the whole of the Property at that time

c) All terms exclusions and conditions of this contract shall apply

i) in respect of any claim payable under the provisions of this memorandum except in so far as they are varied hereby

ii) where claims are payable as if this memorandum had not been incorporated

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Exclusions

THE INDEMNITY SHALL NOT APPLY TO

1. Pollution or Contamination

Damage caused by pollution or contamination except Damage caused by

a) pollution or contamination which itself results from any Damage insured

b) any Damage insured which itself results from pollution or contamination

2. Corrosion or Erosion

Damage consisting of or caused by any form of corrosion or erosion howsoever the same may arise but this exclusion shall not apply to Damage to any other part of the Property free from any corrosion or erosion

3.Wear and Tear

Damage caused by or consisting of gradually occurring wear and tear or deterioration which is both predictable and inevitable from the normal operation or usage of the Property but this exclusion shall not apply to Damage to any other part of the Property free from any such condition

4.Fire Perils

Damage at the Situation by fire or explosion (howsoever caused) lightning earthquake aircraft or other aerial devices or articles dropped therefrom or theft

5***. Data Recognition***

Direct or indirect interruption of or interference with the Business caused by any Failure of a System resulting in an Insured Event (whether direct or indirect) to any such System or to any other Property

and where the contract includes such cover property owned by a customer supplier or third party

6. Insured's Contribution

the excess stated in the Schedule being the first part of each and every claim to be borne by the Insured as ascertained after the application of all other terms and conditions of the insurance

7.Weather and Water Perils

Damage to the Property by flood inundation storm tempest bursting or overflowing of water tanks pipes or similar apparatus or the operation of or discharge or leakage from a sprinkler installation

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Exclusions

8. Riot Strike and Civil Commotion	Damage caused by riot strike lock-out or civil commotion
9. War etc	Any consequence of war invasion act of foreign enemy hostilities (whether war be declared or not) civil war rebellion revolution insurrection civil strife military or usurped power confiscation commandeering nationalisation requisition or seizure or Damage to any property by or under the order of any government de jure or de facto or public municipal or local authority
10. Radioactive Contamination	Damage to any property whatsoever or any loss or expense whatsoever resulting or arising from or any consequential loss directly or indirectly caused by or contributed to by or arising from i) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel ii) the radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof
11.Transits by Sea or Air	Damage occurring whilst the Property is in transit by sea or air
12.Utilities	failure of the public supply of electricity gas or water or failure of the public effluent disposal services due to the deliberate act of the authority responsible for such supply or services or the exercise by any such authority of its power to withhold or restrict supply or services other than for the sole purpose of safeguarding life or the authoritys property

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Terrorism

Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this policy an act of terrorism means an act , including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This policy also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the Underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the Insured.

In the event any portion of this policy is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

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Conditions

Alteration	This contract shall be cancelled with respect to any item of the Property in regard to which there is any alteration after the commencement of this insurance a) whereby the risk of Damage is increased either temporarily or permanently or b) whereby the interest of the Insured ceases unless agreed otherwise by NMU in writing
Special Precautions	The Insured shall maintain the Property in an efficient condition and fit for its purpose and shall ensure that any Property requiring inspection under any Statute or Order is so inspected
Right to Examine	NMU representatives shall have the right to examine at all reasonable times any Property
Multiple Lifting	Any lifting operations in which a single load is shared between more than one item of lifting equipment at the same time (of which at least one item of the equipment involved in such lifting operations is insured by this contract) must conform to BS712l specification for multiple lifting
Fraud	If a claim is dishonest or fraudulent in any respect or if dishonest or fraudulent means are used by the Insured or by anyone acting on his behalf to obtain any benefit under this contract or if any Damage is caused by the wilful act or with the connivance of the Insured all benefit under this contract shall be forfeited
Arbitration	If any difference shall arise as to the amount to be paid under this contract (liability being otherwise admitted) such difference shall be referred to an Arbitrator to be appointed by the parties in accordance with the Statutory provisions in that respect for the time being in force Where any difference is by this Condition to be referred to arbitration the making of an award shall be a condition precedent to any right of action against NMU
Subrogation	Any claimant under this contract shall at the request and expense of NMU provide such information and co-operation as NMU may require and shall take and shall permit to be taken all steps for enforcing rights against any other party in the name of the Insured before or after any payment is made by NMU
Renewal Information	The Insured shall prior to each renewal date furnish NMU with the Estimated Gross Profit for the financial year most nearly concurrent with the ensuing year of insurance
Contract Voidable	This contract shall be voidable in the event of misrepresentation misdescription or non- disclosure in any material particular

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