

COVERAGE F. FAULTY STOCK

SECTION I – COVERAGE

1. INSURING AGREEMENT

Notwithstanding the Data Problem Exclusion contained under Form 003.1e, Common Exclusions, we will pay the actual and necessary loss you sustain due to the direct physical loss of or damage to **Covered Property** from a **Covered Cause of Loss** during the policy period.

2. ADDITIONAL EXCLUSIONS

For the purposes of this Coverage, the following exclusions apply in addition to the exclusions described in **SECTION II – COMMON EXCLUSIONS** in the DICE Producers Portfolio Policy Special Conditions.

We will not pay for loss or damage caused by or resulting from any of the following:

- 2.1. Faulty manipulating or judgment of the camera operator or assistants.
- 2.2. Any error of judgment in exposure, lighting or sound recording.
- 2.3. Use of incorrect raw film stock, videotape, media or software.
- 2.4. Any error in machine programming or instructions to the machine.
- 2.5. Use of film, videotape, cameras, lenses or photographic tape or sound equipment that has not been fully tested by you or on your behalf, and found to be in sound operating condition prior to the commencement of the filming of an **Insured Production** or series of productions.

SECTION II – LIMITS OF INSURANCE

The most we will pay for loss in any one occurrence is the Limit of Insurance shown in the Declarations for Faulty Stock coverage.

SECTION III – DEDUCTIBLE

We will not pay for loss or damage in any one occurrence until the amount of the adjusted loss or damage before applying the applicable limits of insurance exceeds the deductible amount shown in the Declarations for Faulty Stock Coverage. We will then pay the amount of the adjusted loss or damage in excess of the deductible, up to the applicable limit of insurance.

SECTION IV – METHOD OF VALUATION

1. The amount of your loss will be determined based on:
 - 1.1. All necessary **gross production costs** you incur to **restore** the **insured production** that exceeds the amount of **gross production costs** you would have incurred if no physical loss or damage had occurred; and
 - 1.2. All other necessary expenses that reduce the amount of loss otherwise payable.
2. Your loss will not include:
 - 2.1. Loss of earnings or profit; or
 - 2.2. **Gross production costs** incurred due to delay in completing an **insured production**.
But we will pay for **gross production costs** incurred:
 - 2.2.1. As the direct result of unavoidable delay that occurs during the period necessary to **restore** the affected portions of the **insured production**; and
 - 2.2.2. As the result of a covered **stop date loss**.
3. We will reduce the amount of your loss to the extent:
 - 3.1. You can resume the **insured production** and discontinue incurring extra **gross production costs**; or
 - 3.2. You do not **restore** the affected portions of the **insured production** as quickly as practicable.
We will pay based on the length of time it would have taken to **restore** the affected portions of the **insured production** as soon as practicable.
4. If you abandon an **insured production** that has been made substantially valueless solely because one or more **covered cause of loss** reasonably, practically and necessarily prevents you from completing the **insured production**, irrespective of any completion or delivery date requirements for the **insured production**, we will pay as loss the total **gross production costs** you have incurred for the **insured production**.

SECTION V – ADDITIONAL CONDITION

For the purposes of this Coverage, the following Condition applies in addition to any condition shown in **SECTION I – CONDITIONS** of the DICE Producers Portfolio Policy Special Conditions or the General Conditions.

Additional Duty in the Event of Loss or Damage

Unless you intend to abandon the **insured production**, you must **restore** the affected portions of the **insured production** as quickly as practicable.

SECTION VI – WARRANTIES

Failure to fulfill these warranties will release us from all obligations under the policy to the extent that a loss is suffered or increased by that failure.

1. You warrant that:

- 1.1. Artwork, drawings, software and related material used to generate computer images and animation cels will be retained until one of the following first occurs:
 - 1.1.1. Your legal liability is exhausted;
 - 1.1.2. A protection print has been completed; or
 - 1.1.3. The expiration of this coverage, whichever comes first;
- 1.2. You will safeguard and maintain all such material listed in sub-paragraph 1.1. above that has been photographed or used as intended in the production process. Damage to such material will not be considered a loss hereunder, except to the extent that other **covered property** is damaged and you have complied with the above;
- 1.3. You will not accumulate for shipping undeveloped exposed negative for a period in excess of five (5) shooting days or seven (7) consecutive days, whichever is less, unless agreed by us in writing. You will also process and view the shipped negative;
- 1.4. You will cut a protection print or duplicate tape of the **insured production** as soon as possible and physically remove it from the premises where the original negative or tape is located to another lab;
- 1.5. You will ship the master and copy separately, prior to delivery to a Distributor or any release, exploitation or test screen of the **insured production**; or
- 1.6. You will not accumulate more than three (3) shooting days of digital images without viewing all the footage on a high definition viewing device.

SECTION VII – ADDITIONAL DEFINITIONS

For the purposes of this Coverage, the following definitions apply in addition to the definitions described in **SECTION III – COMMON DEFINITIONS** of the DICE Producers Portfolio Policy Special Conditions.

1. **Covered cause of loss** means:

- 1.1. Faulty materials;
- 1.2. Faulty equipment;
- 1.3. Faulty editing;
- 1.4. Faulty developing;
- 1.5. Faulty processing; and
- 1.6. Accidental electric, magnetic, or x-ray injury, disturbance or erasure of film, raw film stock, blank media, electronic recordings or video tape.

2. **Covered property**:

- 2.1. Means your:
 - 2.1.1. Raw film stock;
 - 2.1.2. Videotape or digital media stock;
 - 2.1.3. Exposed motion picture film and its sound track or sound record;
 - 2.1.4. Property recorded magnetic video tape or digital media and its soundtrack or other recording. They are considered to be property recorded if they have been replayed, checked and found to be of satisfactory quality after recording;
 - 2.1.5. Interpositives and positive prints of films;
 - 2.1.6. Work prints, cutting copies and fine grain prints;
 - 2.1.7. Transparencies, cels, art work used to create animation images and software and related material used to generate computer images in connection therewith; and
 - 2.1.8. Similar property of others in your care, custody or control and for which you are legally liable and that are used, or intended to be used, in an **insured production** or for other purposes specified in an endorsement to this policy.
- 2.2. Does not include:
 - 2.2.1. Cut-outs;
 - 2.2.2. Unused footage; or
 - 2.2.3. Library stock.

3. **Restore** means to re-photograph, re-tape, recreate or reprogram in substantially the same manner the affected portions of the **insured production**.