# AUTO DEALERS’ INVENTORY PROTECTION COVERAGE FORM

Various provisions of this policy restrict coverage. Read this 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(s) shown in the **Declarations**. The words “we”, “us” and “our” refer to the Company providing this insurance.

Key words, terms or coverages are found in **Bold** type throughout this **Form**. These are explained or defined within the sections they first appear. Words, terms or coverages that appear in quotation marks have special meaning and are defined in Section A, DEFINITIONS.

The word **Form** refers to the “Auto Dealer’s Inventory Protection Coverage Form.” The word **Declarations** refers to that section of this policy titled **Auto Dealers’ Inventory Protection Declarations**. The term **Scheduled Location** refers to the “locations” shown in the **Declarations**.

SECTION A – DEFINITIONS

1. “Actual Selling Price” means the final retail or wholesale price of a covered “vehicle” you sell, including commission, but excluding any taxes, license fees, registration fees, or the cost of tags. If the covered “vehicle” is not repaired prior to sale, “actual selling price” will be calculated using our appraised value of the **repair cost**.
2. “Coverage Territory” means the United States of America its territories and possessions.
3. “Demonstrator” means a vehicle, not older than the current or previous model year, which has not been registered or titled, and is used in your sales or service operations; or is furnished for regular use by anyone.
4. “Diminution in value” means the actual or perceived loss in the market value or resale of **covered property** which results from a direct and accidental loss.
5. “Economic Loss” means the difference between the “actual selling price” of a “new vehicle” damaged by collision and the “wholesale value” of the “new vehicle” when the “actual selling price” is lower.
6. “Financial Statement” means a balance sheet prepared in accordance with generally acceptable accounting principles.
7. “Location” means any single lot or parcel of land including building, structures, and conveyances situated thereon; or any group of two or more separate lots or parcels of land including buildings, structures, and conveyances situated thereon which share a common boundary at which covered “vehicles” are held for sale, stored, or used in your business:
   1. which is shown on the **Declarations**,
   2. which is acquired by you within 30 days preceding the “loss”, if we receive your written notice of the acquisition within such 30 day period, or
   3. where you have moved covered “vehicles” for a maximum of 30 days to avoid a “loss”. If covered “vehicles” are in transit to or from such a physical property, or are located other than at a **scheduled location**, the term “location” in determining applicable “per location” Limits of Insurance and Deductibles refers to the physical property where the covered “vehicles” would otherwise be held for sale, stored, or used in your business.
8. “Loss” means direct physical loss or direct physical damage to tangible property covered under this policy and does not include “diminution in value”.
9. “New Vehicle” means a “vehicle” not older than the current or previous model year which has not been registered or titled; and has not been used for any purpose other than road testing.
10. “Policy Period” means the period of time shown in the **Declarations** commencing with the effective date and ending on the expiration date or earlier cancellation date of this policy.
11. “Occurrence” means any one “loss”, damage, disaster, casualty, incident, or sequence of losses, disasters, casualties, or incidents, not otherwise excluded by this policy, and arising from a single happening or event. When the term applies to “loss” or losses from windstorm, hail, tornado, hurricane, cyclone, riot, strike, civil commotion, vandalism, or malicious mischief, one event shall be construed to be all losses arising during a continuous period of 72 hours. When the term applies to “loss” or losses from earth movement, flood, and any other concurrent peril, one event shall be construed to be all losses arising during a continuous period of 168 hours.
12. “Pollutants” means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned, or reclaimed.
13. “Vehicle” means any automobile, recreational vehicle, truck, tractor, all-terrain vehicle, motorcycle, trailer or semi-trailer, including any accessories or optional equipment permanently installed in or on the vehicle, or any watercraft taken in trade while such watercraft is on land.
14. “Wholesale Value” means:
15. For a “newvehicle”, your actual cost less your profit or overhead expenses;
16. For a “demonstrator”, your actual cost less your profit or overhead expenses, depreciation, mileage and wear and tear; and
17. For other than a **“**new vehicle” and **“**demonstrator”, the value based on NADA (Gold Book), Kelly (Blue Book), or industry recognized source at our discretion.

SECTION B – COVERAGE

We will pay for “loss” to **Covered Property** from any of the **Covered Causes of Loss** during the “policy period” and within the “coverage territory”.

