

SECTION 3 - EXTRA EXPENDITURE

1. INSURING AGREEMENT

1.1 The Insurers agree, subject to the terms, conditions, exclusions and limitations of this Section and the General Conditions and Exclusions of this Policy, to indemnify the Insured, up to the Limit of Liability, for such Loss as the Insured shall sustain directly and solely by reason of an Interruption to the principal photography of the Production specified in the Schedule to this Policy, as a result of Damage to Property caused by or arising out of an Occurrence during the Period of Insurance.

2. DEFINITIONS (Applicable to this Section only)

2.1 'Loss' means, as ultimately determined at the time of final audit:

- (a) where the Interruption does not prevent the completion of principal photography, the additional Expenditure (if any) incurred by the Insured in completing principal photography of the Production in excess of the Expenditure which, but for the Interruption, would have been incurred in completing principal photography;
- (b) where Underwriters agree that the Interruption reasonably and practically prevents the completion of principal photography, the Expenditure incurred and committed by the Insured up to the date of cancellation of, but only such Expenditure as has been rendered substantially valueless solely and directly as a result of the Interruption.

2.2 'Expenditure' means, subject to the following provisions hereof, all costs, including overheads but excluding earnings and profit, chargeable directly to the Production together with other overheads as may be declared by the Insured prior to the inception date of this Policy.

'Expenditure' does not mean:

- (a) the costs of story, scenario, music rights, sound rights, royalties, continuity, permanent sets, owned wardrobe, owned props, owned equipment, costs incurred after completion of principal photography, premiums paid for this insurance and/or interest on loans;
- (b) the costs of any services rendered by the Insured or any partner or officer thereof, unless such services are provided in the capacity of producer, writer, actor or the like (including services as a disbursing agent) the costs of which are specifically and directly related to the negative cost of the Production;
- (c) the cost of any direct or indirect Damage to Property including, but not limited to, the costs incurred in the purchase, construction, repair or replacement of any physical property including animals.

2.3 'Interruption' means interruption, delay, suspension or abandonment.

2.4 'Damage' means, except as hereinafter excluded in this Section, direct physical loss of, but not loss of use of, or damage to Property.

2.5 'Property' means, subject to the following provisions hereof, all property which is either owned by the Insured or for which the Insured is legally liable.

'Property' does not include:

- 2.5.1 growing plants (unless used as part of a theatrical set) or animals;
- 2.5.2 currency, money, notes, securities, stamps, evidences of debt, letters of credit, bills and other similar negotiable items, plus deeds, accounts, documents, credit cards, passports and railroad, airline or other tickets;
- 2.5.3 furniture and fixtures which are not used or intended to be used as part of a theatrical set;
- 2.5.4 film (developed or undeveloped) or tape (video or audio) unless used as a prop on a theatrical set.

2.6 'Occurrence' means, except as hereinafter excluded in this Section, any external cause, event or happening.

- 2.7 'Period of Insurance' means, subject to the provisions of General Condition 8, from the date specified for Commencement in Section 3 of the Schedule until the sooner of the following:
- 2.7.1 the date specified for Termination therein;
 - 2.7.2 the date of completion of principal photography (being the date upon which the Insured finishes photography of the screenplay); or
 - 2.7.3 the date of abandonment of the Production.
- 2.8 'Limit of Liability' means the maximum liability of Insurers, exclusive of all costs reasonably and necessarily incurred in the investigation and/or resolution of any claim hereunder, in respect of any one Loss (which term shall include all additional Expenditure caused by or arising out of the same Occurrence) which amount shall be the sum specified in Section 3 of the Schedule hereto, provided always that the Insurers shall only be liable to pay in excess of the Deductible specified in Section 3 of the Schedule in respect of each and every loss.

3. EXCLUSIONS

- 3.1 Insurers shall not be liable to indemnify the Insured against Damage caused by or resulting from:
- 3.1.1 insects, vermin, inherent vice, wear, tear, gradual deterioration, dampness of atmosphere, extremes or changes of temperatures, shrinkage, evaporation, loss of weight, leakage of contents, unless caused by an Occurrence not otherwise excluded;
 - 3.1.2 any work, process, experimentation, tests, repairing, restoration, conversion or partial conversion, retouching, painting, cleaning or any other form of process performed or undertaken by or on behalf of the Insured or at the Insured's direction, unless accidental fire or explosion ensues and then only for the Damage caused by such ensuing fire or explosion;
 - 3.1.3 shortage of inventory (including unexplained shortage);
 - 3.1.4 unexplained disappearance;
 - 3.1.5 rain, sleet, snow or hail whether driven by wind or not, to Property stored in the open;
 - 3.1.6 any electrical injury or disturbance to electrical appliances, devices, fixtures or wiring caused by electrical currents artificially generated, within the property or facilities used by the Insured in connection with the Production, unless fire ensues and then only for the Damage caused by such ensuing fire;
 - 3.1.7 Damage to Property caused intentionally by or at the direction of the Insured;
 - 3.1.8 breakage of the lighting element of any theatrical apparatus unless caused by fire, lightning, earthquake, theft or any attempt thereat;
 - 3.1.9 loss of use of animals including, but not limited to, injury, sickness or death of animals;
 - 3.1.10 mechanical breakdown;
 - 3.1.11 Film (developed or undeveloped) or tape (video or audio) unless used as a prop on a theatrical set.

4. CONDITIONS

Claims

- 4.1 The Insured shall, upon the happening of an Occurrence which gives rise to, or which may give rise to, an interruption;
- 4.1.1 immediately notify the Insurers in writing of the said Occurrence;
 - 4.1.2 as soon as practicable thereafter, and in any event within thirty (30) days, submit a completed claim form to the Insurers which shall include full details of the Occurrence, the Interruption or anticipated Interruption and the Loss including the value thereof; and
 - 4.1.3 furnish the Insurers with such further information as the Insurers may reasonably require.