

ACCOUNTS RECEIVABLE - RIDER MP1

I. SUBJECT OF INSURANCE

This rider insures the following:

- 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 from a peril insured against hereunder 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 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.

Coverage applies only at the location(s) described in the Declarations.

II. LIMIT OF LIABILITY

The Insurer shall not be liable hereunder for an amount exceeding that stated opposite each location described in the Declarations.

III. PERILS INSURED

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

IV. DEDUCTIBLE CLAUSE

Each claim for loss or damage shall be adjusted separately and from the amount of each adjusted claim, a sum as stated in the Declarations shall be deducted.

V. EXCLUSIONS

This rider does not insure against:

- A. 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. 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 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. Loss due to alteration, falsification, manipulations, 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. Loss due to electrical or magnetic injury, disturbance or erasure of electronic recordings, except by lightning;
- F. Loss or damage caused by or resulting from:
 - (a) War, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military power;
 - (b) Contamination caused directly or indirectly by radioactive material;
 - (c) Risks of contraband or illegal transportation or trade;
- G. Property illegally acquired, kept, stored or transported, or property seized or confiscated for breach of any law or by order of any public authority.

VI. SPECIAL CONDITIONS

- A. Protection of Records of Accounts Receivable
Insurance under this rider shall apply only while the records of accounts receivable are contained in receptacles or containers known to the Insurer. It being a condition precedent to any right of recovery that such records of accounts receivable shall be kept in such receptacles or containers at all times when the premises are not open for business, except while such records of accounts receivable are in actual use.
- B. Removal
Such insurance as is afforded by this Rider 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 ten days thereafter.
- C. 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 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.
- D. Reporting and Premium Adjustment: (Applicable only if stated in the Declarations)
The Insured shall, within twenty days after 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, as the last day of each such month.

The premium stated in the Declarations is provisional only. Upon each anniversary and upon termination of this insurance, 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 such average as the rate stated, whether or not such average exceeds the applicable limit 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.

E. Adjustment of Loss

1. Non-Reporting Form

In the event that the Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date loss occurs 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;
- 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, or such part thereof, 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 the said loss occurs;
- d) The amount determined under c) above 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 before the loss.

2. Reporting Form

In the event that the Insured cannot accurately establish the total amount of accounts receivable outstanding as of the date loss occurs such amount shall be based on the Insured's monthly statement 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 the 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 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.
- 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 the said loss occurs;
- d) The amount determined under c) above 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.

In determining the amount of the insurer's 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 probably bad debts which would normally have been uncollectible by the Insured. On deferred payment accounts receivable, unearned interest and service charges shall be deducted.

F. 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.

G. Other Insurance

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

H. Reinstatement

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

VII. DEFINITIONS

"Premises" means the interior of that portion of the building at the location described in the Declarations which is occupied by the Insured for the purposes stated therein.

Except as otherwise provided in this Rider, all terms, provisions and conditions of the Policy shall have full force and effect.