1. **Covered Property**, as used in this **Form**, means those classes of “vehicles” for which a specific coverage indicator is shown in the **Declarations** under **COVERED PROPERTY**; and
   1. which you own and are included as assets in your monthly “Financial Statements”; or
   2. which you do not own but are required to insure by written agreement which has been executed prior to “loss”; or
   3. which you have sold, but for which you have not been paid in full, however, we will cover your single interest in such “vehicles” only for a period of up to thirty days following the “vehicles’” delivery to the buyer, and provided that you obtain **Evidence of Insurance** prior to delivery confirming that the buyer and/or party to whom the “vehicles” are to be delivered has secured physical damage insurance covering these same “vehicles”. **Evidence of Insurance** means a binder, policy, insurance certificate or other written documentation received prior to delivery which purports to have been issued by an authorized agent or representative of the insurance company covering such “vehicles”.
2. **Covered Property** does not include “vehicles”:
   1. after your interest in them or responsibility to insure them ceases; or
   2. which are insured under any floorplan or other physical damage insurance program provided by the manufacturer, floor planner, banking institution, lender or lender of credit, or other physical damage insurance coverage; or
   3. which you have sold, leased, transferred or assigned under sale, conditional sale, lease or other agreement, except such “vehicles” as are covered under Subsection 1.c of Section B; or
   4. which have been repossessed from you; or
   5. which are leased or rented to others, but we will cover “vehicles” which are rented to your customers as temporary substitutes while you are servicing the customer’s owned or leased “vehicle”; or
   6. in the course of illegal transportation or trade; or
   7. while waterborne, except while on ferries or lighters on inland waterways; or
   8. which you do not own and are not required to insure by written agreement; or
   9. any property other than that which we have agreed to cover in this policy.
   10. While used in any professional or organized racing or demolition contest or stunting activity, or while practicing for such contest or activity, or while being prepared for such contest or activity.
   11. while in any building or premises occupied as a factory or assembly plant, but this shall not be construed to mean a salesroom, service station, garage, or “location” specifically named in the policy
3. **Covered Causes of Loss** means RISK OF DIRECT PHYSICAL “LOSS” OR PHYSICAL DAMAGE to **Covered Property** against those **Covered Causes of Loss** indicated in the **Declarations** and defined as follows:
   1. **COMPREHENSIVE COVERAGE** meaning all risks of direct physical “loss” or physical damage, from any cause except the covered “vehicles” collision with another “vehicle” or contact with any object other than a bird(s) or animal(s); or upset or overturn of the “vehicle” and except those causes set forth in Section C. EXCLUSIONS.

Coverage for protection of covered “vehicles” from impending damage is automatically afforded as part of Comprehensive Coverage. We will pay $25.00 per covered “vehicle” up to a maximum of $15,000 per “occurrence” for expenses incurred with our prior permission to remove covered “vehicles” endangered from any cause of “loss” insured under Comprehensive Coverage. This will be paid even if no “loss” is sustained to your covered “vehicles”. You will make reasonable efforts to obtain our permission prior to incurring any expenses under this coverage.

* 1. **COLLISION COVERAGE** meaning physical “loss” or physical damage caused by or resulting solely from collision with another “vehicle” or contact with any object other than a bird(s) or animal(s); or upset or overturn of the “vehicle”.

Coverage for “economic loss” is afforded automatically as part of Collision coverage, when such “loss” is caused by collision or overturn, including such damage as a result of total theft, but only if such “loss” results in repairs to a covered “vehicle” exceeding 10% of its “wholesale value”. For such “economic loss”, we shall pay $2,500 or 10% of the gross “loss” before applicable parts and labor discounts, whichever is less, provided the covered “vehicle” so damaged:

* + - 1. is a private passenger “vehicle” 10,000 pounds gross vehicle weight or less;
      2. is either a “new vehicle” or a “demonstrator”;
      3. has not been previously registered or titled;
      4. has not be previously damaged; and
      5. has an odometer reading with 6,000 miles or less at the time of “loss”
  1. **FALSE PRETENSE COVERAGE** meaning theft of **Covered Property** caused by or resulting from your voluntarily giving possession of or title to **Covered Property** to someone, other than your employees or a carrier for hire, but only if induced to do so by some fraudulent scheme, trick, device or false pretense that is a crime. This does not include inability or failure of a buyer to pay you for **Covered Property** unless you can show that the buyer acted with criminal intent to steal the **Covered Property** from you.

**False Pretense** is extended to include a defect in the title to any property you acquire which prevents its sale or causes reimbursement by you for “loss” of that property. This coverage extension applies only to such title defect(s) of which you have no knowledge at the time the title is reassigned to you.

We will cover “loss” caused by **False Pretense** provided that:

* + - 1. before giving **Covered Property** to another person, you make a copy of that person’s original driver’s license; and
      2. you promptly notify the police of the “loss” and assist in the arrest and prosecution of the person or persons who caused the “loss”.

