

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICY PREMIUM AND AUDIT PROVISIONS

A. The following additional policy **CONDITIONS** supersedes any other policy **CONDITIONS** regarding minimum premium, minimum earned premium, and audit provisions for this policy.

1. Policy Period Minimum Premium

Policy Period Minimum Premium means the minimum premium earned at the end of the original Policy Period shown in the Declarations. This policy may be subject to final audit, but under no circumstances will the audited earned premium be less than the Policy Period Minimum Premium shown or less than the pro rata of the Policy Period Minimum Premium if the policy is cancelled prior to the end of the Policy Period shown in the Declarations.

The Policy Period Minimum Premium for this policy is 100% of the Minimum & Deposit Premium shown on the Declarations.

2. Minimum Earned Premium Upon Cancellation

- a. If you cancel this policy, we will calculate the "policy earned premium" and will return 90% of the "policy earned premium" to you, subject to us retaining no less than the "minimum earned premium".
- b. If we cancel the policy for:
 - i. Non-payment of premium;
 - ii. Any of the reasons stated in a cancellation endorsement that provide a 10-day notice; or
 - iii. Any of the reasons stated in an amendatory state specific cancellation endorsement (up to and including 30-day notice);we will calculate the "policy earned premium" and will return the balance to you subject to our retaining no less than the "minimum earned premium".

If a policy fee, inspection fee, or other similar fee is applicable to this policy, the fee(s) will be fully earned and no refund of fees will be made.

3. Premium Audit

The following audit provisions apply:

1. The premium shown in the Declarations as Minimum & Deposit Premium may be subject to adjustment at the expiration date of the policy or at any time during the policy period at the Company's discretion. Should the Company choose to conduct an audit, premium audit adjustments will be made to determine additional premiums only. There will be no downward adjustments of the Minimum & Deposit premium resulting from the premium audit.
2. The due date for additional "policy earned premium" developed by the audit is the due date shown on the invoice sent to the first Named Insured. Failure to pay the additional "policy earned premium" due will be deemed a breach of contract and, at our sole discretion, may subject this policy, as well as any other policy of yours in force with the Company, to cancel for non-payment of premium.
3. Should it become necessary to institute collection activities, including litigation, in order to collect any additional "policy earned premium", then you shall be responsible for 100% of the expenses, fees, and costs incurred by us in that regard plus any collectible interest.
4. The first Named Insured must keep records of the information we need for premium computation and send us copies at such times as we may request. These records

include but are not limited to ledgers, journals, registers, vouchers, contracts, tax reports, and payroll and disbursement records. Failure to supply such records upon request will be deemed a breach of policy **CONDITIONS** and, at our sole discretion, may subject this policy, as well as any other policy of yours in force with the Company, to cancellation for breach of policy **CONDITIONS**. We may examine your books and records at any time during the policy period or within three (3) years of the expiration of this policy.

5. If, after three (3) documented attempts, we are unable to examine your books and records to obtain the information required to complete the audit, the audit will be deemed unproductive, and we will complete an estimated audit using an increase of 25% in your estimated exposures. Documentation on our attempts to collect will be made available to you and provided upon request.
6. You may dispute any audit within fourteen (14) days upon receiving the audit endorsement or other notice regarding the premium adjustment amount by providing us with copies of the information we need for premium computation. Failure to dispute the audit endorsement or other notice regarding the premium adjustment amount within fourteen (14) days shall be deemed as your agreement with the audit endorsement or other notice regarding the premium adjustment amount.

B. The **DEFINITIONS** section of this policy is amended by addition of the following:

"Policy earned premium" is the sum of the following:

1. The amount of the Policy Period Minimum Premium as defined in **A.1.** above.
2. Any additional premium calculated based on:
 - a. The elements (e.g. applicable premium basis, rates and class codes) shown in the policy Declarations and;
 - b. "Gross sales", "payroll", "sub-costs", "project costs" or "total costs" that were not accounted for in the Policy Period Minimum Premium.

"Minimum earned premium" is _____% of the Policy Period Minimum Premium.

However, for "project costs", "Minimum Premium" is deemed fully earned when any of the following applies:

1. After 75% of the policy period has passed; or
2. The final cost of construction is at least 90% of the initial policy estimated construction cost upon which the estimated advance premium, shown in the Declarations as the Total Premium For This Coverage Part, was based; or
3. For any project where occupancy and/or intended premise usage is excluded on the CG2153 – Exclusion- Designated on-going operations,
 - a. occupancy or intended premise usage has taken place; or
 - b. a temporary or permanent certificate has been issued

"Gross sales" means the gross amount charged by the Named Insured, concessionaires of the Named Insured, or by others trading under the insured's name for:

- a. All goods or products, sold or distributed;
- b. Operations performed during the policy period, including operations performed for the insured by independent contractors;
- c. Rentals;
- d. Dues or fees.

"Gross sales" do not include sales or excise taxes that are collected and submitted to a governmental division.

"Payroll" means the total payroll earned during the policy period by proprietors and by all "employees", "leased workers", and "temporary workers" of the Named Insured and includes commissions, bonuses, extra pay for overtime work and pay for holidays, vacations or period of sickness.

"Sub-costs" means the total cost of all work sublet to independent contractors including:

- a. The independent contractors' cost of all labor, materials and equipment used in the execution of the work; and
- b. All fees, bonuses or commissions paid or due to independent contractors.

"Project costs" means the total cost of all work let or sublet in connection with the project or operation shown in a Limitation of Coverage to Designated Premises, Project or Operation endorsement or similar form endorsed onto this policy, including:

- a. The cost of all labor, materials and equipment furnished, used or delivered for use in the execution of work; and
- b. All fees, bonuses or commissions made, paid or due.

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"Total costs" means the total cost of all work let or sublet including:

- a. The cost of all labor, materials and equipment furnished, used or delivered for use in the execution of the work; and
- b. All fees, bonuses or commissions made, paid or due.

ALL OTHER TERMS AND CONDITIONS OF THE POLICY REMAIN UNCHANGED.