

# STARR INDEMNITY AND LIABILITY COMPANY

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## RESOLUTE PORTFOLIO<sup>SM</sup>

### For Private Companies

#### *Crime and Fidelity Coverage Section*

In consideration of the payment of the premium and subject to the Insuring Agreements, terms, conditions and exclusions of this Coverage Section, if purchased by the **Company** as indicated in Item 3 of the Declarations, STARR INDEMNITY AND LIABILITY COMPANY (the “**Insurer**”) and the **Parent Company**, on behalf of the **Company**, agree as follows:

#### 1. INSURING AGREEMENTS

Coverage is provided under the following Insuring Agreements for which a Limit of Liability is indicated in Item 4 of the Declarations, and, applies to loss sustained by the **Company** resulting directly from an **Occurrence** taking place during the **Policy Period**, except as indicated in Condition 6.(a)(10), Loss Sustained During Prior Insurance Issued By The Insurer Or Any Affiliate, or Condition 6.(a)(11), Loss Sustained During Prior Insurance Not Issued By The Insurer Or Any Affiliate, and which is **Discovered** by the **Company** during the **Policy Period** or during the period of time provided in Condition 6.(a)(6), Extended Period To Discover Loss, of this Coverage Section.

##### A. Employee Theft Insuring Agreement

The **Insurer** shall pay the **Parent Company** for direct loss of **Money, Securities** or **Other Property** sustained by the **Company** resulting from **Theft** or **Forgery** committed by an **Employee**, whether identified or not, acting alone or in collusion with other persons.

##### B. Forgery Or Alteration Insuring Agreement

(1) The **Insurer** shall pay the **Parent Company** for loss resulting directly from **Forgery** or alteration of checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in **Money** that are:

- a. made or drawn by or drawn upon the **Company**, or
- b. made or drawn by one acting as an agent of the **Company**, or
- c. that are purported to have been so made or drawn.

For the purposes of this Insuring Agreement B, a substitute check as defined in the *Check Clearing for the 21<sup>st</sup> Century Act* shall be treated the same as the original it replaced.

(2) If the **Company** is sued for refusing to pay any instrument covered item in B.(1) above, on the basis that it has been forged or altered, and the **Company** has the written consent of the **Insurer** to defend against the suit, the **Insurer** will pay for any reasonable legal expenses incurred and paid by the **Company** in that defense. The amount that the **Insurer** shall pay is in addition to the Limit of Liability applicable to Insuring Agreement B.(1).

**C. Inside the Premises – Loss of Money and Securities Insuring Agreement**

- (1) The **Insurer** shall pay the **Parent Company** for the loss of **Money and Securities** inside the **Premises** or **Banking Premises**:
  - a. resulting directly from **Theft** committed by a person present inside such **Premises** or **Banking Premises**; or
  - b. resulting directly from disappearance or destruction.
- (2) The **Insurer** shall pay the **Parent Company** for loss from damage to the **Premises** or its exterior resulting directly from an actual or attempted **Theft** of **Money and Securities**, if the **Company** is the owner of the **Premises** or is liable for damage to it.
- (3) The **Insurer** shall pay the **Parent Company** for loss of or damage to a locked safe, vault, cash register, cash box or cash drawer located inside the **Premises** resulting directly from an actual or attempted **Theft** of or unlawful entry into those containers.

**D. Inside the Premises – Robbery Or Safe Burglary of Other Property Insuring Agreement**

- (1) The **Insurer** shall pay the **Parent Company** for loss of or damage to **Other Property**:
  - a. inside the **Premises** resulting directly from an actual or attempted **Robbery** of a **Custodian**; or
  - b. inside the **Premises** in a safe or vault resulting directly from an actual or attempted **Safe Burglary**.
- (2) The **Insurer** shall pay the **Parent Company** for loss from damage to the **Premises** or its exterior resulting directly from an actual or attempted **Robbery** of **Other Property**, if the **Company** is the owner of the **Premises** or is liable for damage to it.
- (3) The **Insurer** will pay the **Parent Company** for loss of or damage to a locked safe or vault located inside the **Premises** resulting directly from an actual or attempted **Robbery** or **Safe Burglary**.

**E. Outside The Premises Insuring Agreement**

- (1) The **Insurer** shall pay the **Parent Company** for loss of **Money and Securities** outside the **Premises** in the care and custody of a **Messenger** or an armored motor vehicle company resulting directly from **Theft**, disappearance or destruction.
- (2) The **Insurer** shall pay the **Parent Company** for loss of or damage to **Other Property** outside the **Premises** in the care and custody of a **Messenger** or an armored motor vehicle company resulting directly from an actual or attempted **Robbery**.

**F. Computer Fraud Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for loss of or damage to **Money, Securities** and **Other Property** resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the **Premises** or **Banking Premises**:

- a. to a person (other than a **Messenger**) outside those **Premises**.
- b. to a place outside those **Premises**.

**G. Funds Transfer Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for loss of **Funds** resulting directly from a **Fraudulent Instruction** directing a financial institution to transfer, pay or deliver **Funds** from the **Company's Transfer Account**.

**H. Money Orders and Counterfeit Money Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for loss resulting directly from the **Company** having accepted in good faith, in exchange for merchandise, **Money**, or services:

- a. money orders issued by any post office, express company or bank that are not paid upon presentation; or
- b. **Counterfeit Money** that is acquired during the regular course of business.

**I. Credit, Debit, Charge Card Forgery Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for loss sustained by the **Company** resulting directly from **Credit Card Forgery** committed by a **Third Party**.

**J. Clients Property Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for the direct loss of **Money, Securities**, or **Other Property** sustained by a **Client** resulting from **Theft** or **Forgery** committed by an **Employee** not in collusion with such **Client's** employees.

