

Form #AR801 (Rev. Aug 29, 2012)
Accounts Receivable Insurance Form

THIS FORM ONLY APPLIES IF INDICATED "COVERED" AND LIMITS SHOWN ON THE DECLARATIONS PAGE(S).

THIS FORM IS ATTACHED TO AND MUST BE READ TOGETHER WITH THE COMMERCIAL BUILDING, EQUIPMENT & STOCK BROAD FORM POLICY.

1. SUBJECT OF INSURANCE

This Form insures:

- (a) All sums due the Insured from customers, provided the Insured is unable to effect collection thereof as the direct result of loss of 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 re-establishing records of accounts receivable following such loss or damage.

2. PERILS INSURED

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

3. LIMIT OF LIABILITY

The Insurer shall not be liable under this Form for more than the Limit of Liability as cited in the Declarations Page(s) of this Policy.

4. REMOVAL

Such insurance as is afforded by the Form applies while the 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 from such place, provided the Insured gives written notice to the Insurer of such removal within 10 (ten) days thereafter.

5. EXCLUSIONS

This Form does not apply:

- (a) to loss due to any fraudulent, dishonest or criminal act by 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) to loss due to bookkeeping, accounting or billing errors or omissions;
- (c) to 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;
- (d) to 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;
- (e) to loss due to electrical or magnetic injury, disturbance or erasure of electronic recordings, except by lightning; or
- (f) loss or damage caused directly or indirectly by any peril excluded in the Commercial Building, Equipment and Stock Broad Form.

6. CONDITIONS

6.1 DEFINITION.

"Premises" means, for the purpose of this Form, the interior of that portion of the Building at the location designated in the Declarations of the Policy.

6.2 JOINT INSURED.

If more than one Insured is named in the Declarations Page(s) for this Form, the Insured first named shall act for every insured for all purposes of this Form. Knowledge possessed or discovery made by any insured shall constitute knowledge possessed or discovery made by every Insured.

6.3 INSPECTION AND AUDIT.

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 years after the final termination of this Form, as long as they relate to the premium basis or the subject matter of this insurance, and to verify the statements of any outstanding records of accounts receivable submitted by the Insured and the amount of recoveries of accounts receivable on which the Insurer has made any settlement.

6.4 RECOVERIES.

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; but all recoveries in excess of such amounts shall belong to the Insured.

6.5 INSURED'S DUTIES WHEN LOSS OCCURS.

Upon the occurrence of any loss which may result in a claim hereunder, the Insured shall:

- (a) give notice thereof as soon as practicable to the Insurer or any of its authorized agents and, if the loss is due to a violation of law, also to the police; and
- (b) file detailed proof of loss, duly sworn to, with the Insurer promptly within ninety days from the date on which the records of accounts receivable were lost or damaged.

At the Insurer's request, the Insured shall submit to examination by the Insurer, subscribe the same, under oath if required, and produce for the Insurer's examination all pertinent records, all at such reasonable times and places as the Insurer shall designate, and shall cooperate with the Insurer in all matters pertaining to loss or claims with respect thereto, including rendering of all possible assistance to effect collection of outstanding accounts receivable.

6.6 DETERMINATION OF RECEIVABLES: DEDUCTIONS.

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 as of the date of such loss, such amount 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 the loss occurs;

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- (b) 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, as compared with such average for the same months of the preceding year;
- (c) the amount determined under (a) above, increased or decreased by the percentage calculated under (b) above shall be the agreed total amount of accounts receivable as of the last day of the fiscal month in which said loss occurs; and
- (d) the amount determined under (c) above shall be increased or decreased in conformity with the normal fluctuations of 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 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 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. All unearned interest and service charges shall be deducted.

EXCEPT AS OTHERWISE PROVIDED IN THIS FORM ALL TERMS, PROVISIONS AND CONDITIONS OF THE POLICY SHALL HAVE FULL FORCE AND EFFECT.