

# ACCOUNT RECEIVABLE – BROAD FORM

## INDEMNITY AGREEMENT

1. 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 the 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 of insurance specified on the "Declarations 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 or amounts of insurance specified on the "Declarations Page."

If any of the insured property is necessarily removed from the location(s) specified on the Declarations Page to prevent loss, destruction or damage or further loss destruction or damage thereto that part of the insurance under this Form that exceeds the amount of the Insurer's liability for any loss already incurred shall, for 7 days only, or for the unexpired term of the policy is less than 7 days, insure the property removed and any property remaining in the location(s) specified on the Declarations Page in the proportions which the value of the property in each of the respective locations bears to the value of the property in them all.

The Insurer will also indemnify the Insured for expenses incurred in the removal of debris of the property insured, occasioned by loss, destruction or damage to such property, for which loss, destruction or damage insurance is afforded under this Form.

## SUBJECT OF INSURANCE

2. This Form insures the following:
  - (a) all sums due to the Insured from customers, provided the Insured is unable to effect collection thereof as the direct result of loss or damage to records of accounts receivable;
  - (b) interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage;
  - (c) collection expense in excess of normal collection cost and made necessary because of such loss or damage;
  - (d) other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

## PROTECTION OF RECORDS

3. This insurance applies only while records of accounts receivable are contained in the Insured's premises (it being a condition precedent to any right of recovery under this Form that the insured property shall be kept in the receptacle(s), as described on the "Declaration Page", at all times when the said premises of the Insured are not open for business, except when the insured property is in actual use)  
This insurance also applies while records of accounts receivable are being removed to and while at a place of safety because of imminent danger of loss or damage and while being returned therefrom, provided the Insured gives written notice to the Insurer within ten days of such removal.

## DEDUCTIBLE

4. 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 specified on the "Declaration Page" in any one occurrence.

Shall one occurrence give rise to the application of more than one deductible, only the largest individual deductible amount shall apply.

## PERILS INSURED

5. This Form insures against all risks of direct physical loss or damage to the Insured's Records of Accounts Receivable occurring during the policy period, except as provided herein.

## EXCLUSIONS

6. This Form does not insure:
  - (a) loss or damage due to any dishonest, fraudulent or criminal act by any Insured, a partner therein, or an officer, director or trustee thereof, whether acting alone or in collusion with others;
  - (b) loss due to bookkeeping, accounting or billing errors or omissions;
  - (c) loss due to electrical or magnetic injury, disturbance or erasure of electronic recordings except by lightning;
  - (d) 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 claim 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;
  - (e) 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, obtaining or withholding;
  - (f) loss due to illegal acquisition, keeping, storing or transportation, or seizure or confiscation for breach of any law or by order of any public authority;

## DEFINITIONS

7. Wherever used in this Form:
  - (i) "Declarations Page" means the Declarations Page applicable to this Form.
  - (ii) "Premises" the unqualified word "premises" means the interior of that portion of the building at the location designated in the "Declarations Page" which is occupied by the Insured for the business purposes stated therein.

## SPECIAL CONDITIONS

### PREMIUM ADJUSTMENT

1. The Insured shall, within twenty days of the end of each fiscal month during the policy period, furnish the Insurer with a written statement of the total amount of accounts receivable, with deferred payments and charge accounts segregated, on the last day of each such month. The premium stated on the Declarations Page is provisional only. Upon termination of this Policy, the sum of the monthly amounts of accounts receivable for the preceding twelve months shall be averaged and the earned premium shall be computed on the such average at the rate stated on the Declaration Page, whether or not such average exceeds the applicable amount of insurance. If the earned premium thus computed exceeds the provisional premium paid, the Insured shall pay the excess to the Insurer; if less, the Insurer shall return to the Insured the unearned portion paid by the Insured, but such premium shall not be less than any minimum premium stated on the Declarations Page.

### INSPECTION AND AUDIT

2. The Insurer shall be permitted to inspect the premises and the receptacles in which the records of accounts receivable 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 year after the final termination of this Policy, as far as they relate to the premium basis or the 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 on which the Insurer has made any settlement.

### RECOVERIES

3. After payment of loss all amounts recovered by the Insured on accounts receivable for which the Insured has been indemnified shall belong and be paid to the Insurer by the Insured up to the total amount of loss paid by the Insurer: all recoveries in excess of such amount shall belong to the Insured.

### ADJUSTMENT OF LOSS

4. When there is proof that a loss covered by this Form has occurred but the Insured cannot accurately establish the total amount of accounts receivable outstanding on the date of loss, such amount shall be based on the Insured's monthly statements and shall be computed as follows:
  - (i) 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 the loss occurs.
  - (ii) Calculate the percentage of increase or decrease in the average monthly total of accounts receivable for the twelve months immediately preceding the month in which the loss occurs, or such part thereof for which the Insured has furnished monthly statements to the Insurer, as compared with such average for the same months of the preceding year.
  - (iii) The amount determined under (i), increased or decreased by the percentage calculated under (ii), shall be the agreed total amount of accounts receivable on the last day of the fiscal month in which said loss occurs.
  - (iv) The amount determined under (iii) shall be increased or decreased in conformity with the normal fluctuations in the amount of accounts receivable during the fiscal month involved, due consideration being given to the experience of the business since the last day of the last fiscal month for which statement has been rendered.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records not loss 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.

### OTHER INSURANCE

5. If there is available to the Insured any other valid and collectible insurance which would apply in the absence of the Form, the insurance under this Form shall apply only as excess insurance over such other insurance.

### REINSTATEMENT

6. Any loss hereunder shall not reduce the amount of insurance applicable to this form.