**K. Investigative Expense Incurred to Establish Amount of Covered Loss Insuring Agreement**

The **Insurer** shall pay the **Parent Company** for reasonable investigative expense incurred by the **Company**, excluding the **Company's** internal corporate costs (such as salary, wages, commissions, benefits or overhead expenses), to establish the existence and amount of a covered loss. Investigative expenses shall not include expenses incurred by any **Client**. Coverage as provided by this Insuring Agreement K shall be subject to the prior written consent of the **Insurer**.

**2) DEFINITIONS**

- (a) "**Banking Premises**" means the interior of that portion of any building occupied by a banking institution or similar safe depository.
- (b) "**Client**" means a customer of the **Company** to whom the **Company** provides goods or services for a fee under written contract.

- (c) “**Credit Card Forgery**” means the **Forgery** or alteration of, on or in any written instrument required in connection with any credit, debit or charge card issued to the **Company** or, at the request of the **Company**, to an **Employee**.
- (d) “**Counterfeit Money**” means an imitation of **Money** that is intended to deceive and to be taken as genuine.
- (e) “**Custodian**” means the **Company**, any partners, any **Members**, or any **Employee** while having care and custody of property inside the **Premises**, excluding any person while acting as a **Watchperson** or janitor.
- (f) “**Discover(s)**”, “**Discovery**” or “**Discovered**” means the time when the **Company’s** General Counsel, any **Employee** of the Risk Management Department or Human Resources Department, or any **Employee** or officer at the level of corporate Vice President or above first becomes aware of facts which would cause a reasonable person to assume that a loss of a type covered by this Coverage Section has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.

“**Discover(s)**”, “**Discovery**” or “**Discovered**” also means the time when the **Company’s** General Counsel, any **Employee** of the Risk Management Department or Human Resources Department, or any **Employee** or officer at the level of corporate Vice President or above first receives notice of an actual or potential claim in which it is alleged that the **Company** is liable to a **Third Party** under circumstances, which, if true, would constitute a loss under this Coverage Section.

- (g) “**Employee**” means
  - (1) any natural person:
    - (i) while in the regular service of the **Company** and for the first forty-five (45) days immediately after termination of service, unless such termination is due to **Theft** or any other dishonest act committed by the **Employee**;
    - (ii) who is compensated directly by the **Company** by salary, wages or commissions; and
    - (iii) who the **Company** has the right to direct and control while performing services for the **Company**;
  - (2) any natural person who is furnished temporarily to the **Company**:
    - (i) to substitute for a permanent **Employee** as defined in 2.(g)(1) above who is on leave; or
    - (ii) to meet seasonal or short-term workload conditions:
      - a. while that person is subject to the **Company’s** direction and control, and
      - b. performing services for the **Company**, excluding, however, any such person while having care and custody of property outside the **Premises**;
  - (3) any natural person who is leased to the **Company** under a written agreement between the **Company** and a labor leasing firm to perform duties related to the conduct of the **Company’s** business, but does not mean a temporary employee as defined in 2.(g)(2) above;
  - (4) any natural person who is:

- (i) a trustee, officer, **Employee**, administrator or manager of any **Employee Benefit Plan**, except an administrator or manager who is an independent contractor; and
- (ii) a director or trustee of the **Company** while that person is engaged in handling **Funds** or **Other Property** of any **Employee Benefit Plan**;
- (5) Any natural person fiduciary, trustee, administrator or other plan official, while in the regular service of an **Employee Benefit Plan**, who is required to be bonded by the **Company** in connection with such **Employee Benefit Plan** as required by Title 1 of the *Employee Retirement Income Security Act of 1974*, as amended, but does not mean a natural person as defined in 2.(g)(4) above;
- (6) any natural person who is a former **Employee, Member, Manager**, director or trustee retained as a consultant while performing services for the **Company**;
- (7) any natural person who is a guest student or intern pursuing studies or duties, excluding, however, any such person while having care and custody of property outside the **Premises**;
- (8) any **Employee** of an entity merged or consolidated with the **Company** prior to the effective date of this Coverage Section; or
- (9) any **Managers**, directors or trustees of the **Company** while:
  - (i) performing acts within the scope of the usual duties of an **Employee**; or
  - (ii) acting as a member of any committee duly elected or appointed by resolution of the **Company's** board of directors or board of trustees to perform specific, as distinguished from general, directorial acts on behalf of the **Company**.

“**Employee**” does not mean any agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character not specified in 2.(g)(1) through 2.(g)(9) above.

- (h) “**Employee Benefit Plan**” means any welfare or pension benefit plan, defined and required to be bonded under Title 1 of the *Employee Retirement Income Security Act of 1974*, as amended, which is operated solely by the **Company** or jointly by the **Company** and a labor organization for the benefit of **Employees** and which existed on or before the inception date of the **Policy Period** or the inception date of this Coverage Section, if the dates differ.
- (i) “**Forgery**” means the signing of the name of another person or organization with intent to deceive; it does not mean a signature which consists in whole or in part of one’s own name signed with or without authority, in any capacity, for any purpose.
- (j) “**Fraudulent Instruction**” means
  - (1) an electronic, telegraphic, cable, teletype, telefacsimile or telephone instruction which purports to have been transmitted by the **Company**, but which was in fact fraudulently transmitted by someone else without the **Company's** knowledge or consent;
  - (2) a written instruction (other than those described in Insuring Agreement B) issued by the **Company**, which was forged or altered by someone

other than the **Company** without the **Company's** knowledge or consent, or which purports to have been issued by the **Company**, but was in fact fraudulently issued without the **Company's** knowledge or consent; or

(3) an electronic, telegraphic, cable, teletype, telefacsimile, telephone or written instruction initially received by the **Company** which purports to have been transmitted by an **Employee** but which was in fact fraudulently transmitted by someone else without the **Employee's** knowledge or consent.

