

WORDS AND PHRASES IN QUOTATION MARKS HAVE SPECIAL MEANING AS DEFINED IN CLAUSE 7

#### 1. INDEMNITY AGREEMENT

In the event that any of the property insured be lost or damaged by the perils insured against the Insurer will indemnify the insured against direct loss so caused to an amount not exceeding whichever is the least of:

- (a) the actual cash value of the property at the time of loss or damage;
- (b) the interest of the Insured in the property;
- (c) the amount or insurance specified in the "Declaration Page" in respect of the property lost or damaged, provided however that where the insurance applies to the property of more than one person or interest, the Insurer's total liability for loss sustained by all such persons and interests shall be limited in the aggregate to the amount of insurance specified on the "Declaration Page".

#### 2. PROPERTY INSURED

This Form insures the interest of the Insured in the Insured's records of accounts receivable and does not apply to the interest of any other person or organization unless included in the Insured's proof of Loss.

#### 3. DEDUCTIBLE

The Insurer is liable for the amount by which the loss or damage caused by any of the perils insured against exceeds the amount of the deductible, if any, specified on the "Declaration Page" in any one occurrence.

#### 4. PERILS INSURED

This Form, except as herein provided, insures against all risks of direct physical loss of or damage to the Insured's records of accounts receivable.

#### 5. EXCLUSIONS

This form does not insure:

- (a) loss due to any fraudulent, dishonest or criminal act of any Insured, a partner therein, or an officer, director or trustee thereof, while working or otherwise and whether acting alone or in collusion with others.
- (b) loss due to bookkeeping, accounting or billing errors or omissions:
- (c) loss, the proof of which as to factual existence, is dependent upon an audit of records, or an inventory, computation; but this shall not preclude the use of such procedures in support of claims for loss which the Insured can prove, through evidence wholly apart therefrom, is due solely to a risk of loss to records of accounts receivable not otherwise excluded hereunder.
- (d) loss due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable committed to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property but only to the extent of such wrongful giving, taking or obtaining.
- (e) loss due to electrical or magnetic injury, disturbance or erasure of electronic recordings, except by lightning.

#### 6. SPECIAL CONDITIONS

- A PROTECTION — It is a condition of this policy that the records of accounts receivable insured hereunder shall be contained in the "premises" described on the "Declaration Page" and
  - (a) If the limit of liability is below \$ 100,000, be kept in a metal filing cabinet at all times, when not in use;
  - (b) If the limit of liability is \$ 100,000 or more, be kept in a fire resistive receptacle at all times when not in use.
- B REMOVAL This Insurance also applies while the records of accounts receivable are being removed to and while at a place of safety because imminent danger of loss or damage and while being returned from such place, provided the insured gives written notice to the insurer of such removal within ten days thereafter.
- C ADJUSTMENT OF LOSS - In the event that the Insured cannot accurately establish the total amount of accounts receivable outstanding as the date loss occurs, such amount shall be based on the Insured's monthly statements and shall be computed as follows:
  - (a) determine the amount of all outstanding accounts receivable at the end of the same fiscal month in the year immediately preceding the year in which loss occurs.
  - (b) calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve months immediately preceding the month to which the loss occurs, or such part thereof for which the Insured has provided monthly statements to the Insurer as compared with such average for the same months of the preceding year:
  - (c) the amount determined in paragraph (a), increased or decreased by the percentage calculated under paragraph (b) shall be the agreed total amount of accounts receivable as the last day of the fiscal month in which said loss occurs:

- (d) the amount determined in paragraph (c) shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration shall be given to the experience of the business since the last day of the fiscal month for which statement has been rendered.

In determining the amount, of the Insurers' liability for any loss hereunder there shall be deducted from the total amount of accounts receivable the amount of such accounts evidenced by records not lost or damaged, or otherwise established or collected by the Insured, and an amount to allow for probable bad debts which would normally have been uncollectible by the Insured. On deferred payment accounts receivable, unearned interest and service charges shall be deducted.

- D RECOVERIES After payment of loss all amounts recovered by the Insured on accounts receivable for which the Insured has been indemnified shall belong to the Insurer and be paid to the Insurer up to the total amount of loss paid by the Insurer; but all recoveries in excess of such amounts shall belong to the Insured.
- E INSPECTION AND AUDIT - The Insurer shall be permitted to inspect the premise and the receptacles in which the records of accounts *receivables* are kept by the insured and to examine and audit the insured's books and records at any time during the policy period and any extension thereof and within three years after the final termination of this policy, as far as they relate the premium basis or subject matter of this insurance, and to verify the statements of any outstanding record of accounts receivable submitted by the Insured and the amount of recoveries of accounts receivable in which the Insurer made any settlement.

## 7. DEFINITIONS

Wherever used in this form:

- (a) "Declarations Page" means the Declarations Page applicable to this Form.
- (b) "Premises" means the Interior of that part of the building at the location described on the 'Declaration Page' which is occupied by the Insured in the business operations stated.