Failure to comply with the above conditions will void coverage for that particular “loss” caused by or resulting from **False Pretense**.

In adjusting any claim for “loss” caused by or resulting from **False Pretense**, we will first deduct the value of any proceeds or property you have received as partial payment on the purchase price of the lost or damaged **Covered Property**. We will consider all “loss” occurring during the “policy period” which is caused by the same person, or any one of several of the same persons acting in collusion, to be the result of a single “occurrence”.

1. **TOWING AND DEBRIS REMOVAL EXPENSE** meaning reasonable and necessary towing and debris removal expense that you incur, which is required due to a covered “loss” to **Covered Property**. Towing and debris removal expense will be paid only if reported to us within 180 days after the date of “loss”.

Towing and debris removal expense does not apply to:

1. The costs or expenses to extract or clean up “pollutants” from land or water;
2. The costs or expenses to test for, monitor or assess the existence of “pollutants”; or
3. The costs or expenses to remediate, remove, restore or replace polluted land or water.

The most we will pay for Towing and Debris Removal Expense for each “occurrence” of “loss” is $25,000.

1. **POLLUTANT OR CLEAN UP AND REMOVAL EXPENSE**  means the expenses to extract “pollutants” from land or water at a location where a “loss” occurs if the discharge, dispersal, seepage, migration, release or escape of the “pollutants” is caused by or results from a covered “loss” that occurs during the “policy period”. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the **Covered Cause of Loss** occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of “pollutants”. But we will pay for testing which is performed in the course of extracting the “pollutants” from the land or water.

The most we will pay for Pollutant Clean Up and Removal Expense for each “occurrence” of “loss” is $10,000.

SECTION C – EXCLUSIONS

1. Unless a specific limit is indicated in the **Declarations,** we will not pay for “loss” or damage caused directly or indirectly by the following, and such “loss” or damage is excluded regardless of any other cause or event covered hereunder which contributes concurrently or in any sequence to the “loss” or damage:
   1. **False Pretense** – Except as provided under Subparagraph B.3.c., “loss” that results from your acquisition of, without your knowledge, of a “vehicle” that is stolen or has a forged, altered, counterfeit, or invalid duplicate title; or “loss” that results from your voluntarily giving possession of or title to **Covered Property** to someone else, other than your employee or a carrier for hire, if induced to do so by some fraudulent scheme, trick, device or false pretense that is a crime.
   2. **Earth Movement** – any earth movement caused by or resulting from earthquake; landslide or the rising, shifting or sinking of the earth; tsunami, or volcanic action meaning the eruption, explosion of effusion of a volcano. But if direct physical “loss” or damage by fire or explosion results, we will pay for that resulting “loss”.

This exclusion does not apply:

1. To **Covered Property** at other than a **Scheduled Location,** except as described below; and
2. If a Limit and Deductible is shown in the **Declarations** for a Scheduled Location for **Earth Movement** then:
   1. The Limit of Insurance as defined in Section D shall apply for all **Earth Movement “**loss”; and
   2. The deductible as defined in Section E shall apply for all **Earth Movement** “loss”.

However, this exclusion does apply to **Covered Property** at any Unscheduled Location used for storage of vehicles, unless you have moved the covered “vehicles” to a temporary unscheduled location to avoid a “loss”.

* 1. **Flood** – waves, tides, tidal waves, surface water, overflow of any body of water, or their spray, all whether driven by wind or not, including any earth movement or mudslide caused by or resulting from the accumulation of water on or under the surface of the ground. **Flood** does not include **weather**.

This exclusion does not apply:

1. To **Covered Property** at other than a **Scheduled Location,** except as described below; and
2. If a Limit and Deductible is shown in the **Declarations** for a Scheduled Location for **Flood** then:
   1. The Limit of Insurance as defined in Section D shall apply for all **Flood “**loss”; and
   2. The deductible as defined in Section E shall apply for all **Flood** “loss”.

However, this exclusion does apply to **Covered Property** at any Unscheduled Location used for storage of vehicles, unless you have moved the covered “vehicles” to a temporary unscheduled location to avoid a “loss”.

* 1. **Weather**-Hurricane, cyclone, tornado, windstorm, ice, sleet, hail, snow or any other “occurrence” or event caused by or resulting from atmospheric conditions. Weather excludes **flood** and **earth movement**.

This exclusion does not apply:

1. To **Covered Property** at other than a **Scheduled Location,** except as described below; and
2. If a Limit and Deductible is shown in the **Declarations** for a Scheduled Location for **Weather** then:
   1. The Limit of Insurance as defined in Section D shall apply for all **Weather “**loss”; and
   2. The deductible as defined in Section E shall apply for all **Weather** “loss”.