(k) **"Funds"** means **Money** and **Securities**.

(l) **"Messenger"** means the **Company**, a relative of the **Company**, or any partners or **Members**, or any **Employee** while having care and custody of property outside the **Premises**.

(m) **"Money"** means

- (1) currency, coins and bank notes in current use and having a face value; and
- (2) travelers checks, register checks and money orders held for sale to the public.

(n) **"Occurrence"** means

(1) Under Insuring Agreement A

- (i) an individual act;
  - (ii) the combined total of all separate acts whether or not related; or
  - (iii) a series of acts whether or not related
- committed by an **Employee** acting alone or in collusion with other persons, during the **Policy Period**, except as provided under Condition 6.(a)(10) Loss Sustained During Prior Insurance Issued By The Insurer Or Any Affiliate, or, Condition 6.(a)(11) Loss Sustained During Prior Insurance Not Issued By The Insurer Or Any Affiliate, of this Coverage Section.

(2) Under Insuring Agreement B

- (i) an individual act;
  - (ii) the combined total of all separate acts whether or not related; or
  - (iii) a series of acts whether or not related
- committed by a person acting alone or in collusion with other persons, involving one or more instruments, during the **Policy Period**, except as provided under Condition 6.(a)(10) Loss Sustained During Prior Insurance Issued By The Insurer Or Any Affiliate, or, Condition 6.(a)(11) Loss Sustained During Prior Insurance Not Issued By The Insurer Or Any Affiliate, of this Coverage Section.

(3) Under All Other Insuring Agreements:

- (i) an individual act or event;
  - (ii) the combined total of all separate acts or events whether or not related; or
  - (iii) a series of acts or events whether or not related
- committed by a person acting alone or in collusion with other persons, or not committed by any person, during the **Policy Period**, except as indicated under Condition 6.(a)(10) Loss Sustained During Prior

Insurance Issued By The Insurer Or Any Affiliate, or, Condition  
6.(a)(11) Loss Sustained During Prior Insurance Not Issued By The  
Insurer Or Any Affiliate, of this Coverage Section.

- (o) “**Other Property**” means any tangible property other than **Money** and **Securities** that has intrinsic value. **Other Property** does not include computer programs, electronic data or any property specifically excluded under this Coverage Section.
- (p) “**Premises**” means the interior of that portion of any building occupied by the **Company** in conducting its business.
- (q) “**Robbery**” means the unlawful taking of property from the care and custody of a person by one who has:
  - (1) caused or threatened to cause that person bodily harm; or
  - (2) committed an obviously unlawful act witnessed by that person.
- (r) “**Safe Burglary**” means the unlawful taking of
  - (1) property from within a locked safe or vault by a person unlawfully entering the safe or vault as evidenced by marks of forcible entry upon its exterior; or
  - (2) a safe or vault from inside the **Premises**.
- (s) “**Securities**” means negotiable and non negotiable instruments or contracts representing either **Money** or property and includes
  - (1) tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
  - (2) evidences of debt issued in connection with credit or charge cards, which cards are not issued by the **Company**;but does not include **Money**.
- (t) “**Subsidiary**” means any privately-held for-profit entity of which the **Parent Company**
  - (1) has **Management Control** (“Controlled Entity”) before the inception of the **Policy Period**, either directly or indirectly through one or more other Controlled Entities;
  - (2) first acquires **Management Control** during the **Policy Period**, either directly or indirectly through one or more other Controlled Entities, if such entity’s annual revenue totals less than 25% of the consolidated revenue of the **Parent Company** as of its latest fiscal year; or
  - (3) first acquires **Management Control** during the **Policy Period**, either directly or indirectly through one or more other Controlled entities, if such entity’s annual revenue totals 25% or more of the consolidated revenue of the **Parent Company** as of its latest fiscal year, but only if the **Parent Company** provides the **Insurer** with full particulars of the new **Subsidiary** within ninety (90) days after its creation or acquisition and pays any additional premium with respect to such entity within thirty (30) days after being requested to do so by the **Insurer**.

Provided, however, that **Subsidiary** as indicated in items 2.(t)(2) and 2.(t)(3) above shall not include any entity which is a financial institution, such as a bank, insurance company, insurance agent or broker, securities broker or dealer, investment advisor, mutual fund or hedge fund, unless such entity is included in the definition of **Subsidiary** by specific written endorsement attached to this policy.

“**Subsidiary**” also means any not-for-profit entity which is under the exclusive control of the **Company**.

- (u) “**Theft**” means the unlawful taking of property to the deprivation of the **Company**.
- (v) “**Third Party**” means a natural person other than:
  - (1) an **Employee**; or
  - (2) a natural person acting in collusion with an **Employee**.
- (w) “**Transfer Account**” means an account maintained by the **Company** at a financial institution from which the **Company** can initiate the transfer, payment or delivery of **Funds**:
  - (1) by means of electronic, telegraphic, cable, teletype, telefacsimile or telephone instructions communicated directly through an electronic funds transfer system; or
  - (2) by means of written instructions (other than those described in Insuring Agreement B) establishing conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.
- (x) “**Watchperson**” means any person the **Company** retains specifically to have care and custody of property inside the **Premises** and who has no other duties.

