

# Gross Profit under declarations

## CILA Technical Conference 2016



### Policy Declaration Requirement

12 months pre renewal/inception	Last set of Statutory Accounts	Accounts most nearly coterminous with policy period	GP anticipated in policy period
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Uncertainty

### Declaration Issue

Naughtiness

Unexpected industry upturn results in Declaration being low
Policyholder has inadvertently failed to appreciate that the policy definition differs from the meaning in their accounts.
Policyholder understands that there is a different definition of Gross Profit in the accounts compared to the policy, but deducts costs beyond the Specified Working expenses listed in the policy, anticipating that many costs will reduce (but leaving the policy definition unaltered)
Policyholder fills out returns required by their broker without appreciating the importance or relevance of them
Broker, as the policyholder's agent passes on a calculation deducting costs significantly beyond the Specified Expenses in the policy (policyholder oblivious)
Policyholder has assessed the BI exposure (as they see it) and Insured that amount, without reference to the policy wording (the 'secret' EML)
Policyholder insures an amount based on the premium they can afford, without reference to the policy wording
Policyholder decides to declare only 75% of the amount they know should be declared, on the basis that there is an uplift of 133.33% on the happening of a claim