However, this exclusion does apply to **Covered Property** at any Unscheduled Location used for storage of vehicles, unless you have moved the covered “vehicles” to a temporary unscheduled location to avoid a “loss”.

1. We will not pay for “loss” or damage caused directly or indirectly by any of the following, and such “loss” or damage is excluded regardless of any other cause or event covered hereunder which contributes concurrently or in any sequence to the “loss” or damage:
   1. Government Action – seizure, nationalization or destruction of **Covered** **Property** by order of governmental authority or under claim of right by governmental agents or employees. However, we will pay for acts of destruction ordered by governmental authority at the time of a fire to prevent its spread, if the fire would be covered under this **Form**.
   2. Nuclear Hazard – nuclear reaction or radiation, or radioactive contamination howsoever caused and regardless of whether man-made or natural. However, if direct physical “loss” or damage by fire results, we will pay for that resulting “loss” if the fire would be covered under this **Form**.
   3. Utility Service Failure – interruption or failure of any utility service furnished to a **Scheduled Location,** howsoever caused, if such failure takes place away from the **Scheduled Location**. However, if “loss” or damage by a **Covered Cause of Loss** results, we will pay for that resulting “loss”.
   4. War and Military Action
      * 1. war, including undeclared and civil war; or
        2. warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, 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.
   5. Pollutants
      * 1. Discharge, dispersal, seepage, migration, release, or escape of “pollutants” or contamination by any “pollutants”, howsoever caused; or
        2. the enforcement of any ordinance, law or order, or request of any governmental authority to test for, monitor, prevent, control, remove, demolish, dispose of, decontaminate, neutralize or contain “pollutants”; or
        3. any fines, penalties, damages, awards, settlements, defense costs, or any other costs or expenses arising out of or attributable to “pollutants”.
2. We will not pay for “loss” or damage caused by or resulting from any of the following:
   1. Delay, loss of use or loss of market or any other consequential “loss” of any kind; or
   2. Bankruptcy, foreclosure or similar proceedings; or
   3. Conversion or concealment of a covered “vehicle” committed by any person in lawful possession of such covered “vehicle”; or
   4. The transfer of a covered “vehicle” or covered “vehicles” to a person or entity who is in the business of buying, selling, or leasing “vehicles”, and with whom you have a business relationship or had a prior business relationship; or
   5. Caused by the uncollectability of any check, draft, or other negotiable instrument, except for false pretense “loss”; or
   6. Dishonest or criminal act by you, any of your partners, employees, directors, officers, trustees, authorized representatives or anyone to whom you have voluntarily given possession of or title to **Covered Property** for any purpose:
      * 1. acting alone or in collusion with others; or
        2. whether or not occurring during the hours of employment.

However, this exclusion does not apply to carriers for hire, or acts of destruction by your employees other than theft.

1. We will not pay for “loss” or damage caused by or resulting from any of the following. However, if “loss” is as a result of a **Covered Cause of Loss**, we will pay for that resulting “loss” if it would be covered under this **Form**:
   1. processing or work upon **Covered Property**; or
   2. wear and tear or gradual deterioration; or
   3. acid rain, rust or other corrosive action, whether or not caused by “pollutants”; or
   4. insects or vermin, mold, fungus, dampness, wet or dry rot, cold, freezing, heat or latent defect or any quality in the **Covered Property** that causes it to damage or destroy itself; or
   5. mechanical breakdown or failure, electrical arcing, short circuit or other electrical disturbances caused by artificially generated electric current.

SECTION D – LIMIT OF INSURANCE

Per “vehicle” Limit: Regardless of the cause of “loss” or any limit applicable to all covered “vehicles” in a “loss”, the most we will pay for “loss” to any single covered “vehicle” is the MAXIMUM LIMIT PER VEHICLE shown on the **Declarations** or Evidence of Coverage.

In Transit Limit: Regardless of the cause of “loss” or any limit applicable to all covered “vehicles” in a “loss”, the most we will pay for “loss” to covered “vehicles” in transit shall be the IN-TRANSIT LIMIT shown on the **Declarations** or Evidence of Coverage.

Unscheduled Location Limit: Regardless of the cause of “loss” or any limit applicable to all covered “vehicles” in a “loss”, the most we will pay for “loss” to covered “vehicles” at other than a **scheduled location** shall be the UNSCHEDULED LOCATION LIMIT shown on the **Declarations** or Evidence of Coverage.

**Collision** Limit: Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Collision** Coverage for all “loss” from a single “occurrence” is the COLLISION LIMIT shown on the **Declarations** or Evidence of Coverage.