### 3. EXCLUSIONS

- (a) The insurance afforded under this Coverage Section shall not apply to:
  - (1) Loss resulting from **Theft** or any other dishonest act committed by:
    - (i) the **Company**; or
    - (ii) any partners or **Members** of the **Company**;  
whether acting alone or in collusion with other persons.
  - (2) Loss caused by an **Employee** if the **Employee** had also committed **Theft** or any other dishonest act prior to the effective date of this policy and the **Company** or any of partners, **Members**, **Managers**, officers, directors or trustees, not in collusion with the **Employee**, learned of that **Theft** or dishonest act prior to the inception date of the **Policy Period** or the inception date of this Coverage Section, if the dates differ; However, this exclusion shall not apply if the value of that **Theft** or dishonest act was valued at \$10,000 or less.
  - (3) Loss resulting from **Theft** or any other dishonest act committed by any of the **Company’s Employees**, **Managers**, directors, trustees, or authorized representatives:
    - (i) whether acting alone or in collusion with other persons; or
    - (ii) while performing services for the **Company** or otherwise;

except when covered under Insuring Agreement A.

- (4) Loss resulting from:
  - (i) the unauthorized disclosure of the **Company's** confidential information including, but not limited to, patents, trade secrets, processing methods or customer lists; or
  - (ii) the unauthorized use or disclosure of confidential information of another person or entity which is held by the **Company** including, but not limited to, financial information, credit card information or similar non-public information.
- (5) Loss resulting from seizure or destruction of property by order of governmental authority.
- (6) Loss that is an indirect result of an **Occurrence** covered by this Coverage Section including, but not limited to, loss resulting from:
  - (i) The **Company's** inability to realize income that would have been realized by the **Company** had there been no loss of or damage to **Money, Securities, or Other Property**;
  - (ii) Payment of damages of any type for which the **Company** is legally liable. But the **Insurer** will pay compensatory damages arising directly from a loss covered under this Coverage Section;
  - (iii) Payment of costs, fees or other expenses incurred by the **Company** in establishing either the existence or the amount of loss under this Coverage Section, except when covered under Insuring Agreement K.
- (7) Fees, costs and expenses incurred by the **Company** which are related to any legal action, except when covered under Insuring Agreement B.
- (8) Loss or damage resulting from nuclear reaction or radiation or radioactive contamination, however caused.
- (9) Loss or damage resulting from:
  - (i) war, including undeclared or civil war;
  - (ii) warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

(b) The insurance afforded under Insuring Agreement A shall not apply to:

- (1) Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:
  - (i) an inventory computation; or
  - (ii) a profit and loss computation.

However, where the **Company** establishes wholly apart from such computations that the **Company** has sustained a loss, then the **Company** may offer its inventory records and actual physical count of inventory in support of the amount of loss claimed.

- (2) Loss resulting from trading, whether in the **Company's** name or in a genuine or fictitious account.
- (3) Loss resulting from the fraudulent or dishonest signing, issuing, cancelling or failing to cancel, a warehouse receipt or any papers connected with it.

(c) The insurance afforded under Insuring Agreements C, D, and E shall not apply to:

- (1) Loss resulting from accounting or arithmetical errors or omissions.
- (2) Loss resulting from the giving or surrendering of property in any exchange or purchase.
- (3) Loss or damage resulting from fire, however caused, except:
  - (i) loss of or damage to **Money** and **Securities**, and,
  - (ii) loss from damage to a safe or a vault.
- (4) Loss of property contained in any **Money** operated device unless the amount of **Money** deposited in it is recorded by a continuous recording instrument in the device.
- (5) Loss of or damage to motor vehicles, trailers or semi-trailers or equipment and accessories attached to them.
- (6) Loss of or damage to property after it has been transferred or surrendered to a person or place outside the **Premises** or **Banking Premises**:
  - (i) on the basis of unauthorized instructions;
  - (ii) as a result of a threat to do bodily harm to any person;
  - (iii) as a result of a threat to do damage to any property;
  - (iv) as a result of a threat to introduce a denial of service attack into the **Company's** computer system;
  - (v) as a result of a threat to introduce a virus or other malicious instruction into the **Company's** computer system which is designed to damage, destroy or corrupt data or computer programs stored within the **Company's** computer system;
  - (vi) as a result of a threat to contaminate, pollute or render substandard the **Company's** products or goods; or
  - (vii) as a result of a threat to disseminate, divulge or utilize:
    - a. the **Company's** confidential information; or
    - b. weaknesses in the **Company's** source code within its computer system.

However this exclusion shall not apply, under Insuring Agreement E, to loss of **Money**, **Securities** or **Other Property** while outside the **Premises** in the care and custody of a **Messenger** if the **Company**:

- (i) had no knowledge of any threat at the time the conveyance began; or
- (ii) had knowledge of a threat at the time the conveyance began, but, the loss was not related to the threat.

- (7) Loss from damage to the **Premises** or its exterior, or to any safe, vault, cash register, cash box, cash drawer or **Other Property** by vandalism or malicious mischief.
  - (8) Loss resulting from the **Company's**, or anyone acting on the **Company's** express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.
- (d) The insurance afforded under Insuring Agreement F shall not apply to:
- (1) Loss resulting from the use or purported use of credit, debit, charge, access, convenience, identification, stored-value or other cards or the information contained on such cards.
  - (2) Loss resulting from a **Fraudulent Instruction** directing a financial institution to transfer, pay or deliver **Funds** from the **Company's Transfer Account**.
  - (3) Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:
    - (i) an inventory computation; or
    - (ii) a profit and loss computation.
- (e) The insurance afforded under Insuring Agreement G shall not apply to loss resulting from the use of any computer to fraudulently cause a transfer of **Money, Securities or Other Property**.

#### 4. **LIMIT OF LIABILITY**

The most the **Insurer** will pay for all loss resulting directly from an **Occurrence** is the applicable Limit of Liability as indicated in Item 4 D. of the Declarations.

