

ACCOUNTS RECEIVABLE COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words “you” and “your” Refer to the Named Insured shown in the Declarations. The words “we”, “us” and “our” refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section E – DEFINITIONS.

A. COVERAGE

1. We will pay:
 - a. All amounts due from your customers that you are unable to collect;
 - b. Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
 - c. Collection expenses in excess of your normal collection expenses that are made necessary by the “loss”; and
 - d. Other reasonable expenses that you incur to re-establish your records or accounts receivable;

That result from Covered Causes of Loss to your records of accounts receivables.

2. PROPERTY NOT COVERED

Coverage does not apply to:

- a. Records of accounts receivable in storage away from the “premises” shown in the Declarations; or
- b. Contraband, or property in the course of illegal transportation or trade.

3. COVERED CAUSES OF LOSS

Covered Causes of Loss means RISK OF DIRECT PHYSICAL “LOSS” to your record of accounts receivable except those causes of “loss” listed in the Exclusions.

4. ADDITIONAL COVERAGE—COLLAPSE

We will pay for direct “loss” caused by or resulting from risks of direct physical “loss” involving collapse of all or part of a building or structure caused by one or more of the following:

- a. Fire; lightning; windstorm; hail; explosion; smoke; aircraft; vehicles; riot; civil commotion; vandalism; breakage of glass; falling objects; weight of snow, ice or sleet; water damage; all only as covered in this Coverage Form;
- b. Hidden decay;
- c. Hidden insect or vermin damage;
- d. Weight of people or personal property;
- e. Weight of rain that collects on a roof;
- f. Use of defective materials or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

This Additional Coverage does not increase the Limits of Insurance provided in this Coverage Form.

5. COVERAGE EXTENSION

Removal

If you give us written notice within 10 days of removal of your records of accounts receivable because of imminent danger of “loss”, we will pay for “loss” while they are:

- a. At a safe place away from your “premises”;
Or
- b. Being taken to and returned from that place.

This Coverage Extension is included within the Limit of Insurance applicable to the “premises” from which the records of accounts receivable are removed.

B. EXCLUSIONS

1. We will not pay for “loss” caused directly or indirectly by any of the following. Such “loss” is excluded regardless of any other cause of event that contributes concurrently or in any sequence to the “loss”.

a. GOVERNMENTAL ACTION

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this Coverage form.

b. NUCLEAR HAZARD

- (1) Any weapon employing atomic fission or fusion; or
- (2) Nuclear reaction or radiation, or radioactive contamination from any other cause. But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

c. WAR AND MILITARY ACTION

- (1) War, including undeclared or civil war;
 - (2) Warlike action by a military force, including action in hindering or defending against an actual or expected Attack, by any governmental, sovereign or other authority using military personnel or other agents; or
 - (3) Insurrection, rebellion, revolution, Usurped power or action taken by governmental authority in hindering or defending against any of these.
2. We will not pay for a "loss" caused by or resulting from any of the following:
- a. Delay, loss of use, loss of market or any other consequential loss.
 - b. Dishonest acts by:
 - (1) You, your employees or authorized representatives;
 - (2) Anyone else with an interest in the property, or their employees or authorized representatives; or
 - (3) Anyone else to whom the property is entrusted.

This exclusion applies whether or not such persons are acting alone or in collusion with other persons or such acts occur during the hours of employment.

But this exclusion does not apply to Covered Property that is entrusted to others who are carriers for hire.

- c. Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of money, securities or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding

- d. Bookkeeping, accounting or billing errors or omissions.

- e. Electrical or magnetic injury, disturbance or erasure of electronic recordings that is caused by or results from:

- (1) Programming errors or faulty machine instructions;
- (2) Faulty installation or maintenance of data processing equipment or component parts;
- (3) An occurrence that took place more than 100 feet from you "premises"; or
- (4) Interruption of electrical power supply, power surge, blackout or brownout if the cause of such occurrence took place more than 100 feet from your "premises".

But we will pay for direct "loss" caused by lightning.

- f. Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.
 - g. Unauthorized instructions to transfer property to any person or to any place.
3. We will not pay for "loss" that requires any audit of records or any inventory computation to prove its factual existence.
4. We will not pay for a "loss" caused by or resulting from any of the following. But, if "loss" by a Covered Cause of Loss results, we will pay for that resulting "loss".
- a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the "loss".
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. Faulty, inadequate or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;
Of part or all of any property wherever located.
 - d. Collapse except as provided in the Additional Coverage – Collapse section of this Coverage Form.

C. LIMITS OF INSURANCE

The most we will pay for "loss" in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

D. ADDITIONAL CONDITIONS

1. DETERMINATION OF RECEIVABLES

General Condition E. Valuation in the Commercial Inland Marine Conditions is replaced by the following:

- a. If you cannot accurately establish the amount of accounts receivable outstanding as the time of "loss", the following method will be used:
 - (1) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the "loss" occurs; and
 - (2) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the "loss" occurred or for any demonstrated variance from the average for that month.
- b. The following will be deducted from the total amount of accounts receivable, however that amount is established:
 - (1) The amount of the accounts for which there is no "loss";
 - (2) The amount of the accounts that you are able to re-establish or collect;
 - (3) An amount to allow for probable bad debts that you are normally unable to collect; and
 - (4) All unearned interest and service charges.

2. RECOVERIES

The following is added to Commercial Inland Marine Loss Condition 1. Recoveries:

You will pay us the amount of all recoveries you receive for a "loss" paid by us. But any recoveries in excess of the amount we have paid belong to you.

3. The following conditions apply in addition to the Commercial Inland Marine Conditions and the Common Policy Conditions:

a. COVERAGE TERRITORY

We cover records of accounts receivable:

- (1) Within your "premises"; and
- (2) Away from your "premises" while in transit or within premises of others if those premises are located or the transit is within:
 - (a) The United States of America;
 - (b) Puerto Rico; and
 - (c) Canada.

b. COINSURANCE

All accounts receivable, except those in transit, must be insured for at least 80% of their total value as of the time of "loss" or you will incur a penalty.

The penalty is that we will pay only the proportion of any "loss" that the Limit of Insurance shown in the Declarations for Coverage Applicable at All Locations bears to 80% of the total value of all accounts receivable at all locations as of the time of "loss". This penalty will not apply to records of accounts receivable in transit, interest charges, excess collection expenses or expenses to re-establish your records of accounts receivables.

c. PROTECTION OF RECORDS

Whenever you are not open for business, and except while you are actually using the records, you must keep all records of accounts receivable in receptacles that are described in the Declarations.

E. DEFINITIONS

1. "Loss" means accidental loss or damage.
2. "Premises" means that interior portion of the building at the address shown in the Declarations that you occupy for your business.