**Comprehensive** Limit-. Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Comprehensive** Coverage for all “loss” in any one “occurrence” is the amount shown in the **Declarations** under COMPREHENSIVE LIMIT, but, in no event, we will pay more than the sublimits enumerated below.

* + 1. **Comprehensive** Limit- **Weather**. Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Comprehensive** Coverage for all “loss” from a single **weather** “occurrence” at a single “location” is the **WEATHER** LIMIT shown on the **Declarations** or Evidence of Coverage.

1. **Comprehensive** Limit- **Flood**. Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Comprehensive** Coverage for all “loss” from a single **flood** “occurrence” at a single “location”, or all “loss” from multiple **flood** “occurrences” in a single “policy period” at a single “location”, is the **FLOOD** LIMIT shown on the **Declarations** or Evidence of Coverage.
2. **Comprehensive** Limit- **Earth Movement**. Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Comprehensive** Coverage for all “loss” from a single “occurrence” of **earth movement** at a single “location”, or all “loss” from multiple **earth movement** “occurrences” in a single ”policy period” at a single “location”, is the **EARTH MOVEMENT** LIMIT shown on the **Declarations** or Evidence of Coverage.
3. **Comprehensive** Limit- **False Pretense**. Regardless of the number of covered “vehicles” involved in the “loss”, the most we will pay under **Comprehensive** Coverage for all “loss” from a single “occurrence” of **False Pretense**, or all “loss” from multiple False Pretense “occurrences” in a single “policy period”, is the **FALSE PRETENSE** LIMIT shown on the **Declarations** or Evidence of Coverage.

SECTION E – DEDUCTIBLES AND CO-PAYMENT

Each claim for “loss” will be adjusted separately. We will not pay for “loss” in any “occurrence” until the adjusted amount of the “loss” exceeds the deductible shown in the **Declarations**. If the adjusted “loss” exceeds the deductible, we will subtract the deductible from the adjusted amount of the “loss”. However, the most we will pay in any one “loss” is the **Limit of Insurance.**

1. Regardless of the number of covered “vehicles” involved in the “loss”, where a Per “Occurrence” Deductible is shown on the **Declarations** or Evidence of Coverage, it is the maximum deductible applicable for all “loss” in any one “occurrence”. Where the Per “Occurrence” Deductible reads “None” in the **Declarations** or Evidence of Insurance a separate deductible will apply to each covered “vehicle” with no aggregate limitation in the deductible for the “occurrence”.
2. Where a Per “Occurrence” Deductible is shown on the **Declarations** or Evidence of Coverage, it applies separately to each “location”.

If a co-payment obligation is shown in the **Declarations**, you will be responsible to pay that percentage share of the “loss” or the applicable deductible, whichever is greater.

SECTION F—CONCURRENT LOSS

In the event a single “occurrence” encompasses multiple causes of losses, the most we will pay is:

1. For multiple causes of loss by **Earth Movement**, **Flood**, or **Weather,** no more than the largest limit of insurance applicable to either **Earth Movement**, **Flood**, or **Weather;**

## For multiple causes of loss by **Earth Movement**, **Flood**, or **Weather** and other covered cause(s) of loss,:

## The largest limit of insurance applicable to either **Earth Movement**, **Flood**, or **Weather**; plus

1. The amount of loss for other covered cause(s) of loss’

However, for all covered causes of loss, we will pay no more than the per occurrence limit of insurance shown in the **Declarations** for Comprehensive – Except “Flood”, “Weather”, “Earth Movement” and “False Pretense”.

## For multiple causes of loss, where none of the loss is caused by **Earth Movement**, **Flood**, or **Weather,** no more than the per occurrence limit of insurance shown in the **Declarations** for Comprehensive – Except “Flood”, “Weather”, “Earth Movement” and “False Pretense”.

## If more than one deductible applies to **Covered Property** as the result of one “occurrence”, the highest applicable deductible shall be utilized in adjusting the “loss”.

SECTION G – MONTHLY REPORTS AND PREMIUM

## Should you choose monthly reporting as your preferred payment plan, the following provisions shall apply:

1. Deposit Premium

Your deposit premium is shown in the **Declarations** and is payable as indicated. After the end of the of the “policy period”, we will return this deposit to you, less any premiums you owe us at that time.