If any loss is covered under more than one Insuring Agreement in this Coverage Section, the most the **Insurer** will pay for such loss shall not exceed the largest Limit of Liability indicated in Item 4 D. of the Declarations under any one of the Insuring Agreements.

#### 5. **DEDUCTIBLE**

The **Insurer** will not pay for loss resulting directly from an **Occurrence** unless the amount of loss exceeds the Deductible Amount shown in Item 5 D. of the Declarations. The **Insurer** will then pay the amount of loss in excess of the Deductible Amount, up to the Limit of Liability as indicated in Item 4.D of the Declarations .

#### 6. **CONDITIONS**

##### (a) **Conditions Applicable To All Insuring Agreements**

##### (1) **Additional Premises Or Employees**

If, while this Coverage Section is in force, the **Company** establishes any additional **Premises** or hires additional **Employees**, other than through consolidation or merger with, or purchase or acquisition or assets or liabilities of, another entity, such **Premises** and **Employees** shall automatically be covered under this Coverage Section. Notice to the **Insurer** of an increase in the number

of **Premises** or **Employees** need not be given and no additional premium need be paid for the remainder of the **Policy Period**.

(2) **Concealment, Misrepresentation Or Fraud**

Notwithstanding Section 10 in the General Terms & Conditions Section, this Coverage Section is void in any case of fraud by the **Company** as it relates to this Coverage Section at any time. It is also void if the **Company**, at any time, intentionally conceals or misrepresents a material fact concerning:

- (i) this Coverage Section;
- (ii) the property covered under this Coverage Section;
- (iii) the **Company's** interest in the property covered under this Coverage Section; or
- (iv) a claim under this Coverage Section.

(3) **Duties In the Event of Loss**

After the **Company Discovers** a loss or a situation that may result in loss of or damage to **Money, Securities, or Other Property**, the **Company** must:

- (i) notify the **Insurer** as soon as possible if the **Company** has reason to believe that the value of any loss will equal or exceed one-fourth (1/4) of the Deductible Amount specified in Item 5. D of the Declarations
- (ii) if the **Company** has reason to believe that any loss (except for loss covered under Insuring Agreements A and B) involves a violation of law, the **Company** must also notify the local law enforcement authorities.
- (iii) submit to examination under oath at the **Insurer's** request and give the **Insurer** a signed statement of its answers.
- (iv) produce for the **Insurer's** examination all pertinent records.
- (v) give the **Insurer** a detailed, sworn proof of loss within 120 days.
- (vi) cooperate with the **Insurer** in the investigation and settlement of any claim.

With respect to knowledge, belief or **Discovery** referenced in this Condition 6.(a) (3), **Company** shall mean the **Company's** Corporate Compliance, Ethics or Responsibility Officer, General Counsel, any **Employee** of the Risk Management Department or Human Resources Department.

(4) **Employee Benefit Plans**

- (i) **Employee Benefit Plans** are included in the definition of **Company** solely with respect to Insuring Agreement A.
- (ii) If any **Employee Benefit Plan** is covered jointly with any other entity under this Coverage Section, the **Company** or the plan administrator must select a Limit of Liability for Insuring Agreement A that is sufficient to provide a Limit of Liability for each **Employee Benefit Plan** that is at least equal to that required if each **Employee Benefit Plan** were separately insured.
- (iii) With respect to loss sustained or **Discovered** by any such **Employee Benefit Plan**, Insuring Agreement A is replaced by the following: The **Insurer** will pay for loss of or damage to **Funds and Other Property** resulting directly from fraudulent or dishonest acts committed by an **Employee**, whether identified or not, acting alone or in collusion with other persons.
- (iv) If the **Parent Company** is an entity other than an **Employee Benefit Plan**, any payment the **Insurer** makes for loss sustained by any

**Employee Benefit Plan** will be made to the **Employee Benefit Plan** sustaining the loss.

- (v) If two or more **Employee Benefit Plans** are covered under this Coverage Section, any payment the **Insurer** makes for loss
  - a. sustained by two or more **Employee Benefit Plans**, or
  - b. of commingled **Funds** or **Other Property** of two or more **Employee Benefit Plans**,

resulting directly from an **Occurrence** will be made to each **Employee Benefit Plan** sustaining loss in the proportion that the Limit of Liability, as indicated in Item 4 D. of the Declarations, required for each **Employee Benefit Plan** bears to the total Limit of Liability of all **Employee Benefit Plans** sustaining loss.

- (vi) The Deductible Amount as indicated in Item 5 D. of the Declarations and applicable to Insuring Agreement A does not apply to loss sustained by any **Employee Benefit Plan**.

(5) **Examination Of The Company's Books And Records**

The **Insurer** may examine and audit the **Company's** books and records as they relate to this Coverage Section at any time during the **Policy Period** and up to three (3) years thereafter.

(6) **Extended Period To Discover Loss**

The **Insurer** will pay for loss sustained by the **Company** prior to the effective date of cancellation of this Coverage Section, which is **Discovered** by the **Company**:

- (i) no later than one (1) year from the effective date of such cancellation. However, this extended period to **Discover** loss terminates immediately upon the effective date of any other insurance obtained by the **Company**, whether from the **Insurer** or another insurer, replacing in whole or in part the coverage afforded under this Coverage Section, whether or not such other insurance provides coverage for loss sustained prior to its effective date.
- (ii) no later than one (1) year from the date of that cancellation with regard to any **Employee Benefit Plans**

(7) **Inspections And Surveys**

- (i) The **Insurer** has the right to:
  - a. make inspections and surveys at any time;
  - b. give the **Company** reports on the conditions found; and
  - c. recommend changes.
- (ii) The **Insurer** is not obligated to make any inspections, surveys, reports or recommendations and any such actions undertaken by the **Insurer** relate only to insurability and the premiums charged. The **Insurer** does not make safety inspections. The **Insurer** does not undertake to perform the duty of any person or organization to provide for the health and safety of workers or the public. The **Insurer** does not warrant that conditions:
  - a. are safe or healthful; or
  - b. comply with laws, regulations, codes or standards.

