

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AMENDMENT OF CONDITIONS – PREMIUM AUDIT

This endorsement modifies insurance provided under the following CoverageForm:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART
PRODUCTS/ COMPLETED OPERATIONS LIABILITY COVERAGE PART

The Premium Audit Condition under Section IV- Conditions is replaced by the following:

Premium Audit

- a.** We will compute all premiums for this Coverage Part in accordance with our rules and rates. Premium shown in this Coverage Part as advance premium is a minimum and deposit premium.

The rates for each classification shown in the Declarations are multiplied by the estimated premium bases of that classification for the term to determine the advance premium.

We may conduct an audit of your books to determine the actual premium bases developed during the policy period. To calculate the actual premium developed during the policy period we will use one, or a combination, of the following premium bases: payroll, admissions, gross sales, total cost, area, each exposure unit, units or total operating expenditures

- b.** Premium Bases.

The premium bases are defined in accordance with our rules and the following additional definitions:

- (1)** Payroll (premium basis symbol **p**): Remuneration paid to "employees", including but not limited to:
- (a)** Money or substitutes for money; commissions; bonuses; overtime; payments to statutory insurance or pension plans; profit sharing or incentive plans; pay for holidays, vacation or sickness; and fees paid to employment agencies for temporary personnel provided to you.
 - (b)** If your operations consist of a number of separate operations classified individually in the Declarations, the payroll will be allocated to each classification where you have maintained records for each separate operation. Any such operation for which separate records are not maintained by you will be assigned to the highest rated classification.
 - (c)** For premium computation purposes, the payroll of executive officers, individual insureds and co-partners is subject to a minimum annual payroll per person of:

\$ _____

(If no entry is made, the minimum payroll as established by our rating rules will apply.)

The rates apply per \$1,000 of Payroll.

- (2)** Admissions (premium basis symbol **m**): The total number of persons, other than your "employees", admitted to the insured event or to events conducted on the premises whether on paid admissions, tickets, complimentary tickets or passes. The rates apply per 1,000 Admissions.

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- (3) Gross Sales (premium basis symbol **s**): The gross amount charged by you, your concessionaires or by others trading under your name for:

- (a) All goods or products, sold or distributed;
- (b) Operations performed during the policy period; and
- (c) Rentals; or
- (d) Dues or fees.

The rates apply per \$1,000 of Gross Sales.

- (4) **"Total Cost"** (premium basis symbol **c**) means the total cost of all work let or sublet in connection with each specific project including:

- (a) The cost of all labor, materials and equipment furnished, used or delivered for use in the execution of the work including the cost of finished equipment installed whether or not furnished by the contractor, or subcontractor, or by you; and

All fees, bonuses or commissions made, paid or due. The rates apply per \$1,000 of Total Cost.

- (5) **Area** (premium basis symbol **a**): The total number of square feet of floor space at the insured premises.

The rates apply per 1,000 square feet of Area.

- (6) **Each** (premium basis symbol **t**): This basis of premium involves units of exposure, and the quantity comprising each unit of exposure is indicated in the Declarations, such as "per person".

The rates apply per each unit of exposure.

- (7) **Units** (premium basis symbol **u**): A single room or group of rooms intended for occupancy as separate living quarters by a family, by a group of unrelated persons living together, or by a person living alone.

The rates apply per Unit.

- (8) **Total Operating Expenditures** (premium basis symbol **o**): Total expenditures (including grants, entitlements and shared revenue) without regard to source of revenue during the policy period including accounts payable.

The rates apply per \$1,000 of Total Operating Expenditures.

- c. 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. Failure to supply such records upon request will be deemed a breach of condition and subject this policy, and may subject any in force policy of yours, to cancellation for breach of conditions.
- d. We reserve the right to examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

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- e. Premium shown in this Coverage Part as advance premium is a minimum and deposit premium. Advance premium includes any payments identified as premium paid prior to policy expiration. At the close of each audit period, we will compute the earned premium for that period. Audit premium is due and payable upon notice to the first Named Insured. Failure to pay the audit premium due will be deemed a breach of contract and subject this policy, and may subject any in force policy of yours, to cancellation for non-payment of premium.
- (1) If the actual earned premium generated as a result of an audit for the policy period is less than the advance premium, such advance premium is the minimum premium for the policy period indicated and is not subject to adjustment.
 - (2) If the actual earned premium generated as a result of an audit for the policy period is greater than the advance premium, then a final premium adjustment endorsement will be issued. The additional premium amount shown on the final premium adjustment endorsement is due and payable to us upon notice to the first Named Insured.
 - (3) If you agree with the Final Audit Endorsement, you must remit payment for the full amount of the estimated audit; or
 - (4) If you dispute the Final Audit Endorsement, you must provide us with reason for dispute and provide our auditors with requested updated/corrected audit information so we can calculate the proper earned premium developed for the policy period.
- f. **Estimated Annual Audit Procedure:**
- If, after three documented attempts, we are unable to examine your books and records to obtain the information necessary to complete the audit, we will implement our estimated audit procedure as outlined below:
- (1) An Estimated Audit Endorsement will be issued reflecting a fifty percent (50%) increase in your reported premium basis. This increase is an estimate based on information we have on file, or your business operations.
 - (2) The Estimated Audit Endorsement will include a copy of the Unproductive Audit Report that outlines the documented attempts made to collect the required information.
 - (3) If you agree with the Estimated Audit Endorsement, you must remit payment for the full amount of the estimated audit; or
 - (4) If you dispute the Estimated Audit Endorsement, you must provide the requested audit information so we can calculate the proper earned premium developed for the policy period.

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g. Cancellation Audit Procedure.

- (1)** If the policy is canceled prior to the expiration date the first Named Insured retains the unearned premium; we will retain the earned premium developed by:
 - (a)** Multiplying the advance premium by the applicable pro-rata factor, short-rate factor, or minimum earned premium percentage; or
 - (b)** An audit of your books and records for the period the policy was in force, whichever is greater.
- (2)** If the actual earned premium generated as a result of an audit is greater than the advance premium paid at issuance, then a final premium adjustment endorsement will be issued. The additional premium amount shown on the final premium adjustment endorsement is due and payable to us upon notice to the first Named Insured.

Should it become necessary to institute collection activities, including litigation, in order to collect the additional earned premium, then you shall be responsible for 100% of the expenses, fees and costs incurred by the Company in that regard plus any collectible interest.

All other terms and conditions of this policy remain unchanged.

This endorsement changes the policy to which it is attached and is effective on the date issued unless otherwise stated.