2. Reporting Requirements

Should you agree to a monthly reporting payment plan, you shall report to us in writing each month the value of all classes of **Covered Property** for which a specific coverage indicator is shown on the **Declarations** and to pay premium on those values based on the premium rates shown. Such monthly reports and premium payments must be received by us within 15 days of the policy anniversary date each month. Premium will be computed at the rate stated in the **Declarations** per $100 of asset values shown on your previous month’s “Financial Statement” (on a first-in-first-out basis), plus the value of any **Covered Property** you do not own but are contractually required to insure.

3. Failure To Submit Reports

If at the time of “loss” you have failed to submit the required reports to us, our liability for such “loss” will be based on the report most recently received by us. If the first report due is delinquent on the date of "loss", the most we will pay will not exceed 75 percent of the Limit Of Insurance shown in the **Declarations** for the applicable “location”.

4. Values In Excess Of Limits Of Insurance

Even though the values you are required to report to us for the purpose of premium calculation may exceed the **Limit of Insurance** shown in the **Declarations**, we will not pay more than the applicable **Limit of Insurance**.

SECTION H – COINSURANCE

1. Monthly Reporting Premium Basis

If you make unintentional errors in the values reported to us, your coverage will not be affected so long as such errors are corrected prior to “loss” and any premium owed to us is paid. Any premium we owe to you will be refunded. If a reporting error is discovered after “loss” occurs, where the value of any class of **Covered Property** reported is less than what you are required to report us, we will pay only a percentage of that “loss”. This percentage will be calculated by dividing the value(s) of each class of **Covered Property** incorrectly reported by the value(s) that should have been reported for each such class of **Covered Property**.

1. Nonreporting Premium Basis

If, when “loss” occurs, the total value of your covered “vehicles” exceeds the Limit of Insurance shown in the **Declarations**, we will pay only a percentage of what we would otherwise be obligated to pay. We will determine this percentage by dividing the Limit of Insurance by the total actual value at the “loss” “location” at the time the “loss” occurred.

SECTION I – VALUATION

## The most we will pay for **Covered Property**, regardless of the values reported by you for the purpose of premium calculation, is the least of the following, but in no event will we pay you for any anticipated profit or contribution to your overhead:

1. the amount you paid for the **Covered Property**, less any allowances for advertising and holdback assessed by the manufacturer or supplier; or
2. the “wholesale value” of the **Covered Property** at the time of “loss”; or
3. the asset value of the **Covered Property**  at the time of “loss” as reflected on your previous month’s “Financial Statement”; or
4. the Repair Cost to reasonably restore the **Covered Property** to the condition it was in just prior to the “loss”. Repair Cost means the lesser of:
   1. the manufacturer’s suggested retail price on any parts you are able to furnish less the percentage shown in the **Declarations** under PARTS AND LABOR DISCOUNT for PARTS REPLACEMENT COST and the same hourly rates you charge other insurance companies for labor less the percentage shown in the **Declarations** under PARTS AND LABOR DISCOUNT for LABOR COST; or
   2. what it would cost us to have someone else do the work utilizing either paintless dent repair or conventional body shop restoration methods.

**Repair Cost** does not include any state retail sale tax.

If you do not elect to repair the damage, we may, at our option, pay you the difference between the lesser of (1), (2) and (3), above, and the “wholesale value” of the **Covered Property** in its damaged condition right after the “loss” occurred. If you and we are unable to agree on the “wholesale value” of the **Covered Property** in its damaged condition, at our option, we may make a written demand for an appraisal as provided under Subsection 3 of Section J, or we may pay you the lesser of (1), (2) and (3), above, and take the damaged **Covered Property** as salvage.

SECTION J – GENERAL CONDITIONS

1. Abandonment

There can be no abandonment of any property to us.

1. “Policy Period”, “Coverage Territory”

We cover “losses” occurring during the “policy period” shown in the **Declarations**; and within the “coverage territory”, which consists of the United States of America its territories and possessions.

1. Appraisal

If we and you disagree on the value of the property or the amount of “loss”, either may make written demand for an appraisal of the “loss”. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree on an umpire, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and the amount of “loss” pursuant to the terms, conditions and limitations contained herein. If they fail to agree, they will submit their difference to the umpire. A decision agreed to by any two will be binding with regard to the value of the property or the amount of the “loss” only. Each party will:

* 1. pay its chosen appraiser; and
  2. bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim on the grounds that it is not covered under this policy.

1. Duties in the Event of “Loss”

You must see that the following are done in the event of “loss”:

* 1. Notify the police if a law may have been broken.

b. Give us prompt notice of the “loss”, or of an “occurrence” that may lead to a claim under this policy as soon as reasonably possible, but not more than 180 days after the date of the “loss” or “occurrence”. Notice should include a detailed description of the property involved, a description of when, where and how the “loss” occurred and the amount of “loss” claimed. At our request, you must give us complete inventories of the damaged and undamaged property, including quantities, cost and values.