Conditions 6.(a)(7)(i) and 6.(a)(7)(ii) above apply not only to the **Insurer** but also to any rating, advisory, rate service or similar organization which makes

insurance inspections, surveys, reports or recommendations.

(8) **Parent Company**

- (i) If the **Parent Company**, or any partner, **Member**, or officer of the **Parent Company** or of any **Company** has knowledge of any information relevant to this Coverage Section, that knowledge is considered knowledge of the **Company**.
- (ii) An **Employee** of the **Parent Company** or of any **Company** covered under this Coverage Section is considered to be an **Employee** of the **Parent Company** and every **Company** covered under this Coverage Section.
- (iii) If this Coverage Section or any of its Agreements is cancelled as to any **Company**, loss sustained by that **Company** is covered only if it is **Discovered** by the **Company**:
  - a. no later than one (1) year from the date of that cancellation. However, this extended period to **Discover** loss terminates immediately upon the effective date of any other insurance obtained by that **Company**, whether from the **Insurer** or another insurer, replacing in whole or in part the coverage afforded under this Coverage Section, whether or not such other insurance provides coverage for loss sustained prior to its effective date.
  - b. no later than one (1) year from the date of that cancellation with regard to any **Employee Benefit Plan**.
- (iv) The **Insurer** will not pay more for loss sustained by the **Parent Company**, any one or more **Subsidiary** and/or any one or more **Employee Benefit Plan** than the amount the **Insurer** would pay if all such loss had been sustained only by the **Parent Company** or only one **Subsidiary**, or only one **Employee Benefit Plan**.
- (v) Payment by the **Insurer** to the **Parent Company** for loss sustained by any **Company**, other than an **Employee Benefit Plan**, shall fully release the **Insurer** on account of such loss.

(9) **Liberalization**

If the **Insurer** adopts any revision that would broaden the coverage under this Coverage Section without additional premium within forty-five (45) days prior to or during the **Policy Period**, the broadened coverage will immediately apply to this Coverage Section.

(10) **Loss Sustained During Prior Insurance Issued By The Insurer Or Any Affiliate**

- (i) Loss Sustained Partly During This Coverage Section and Partly During Prior Insurance  
If the **Company Discovers** loss during the **Policy Period**, resulting directly from an **Occurrence** taking place:
  - a. partly during the **Policy Period**; and
  - b. partly during the **Policy Period(s)** of any prior cancelled insurance that the **Insurer** or any affiliate issued to the **Company** or any predecessor in interest;

and this Coverage Section became effective at the time of cancellation of the prior insurance, the **Insurer** will first settle the amount of loss sustained by the **Company** during this **Policy Period**. The **Insurer** will then settle the remaining amount of loss sustained by the **Company** during the policy period(s) of the prior insurance.

- (ii) Loss Sustained Entirely During Prior Insurance  
If the **Company Discovers** loss during the **Policy Period**, resulting directly from an **Occurrence** taking place entirely during the policy period(s) of any prior cancelled insurance that the **Insurer** or any affiliate issued to the **Company** or any predecessor in interest, the **Insurer** will pay for the loss provided:
  - a. this Coverage Section became effective at the time of cancellation of the prior insurance; and
  - b. the loss would have been covered under this Coverage Section had it been in effect at the time of the **Occurrence**.
- (iii) In settling loss subject to this Condition:
  - a. the most the **Insurer** will pay for the entire loss is the highest single Limit of Liability applicable during the period of loss, whether such limit was written under this Coverage Section or was written under the prior insurance issued by the **Insurer**.
  - b. the **Insurer** will apply the applicable Deductible Amount shown in Item 5 D. of the Declarations to the amount of loss sustained under the **Policy Period**. If no loss was sustained under the **Policy Period**, the **Insurer** will apply the Deductible Amount shown in Item 5 D. of the Declarations to the amount of loss sustained under the most recent prior insurance.  
If the Deductible Amount, provided in Item 5 D. of the Declarations, is larger than the amount of loss sustained under this Coverage Section, or the most recent prior insurance, the **Insurer** will apply the remaining Deductible Amount to the remaining amount of loss sustained during the prior insurance. The **Insurer** will not apply any other Deductible Amount that may have been applicable to the loss.
- (iv) The following examples demonstrate how the **Insurer** will settle losses subject to this Condition:

**EXAMPLE NO. 1:**

The Company sustained a covered loss of \$10,000 resulting directly from an occurrence taking place during the terms of Policy A and Policy B.

**POLICY A**

The current policy. Written at a limit of liability of \$50,000 and a deductible amount of \$5,000.

**POLICY B**

Issued prior to Policy A. Written at a limit of liability of \$50,000 and a deductible amount of \$5,000.

The amount of loss sustained under Policy A is \$2,500 and under Policy B is \$7,500.

The highest single limit of liability applicable to this entire loss is \$50,000 written under Policy A. The Policy A deductible amount of \$5,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy **A** (\$2,500) is settled first. The amount the Insurer will pay is nil (\$0.00) because the amount of loss is less than the Deductible Amount (i.e., \$2,500 loss - \$5,000 deductible = \$0.00).
2. The **remaining** amount of loss sustained under Policy **B** (\$7,500) is settled next. The amount recoverable is \$5,000 after the remaining deductible amount from Policy **A** of \$2,500 is applied to the loss (i.e., \$7,500 loss - \$2,500 deductible = \$5,000).

The most the Insurer will pay for this loss is \$5,000.

