

SECTION II. B. FAULTY COVERAGE EXTENSION

It is hereby understood and agreed that coverage is provided for Faulty Perils as defined below and for the limits of liability as scheduled in this policy.

Faulty Perils Definition

- a. The use of faulty materials (as defined in Insuring Agreement Paragraph I above), faulty equipment;
- b. faulty developing, editing, or processing;
- c. cutting, cueing or other laboratory work; or accidental erasure of videotape recordings or sound tracks;
- d. accidental exposure to light.

VII. DEFINITION OF LOSS

- a. "Loss" as used in this coverage shall mean any extra expenditure (the word expenditure refers to the same costs as defined in Paragraph XIII. of the General Policy Conditions) incurred by the Insured in completing the insured production(s) over and above the expenditure which but for the happening of any one or more of the occurrences specified in Paragraph I. would have been incurred in completing the insured production(s), however, excluding any loss, damage, expense or liability arising out of, resulting from, caused by or as a consequence of any obligation or requirement of the Insured to meet any schedule deadlines, delivery dates, release dates, air dates or any other completion date, whether or not such loss, damage, expense or liability occurs in conjunction with a loss otherwise covered under this policy.
- b. In the event that the happening of one or more of the occurrences specified in Paragraph I. reasonably, practically and necessarily prevents completing the insured production(s) irrespective of any completion and/or delivery date requirements, the Insured shall have the option to abandon the production subject to Underwriters prior agreement and claim under this Section for such actual expenditures incurred prior to and during production as have been rendered entirely valueless solely by reason of the happening of one or more of the occurrences specified in Paragraph I.
- c. Underwriters shall not be required to accept an abandonment unless they can obtain all rights, titles and interests in all underlying works, as well as films or tapes and all copies and related material thereof for the production.

VIII. SPECIAL WARRANTIES

To the extent that failure by the Insured to abide by the following special representations increases the risk of loss or damage or results in loss or damage under this Section, such failure shall void Underwriters' obligation and defeat recovery hereunder.

- a. It is warranted by the Insured that artwork drawings, software and related material used to generate visual images, and computer images and animation cells are to be kept until suitable and acceptable protection copies have been made of the insured production(s). Damage or loss to any of these materials and drawings which have already been used to generate satisfactory visual images shall not result in a loss under this policy unless the material used to record the visual images is also damaged, requiring reproduction of the original material as well as the recorded material.

It is further warranted that wherever possible The Insured must maintain up to date duplicate copies of software programs & store back up data records and up to date duplicate software programs away from the building where the original software programs and data is held.

- b. It is warranted by the Insured that unprocessed negative film will be sent for processing as soon as practicable, but in no event in excess of the processing intervals declared as at the time of inception of coverage, unless otherwise endorsed hereon.

It is further warranted that all developed negative film and recorded videotape material will be checked for technical acceptability as soon as is reasonably practical after processing and/or recording. The format used for checking should be to a standard for all elements of technical acceptability including but not limited to soft focus, accumulation of dirt and debris, negative scratches and videotape dropout, can be seen and identified at the time initial inspection takes place. In the event that the accumulated material exceeds material from a shooting period of up to 72 hours Underwriters liability will be restricted to the costs of reproducing/reinstating material for said period i.e. 72 hours.

- c. It is warranted by the Insured that cameras, lenses and related equipment, including sound equipment are fully tested by the Insured in accordance with the highest standards of the industry and proved to be sound at the start of filming or taping of any insured production(s).
- d. It is warranted by the Insured that the digital dailies will be backed up and duplicated and will go through a process of assessment for technical acceptability as soon as practicable, but in no event in excess of the backing up and quality control intervals declared as at the time of the inception of coverage, unless otherwise endorsed hereon.

It is further warranted that this process is carried out when practicable on set and at regular intervals.

IX. GENERAL POLICY CONDITIONS

The General Policy Conditions apply to the coverage provided under this Section II.