* 1. Take all reasonable steps to protect the **Covered Property** from further “loss” or damage. If feasible, set the damaged property aside in the best possible order for examination. Keep a detailed record of your expenses including receipts, where applicable, for consideration in the settlement of your claim.
  2. Make no statement that will assume any obligation or admit any liability for any “loss” for which we may be liable without our consent.
  3. Permit us to take all action necessary to investigate the “loss”, including, but not limited to, inspection of the **Covered Property** and all records proving “loss”.
  4. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.
  5. Send us a signed, sworn statement of “loss” containing the information we request to settle your claim. You must do this within thirty (30) days after our request. We will supply you with the necessary forms.
  6. Promptly send us any legal papers or notices received concerning the “loss”.
  7. Cooperate with us in the investigation of your claim.
  8. If we pay your claim and the **Covered Property** has been stolen and not recovered, or if it is taken by us a salvage, you must give us such documentation as is necessary to transfer title of the **Covered Property**.

1. False Pretense

In addition to other applicable terms and conditions of the policy, **False Pretense** **Coverage** does not apply unless all of the following occur:

* 1. You make every reasonable effort, using a commercial repossession firm to recover the covered “vehicle”;
  2. You file a report or complaint with the local police authority as soon as practicable after discovery of the “loss”;
  3. You obtained a copy of the customer's original driver's license prior to any test drive, purchase or lease, where permissible by law; and
  4. You obtained, at the time of your acquisition of the covered “vehicle”, a title search from an industry recognized source that indicated no previous impairment on the title prior to acquiring the auto from the seller.

1. Insurance Under Two or More Coverages

If two or more coverages under this policy apply to the same “loss”, we will not pay more than the actual amount of the “loss” or the **Limit of Insurance** applicable to the most specific coverage, whichever amount is less.

1. Liberalization – If we adopt any revision that would broaden this Coverage Part without additional premium, within 45 days prior to inception of this policy or during this “policy period” the broadened coverage will immediately apply to you.
2. “Loss” Payment
   1. In the event of “loss”, at our option up to the applicable **Limit of Insurance**, we will:
      * 1. take all or any part of the property at its agreed or appraised value; or
        2. pay the cost of repairing, rebuilding or replacing the lost or damaged property, after deducting the value of any betterment, and take any remaining damaged property as salvage; or

* + - 1. pay the difference between the agreed or appraised value of the property before and after the “loss” occurred, but we may elect this option only if the damaged property will not be repaired.
      2. repair, rebuild or replace the property with other property of like kind and quality and take any remaining damaged property as salvage.
  1. We will pay for “loss” within thirty (30) days after we receive the sworn statement of “loss”, if:
     + 1. you have complied with all of the terms of this policy; and
       2. we have not denied the claim for any reason; and
       3. we have reached agreement with you on the amount of “loss”, or an appraisal award has been made.

1. Other Insurance

If you or other persons to whom the **Covered Property** has been entrusted have other insurance covering the same “loss” as the insurance provided under this policy, we will pay only the excess over what you should have received from the other insurance, less any deductible or co-payment obligation under this policy. This insurance shall neither apply nor contribute to the payment of any “loss” until all other insurance has been exhausted. Our liability for “loss” shall be limited to this excess amount regardless of whether you can collect on such other insurance.

When this policy and any other policy provides coverage on the same excess basis, we will pay only our share. Our share is the proportion that the Limit of Insurance of our policy bears to the total of the limits of all the policies covering on the same basis.

When this policy provides coverage for vehicles rented to your customers as temporary substitutes while such customer’s owned or leased “vehicle” is left in your care, custody and control for service or repair, this coverage is excess over other insurance of the customer applicable to temporary substitute vehicles.

1. Pair, Set or Parts
   1. Pair or Set. In case of “loss” to any of a pair or set, we may:
      * 1. pay the cost of repairing, rebuilding or replacing any part necessary to restore the pair or set to its value before the “loss”; or
        2. pay the difference between the value of the pair or set before and after the “loss”.
   2. Parts. In case of “loss” to any of **Covered Property** consisting of several parts when complete, we will pay only for the value of the lost or damaged part.
2. Privilege to Adjust with Owner

In the event of “loss” involving property owned by others which you are contractually required to insure, we have the right, but are not obligated, to:

* 1. settle the “loss” with the owners of the property. A receipt for payment from the owners of that property will satisfy any claim of yours;
  2. provide a defense for legal proceedings brought against you. If provided, the expense of this defense will be at our cost and will not reduce the applicable **Limit of Insurance** under this policy.