**EXAMPLE NO. 2:**

The Company sustained a covered loss of \$250,000 resulting directly from an occurrence taking place during the terms of Policy **A** and Policy **B**.

**POLICY A**

The current policy. Written at a limit of liability of \$125,000 and a deductible amount of \$10,000.

**POLICY B**

Issued prior to Policy **A**. Written at a limit of liability of \$150,000 and a deductible amount of \$25,000.

The amount of loss sustained under Policy **A** is \$175,000 and under Policy **B** is \$75,000.

The highest single limit of liability applicable to this entire loss is \$150,000 written under Policy **B**. The Policy **A** deductible amount of \$10,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy **A** (\$175,000) is settled first. The amount the Insurer will pay is the Policy **A** Limit of \$125,000 because \$175,000 loss - \$10,000 deductible = \$165,000 which is greater than the \$125,000 policy limit.
2. The remaining amount of loss sustained under Policy **B** (\$75,000) is settled next. The amount the Insurer will pay is \$25,000 (i.e., \$150,000 Policy **B** limit - \$125,000 paid under Policy **A** = \$25,000).

The most the Insurer will pay for this loss is \$150,000.

**EXAMPLE NO. 3:**

The Company sustained a covered loss of \$2,000,000 resulting directly from an occurrence taking place during the terms of Policies **A**, **B**, **C** and **D**.

**POLICY A**

The current policy. Written at a limit of liability of \$1,000,000 and a deductible amount of \$100,000.

**POLICY B**

Issued prior to Policy **A**. Written at a limit of liability of \$750,000 and a deductible amount of \$75,000.

**POLICY C**

Issued prior to Policy **B**. Written at a limit of liability of \$500,000 and a deductible amount of \$50,000.

#### **POLICY D**

Issued prior to Policy **C**. Written at a limit of liability of \$500,000 and a deductible amount of \$50,000.

The amount of loss sustained under Policy **A** is \$350,000, under Policy **B** is \$250,000, under Policy **C** is \$600,000 and under Policy **D** is \$800,000.

The highest single limit of liability applicable to this entire loss is \$1,000,000 written under Policy **A**. The Policy **A** deductible amount of \$100,000 applies. The loss is settled as follows:

1. The amount of loss sustained under Policy **A** (\$350,000) is settled first. The amount the Insurer will pay is \$250,000 (i.e., \$350,000 loss - \$100,000 deductible = \$250,000).
2. The amount of loss sustained under Policy **B** (\$250,000) is settled next. The amount the Insurer will pay is \$250,000 (no deductible is applied).
3. The amount of loss sustained under Policy **C** (\$600,000) is settled next. The amount the Insurer will pay is \$500,000, the policy limit (no deductible is applied).
4. The Insurer will not make any further payment under Policy **D** as the maximum amount payable under the highest single limit of liability applying to the loss of \$1,000,000 under Policy **A** has been satisfied.

The most the Insurer will pay for this loss is \$1,000,000.

- (11) **Loss Sustained During Prior Insurance Not Issued By the Insurer Or Any Affiliate**
- (i) If the **Company Discovers** loss during the **Policy Period**, resulting directly from an **Occurrence** taking place during the policy period of any prior cancelled insurance that was issued to the **Company** or to a predecessor in interest by another insurer, and the period of time to discover loss under that insurance had expired, the **Insurer** will pay for the loss under this Coverage Section, provided:
    - a. this Coverage Section became effective at the time of cancellation of the prior insurance; and
    - b. the loss would have been covered under this Coverage Section had it been in effect at the time of the **Occurrence**.
  - (ii) In settling loss subject to this Condition:
    - a. the most the **Insurer** will pay for the entire loss is the lesser of the Limits of Liability as indicated in Item 4.D of the Declarations applicable during the period of loss, whether such limit was written under this Coverage Section or was written under the prior cancelled insurance.
    - b. the **Insurer** will apply the applicable Deductible Amount as indicated in Item 5.D of the Declarations to the amount of loss sustained under the prior cancelled insurance.
  - (iii) The insurance provided under this section is subject to the following:
    - a. If loss covered under this Condition 6.(a)(11) is also partially covered under Condition 6.(a)(10) above, the amount recoverable under this Condition 6.(a)(11) is part of, not in addition to, the amount recoverable under Condition 6.(a)(10) above.
    - b. For loss covered under this Condition 6.(a)(11) the amount recoverable under this section is part of, not in addition to, the Limit of Liability as indicated in Item 4 of the Declarations applicable to the loss covered under this Coverage Section and is limited to the lesser of the amount recoverable under:
      - i. this Coverage Section as of its effective date; or
      - ii. the prior cancelled insurance had it remained in effect.

(12) **Ownership of Property; Interests Covered**

The property covered under this Coverage Section is limited to property:

- (i) that the **Company** owns or leases; or
- (ii) that the **Company** holds for others whether or not the **Company** is legally liable for the loss of such property.

However, this Coverage Section is for the **Company's** benefit only. It provides no rights or benefits to any other person or organization. Any claim for loss that is covered under this Coverage Section must be presented by the **Company**.

(13) **Records**

The **Company** must keep records of all property covered under this Coverage Section so the **Insurer** can verify the amount of any loss.

(14) **Recoveries**

Any recoveries, whether effected before or after any payment under this Coverage Section, whether made by the **Insurer** or the **Company**, shall be applied net of the expense of such recovery:

- (i) first, to the **Company** in satisfaction of the **Company's** covered loss in excess of the amount paid under this Coverage Section;
- (ii) second, to the **Insurer** in satisfaction of amounts paid in settlement of the **Company's** claim;
- (iii) third, to the **Company** in satisfaction of any Deductible Amount as indicated in Item 5 of the Declarations; and
- (iv) fourth, to the **Company** in satisfaction of any loss not covered under this Coverage Section.

Recoveries do not include any recovery:

- (i) from insurance, suretyship, reinsurance, security or indemnity taken for the **Insurer's** benefit; or
- (ii) of original **Securities** after duplicates of them have been issued.

(15) **Transfer Of The Company's Rights And Duties Under This Coverage Section**

The **Company's** rights and duties under this Coverage Section may not be transferred without the **Insurer's** written consent.

(16) **Transfer Of The Company's Rights Of Recovery Against Others To The Insurer**

The **Company** must transfer to the **Insurer** all of its rights of recovery against any person or organization for any loss the **Company** sustained and for which the **Insurer** has paid or settled. The **Company** must also do everything necessary to secure those rights and do nothing after loss to impair them.

(17) **Valuation-Settlement**

- (i) The value of any loss for purposes of coverage under this Coverage Section shall be determined as follows:
  - (a) loss of **Money** but only up to and including its face value. The **Insurer** will, at the **Company's** option, pay for loss of **Money** issued by any country other than the United States of America:
    - 1. At face value in the **Money** issued by that country; or
    - 2. In the United States of America dollar equivalent determined by the rate of exchange published in *The Wall Street Journal* on the day the loss was **Discovered**.
  - (b) loss of **Securities** but only up to and including their value at the close of business on the day the loss was **Discovered**. The **Insurer** may, at its option:
    - 1. pay the market value of such **Securities** or replace them in kind, in which event the **Company** must assign to the **Insurer** all the **Company's** rights, title and interest in and to those **Securities**; or
    - 2. pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the **Securities**. However, the **Insurer** will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the:
      - (i) market value of the **Securities** at the close of business on the day the loss was **Discovered**; or
      - (ii) the Limit of Liability applicable to the **Securities**.

- (c) loss of or damage to **Other Property** or loss from damage to the **Premises** or its exterior for the replacement cost of the property without deduction for depreciation. However, the **Insurer** will not pay more than the least of the following:
  - 1. the cost to replace the lost or damaged property with property of comparable material and quality and used for the same purpose;
  - 2. the amount the **Company** actually spends that is necessary to repair or replace the lost or damaged property; or
  - 3. the Limit of Liability applicable to the lost or damaged property.
 With regard to Conditions 6.(a)(17)(i)(c)(1) through 6.(a)(17)(i)(c)(3), the **Insurer** shall not pay on a replacement cost basis for any loss or damage:
  - i. until the lost or damaged property is actually repaired or replaced; and
  - ii. unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.
 If the lost or damaged property is not repaired or replaced, the **Insurer** will pay on an actual cash value basis.
- (ii) the **Insurer** will, at the **Company's** option, settle loss or damage to property other than **Money**:
  - (a) in the **Money** of the country in which the loss or damage occurred; or
  - (b) in the United States of America dollar equivalent of the **Money** of the country in which the loss or damage occurred determined by the rate of exchange published in *The Wall Street Journal* on the day the loss was **Discovered**.
- (iii) Any property that the **Insurer** pays for or replaces becomes the **Insurer's** property.

**(b) Conditions Applicable To Insuring Agreement A**

- (1) Termination As To Any Employee  
This Insuring Agreement terminates as to any **Employee**:
  - a. as soon as the **Company's** Corporate Compliance, Ethics or Responsibility Officer, General Counsel, any **Employee** of the Risk Management Department or Human Resources Department, or, any corporate Vice President or above not in collusion with the **Employee**; or
  - b. as soon as any of the **Company's** partners, **Managers, Members**, officers, directors, or trustees not in collusion with the **Employee**; learn of **Theft** or any other dishonest act committed by the **Employee** whether before or after the **Employee** became employed by the **Company**.
  - c. on the date specified in a notice mailed to the **Parent Company**. That date will be at least thirty (30) days after the date of mailing. The **Insurer** will mail or deliver its notice to the **Parent Company's** last mailing address known to the **Insurer**. If notice is mailed, proof of mailing will be sufficient proof of notice.

**(c) Conditions Applicable To Insuring Agreement B**

- (1) Deductible Amount  
The Deductible Amount as provided in Item 5.D of the Declarations does not apply to legal expenses paid under Insuring Agreement B.
- (2) Electronic And Mechanical Signatures

The **Insurer** will treat signatures that are produced or reproduced electronically, mechanically or by other means the same as handwritten signatures.

(3) Proof Of Loss

The **Company** must include with its proof of loss any instrument involved in that loss, or, if that is not possible, an affidavit setting forth the amount and cause of loss.

**(d) Conditions Applicable To Insuring Agreements D and E**

(1) Armored Motor Vehicle Companies

a. Under Insuring Agreement E, the **Insurer** will only pay for the amount of loss the **Company** cannot recover:

- (i) under the **Company's** contract with the armored motor vehicle company; and
- (ii) from any insurance or indemnity carried by, or for the benefit of customers of the armored motor vehicle company.

(2) Special Limit of Liability For Specified Property

The **Insurer** will only pay up to \$5,000 for any one **Occurrence** of loss of or damage to:

- a. precious metals, precious or semi-precious stones, pearls, furs, or completed or partially completed articles made of or containing such materials that constitute the principal value of such articles; or
- b. manuscripts, drawings, or records of any kind, or the cost of reconstructing them or reproducing any information contained in them.

**(e) Conditions Applicable To Insuring Agreement F**

(1) Special Limit of Liability For Specified Property

The **Insurer** will only pay up to \$5,000 for any one **Occurrence** of loss of or damage to manuscripts, drawings, or records of any kind, or the cost of reconstructing them or reproducing any information contained in them.