1. Recovered Property

If either you or we recover any property after “loss” settlement, that party must give the other prompt notice. If we recover the property, at your option, such property will be returned to you. If we return the property, you must return to us the amount we paid to you for that property, and then we will pay any recovery expenses and **Your Cost** to repair the recovered property, subject to the **Limit of Insurance**.

1. Recoveries

Any recovery or salvage on a “loss” will accrue entirely to our benefit until all sums paid by us have been made up. If we recover more than we have paid, we will deduct our recovery expenses and the excess will belong to the person who had the “loss”. But if you have shared in “loss” with us based on your co-payment or co-insurance obligation, any recovery will be shared on the same percentage basis, but only after we have been reimbursed for expenses incurred by us to secure that recovery.

1. Transfer of Rights of Recovery Against Others to Us

If any person or organization insured under this policy has rights to recover damages from another, those rights are transferred to us. That person or organization must do everything necessary to secure our rights and must do nothing that would impair them.

1. Cancellation
   1. The first Named Insured shown in the **Declarations** may cancel this policy by mailing or delivering to us advance written notice of cancellation.
   2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
      * 1. ten (10) days before the effective date of cancellation if we cancel for non-payment of premium; or
        2. thirty (30) days before the effective date of cancellation if we cancel for any other reason.
   3. Notice of cancellation will state when thereafter such cancellation is to be effective. The “policy period” will end on that date.
   4. We will mail or deliver our notice to the first Named Insured’s last mailing address known to us.
   5. If cancellation notice is mailed, proof of mailing will be considered proof of notice.
   6. If this policy is canceled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
2. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The terms of this policy can be amended or waived only by endorsement issued by us and made a part of this policy.

1. Concealment, Misrepresentation or Fraud

This coverage is void in case of any fraud, intentional concealment or misrepresentation of a material fact, by you or any other insured, at any time, concerning:

* 1. this coverage; or
  2. the **Covered Property** or its value; or
  3. your interest in the **Covered Property**; or
  4. a claim under this policy.

1. Examination of Your Books and Records

We may examine and audit your books and records as they relate to this policy at any time during the policy and up to three (3) years afterward. We may, at our discretion, adjust your premium retroactively based upon the results of such examinations and audits.

1. Inspection and Surveys
   1. We have the right, but are not obligated, to:
      * 1. make inspections and surveys of **Covered Property** and **Scheduled Locations** at any time;
        2. give you reports on the conditions we find; and

(3) recommend changes.

b. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

(1) Are safe or healthful; or

(2) Comply with laws, regulations, codes or standards.

c. Paragraphs a. and b. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

d. Paragraph b. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

20. Legal Action Against Us

No one may bring legal action against us under this policy unless:

a. there has been full compliance with all the terms of this policy; and

* 1. the action is brought within two years after you first have knowledge of the “loss”.

1. Loss Payee

Payment of “loss” will be made to the first Named Insured and any Secured Interests shown in the **Declarations**, as the interest of each may appear. However, unless we are instructed otherwise by the Secured Interests, we may pay partial “loss” to first the Named Insured and/or repair shops and/or other parties designated by the first Named Insured as reimbursement for damage repairs or other work performed.

1. No Benefit to Bailee

No person or organization, other than you, having custody of **Covered Property**, will benefit from this insurance. You agree that you have not and will not enter into any special agreement with any other person or organization releasing them from responsibility for **Covered Property**. In case of any such agreement, we will not be required to pay any “loss” which we would have been able to recover from the other party had such agreement not been entered into by you.

1. Premiums

The first Named Insured shown in the **Declarations**:

* 1. is responsible for the payment of all premiums; and
  2. will be the payee for any return premium we pay.

1. Representations

By accepting this policy, you agree that:

* 1. the statements in the **Declarations** are accurate and complete;
  2. those statements are based upon representations you made to us; and
  3. we have issued this policy in reliance upon your representations.

1. Transfer

Your rights and duties under this policy may not be transferred without our written consent except in the case of your death.

If you die, your rights and duties will be transferred to your legal representative, but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties, but only with respect to that property.

You may assign your right to receive payment for “loss” to the manufacturer of the covered “vehicle” involved in a covered “loss”. Assignment will not change the limits of insurance under this policy, and this policy will not cover the “loss” incurred because of the manufacturer’s withdrawal of the covered auto from the market.

1. Conformity to Statute

Terms of this **Form** which are determined by a court or other regulatory authority having jurisdiction over issuance of this policy to be in conflict with the statutes of the state wherein this policy is issued are hereby amended to conform to such statutes.