CRIMEGUARD CHOICE℠
FIDELITY & CRIME INSURANCE POLICY

In consideration of the Policyholder paying the premium and in reliance upon the statements made to the Company by application forming a part hereof, the Company agrees to indemnify the Policyholder subject to the declarations, exclusions, terms and conditions of the policy, for losses first discovered by the Insured during the policy period or applicable discovery period.

The terms and conditions set forth in the Loss of Assets Coverage Section below shall apply to all additional Coverage Sections that are made a part of this policy, except where such terms and conditions are explicitly limited to one or more Coverage Sections. The terms and conditions set forth in each Coverage Section, with the exception of the Loss of Assets Coverage Section, shall apply only to that particular Coverage Section and shall in no way be construed to apply to any other Coverage Section of this policy.

LOSS OF ASSETS COVERAGE SECTION

I. INSURING AGREEMENT

The following Insuring Agreement shall apply only to the coverage afforded by this Loss of Assets Coverage Section:

The Company will indemnify the Insured for the Loss of Assets, excess of any applicable deductible, resulting directly from Agent Theft, Computer Fraud, Dishonesty, Forgery, Funds Transfer Fraud, Impairment, or Non-Payment of Money Order/Counterfeit Paper Currency, which is first discovered by the Insured pursuant to Clause VII(a) Discovery of Loss of this Loss of Assets Coverage Section.

II. DEFINITIONS

The following Definitions shall apply to the coverage afforded by all Coverage Sections made a part of this policy:

Agent means a natural person, entity, firm, company, organization or association duly authorized by written contract to hold Money or Securities for the Insured.

Agent Theft means loss of Money or Securities resulting directly from Theft by an Agent in excess of the amount of the Agent’s contracted indemnity obligation or in excess of any insurance provided by the Agent. It shall be a condition precedent to the Company’s obligation to pay any amount for such loss of Money or Securities that the Insured shall exhaust all remedies against the Agent and any other responsible parties and be paid under all such Agent’s contracts, indemnities or insurance, first, then the
Company’s liability for Agent Theft shall be only the excess over the amount of such contracts, indemnities or insurance.

Assets means Money, Securities or other tangible property owned by the Insured or held by the Insured, whether pursuant to a written contract or not. Assets do not include income, interest or dividends that was not in fact earned or that potentially could have been earned by the Insured on such Money, Securities or other tangible property.

Company means the insurer issuing this policy.

Computer Fraud means the unlawful taking of Assets under the direct or indirect control of a Computer System by means of:
1. the fraudulent accessing of such Computer System;
2. the insertion of fraudulent data or instructions into such Computer System; or
3. the fraudulent alteration of data, programs, or routines in such Computer System.

Computer System means computer hardware, software and firmware and data stored thereon, which are linked together through a network of two or more computers, or accessible through the internet, including network infrastructure, input, output, processing, storage and off-line media libraries. Computer System shall also include those written policies and procedures applicable to the security of a computer network.

Consultant means a natural person professional consultant under contract, either directly or through such Consultant’s company or firm, with the Insured to provide solely expert or professional advice regarding the improved operation of the Insured’s business (“Consulting Services”). Consultant shall not mean any individual or entity providing professional services, including but not limited to legal or accounting services, to the Insured, in whole or in part, other than Consulting Services.

Counterfeit Paper Currency means an imitation of a paper currency in actual use as a medium of exchange, and which is intended to deceive.

Dishonesty means the Theft by an Employee of the Insured acting alone or in collusion with others. If a loss is alleged to have been caused by the Dishonesty of any one or more Employees and the Insured is unable to designate the specific Employee or Employees causing such loss, the Insured shall nevertheless have the benefit of this Loss of Assets Coverage Section, provided that the evidence submitted reasonably proves that the loss was in fact due to the Dishonesty of one or more of the said Employees, and provided further that the aggregate liability of the Company for any such loss shall not exceed the Limit of Liability for this Loss of Assets Coverage Section as set forth in Item 3(a) of the Declarations.

Employee means any natural person while in the regular service of the Insured (and the first 90 days following termination) in the ordinary course of the Insured’s business during the policy period whom the Insured compensates by salary, wages or commissions and has the right to govern and direct in the performance of service.

Additionally, Employee shall also include:
1. part-time and temporary **Employee**s of the **Insured**;

2. students and volunteers gaining work experience with the **Insured**;

3. any individual assigned to perform **Employee**’s for the **Insured** by any agency furnishing either temporary personnel on a contingent or part-time basis of leased personnel on a full-time basis; provided this policy will be excess of any other insurance or suretyship held by the agency furnishing the temporary or leased personnel to the **Insured**;

4. an independent contractor with whom the **Insured** has a written services contract in effect to perform **Employee**’s duties for the **insured**, who is working within the **Insured**’s Premises, and who is performing acts within the scope of such services contract under the supervision of the **Insured**; provided, however, that such independent contractor is not a **Consultant** (as defined below); and provided further that this policy will be excess of any other insurance or suretyship held by or **providing coverage for such independent contractor**;

5. a director, trustee or non-compensated officer of the **Insured** while performing acts within the scope of the usual duties of an **Employee**;

6. any natural person while acting as fiduciary, trustee, administrator, officer or **Employee** while servicing any Employee Benefit Plan sponsored by the **Insured**;

7. an **Employee** of the **Insured** on military leave of absence;

8. a **Consultant**, but only while: 1) a consultancy agreement is in effect between the **Insured** and such consultant or between the **Insured** and such consultant’s company or firm; 2) such consultant is performing acts within the scope of such consultancy agreement; and 3) such consultant is working within the **Insured**’s premises and under the supervision, direction and control of the **Insured**;

**Employee** shall include any natural person holding a position with an **Insured** organized and operating in a jurisdiction outside the United States or any of its territories or possessions that is equivalent to a position listed in subparagraphs 1 through 8 above.

**Employee** does not mean any **Agent**, broker, factor, commission merchant, consignee, or other agent or representative who performs services for the **Insured**.
Financial Institution means:
1. a banking, savings or thrift institution; or
2. a stockbroker, mutual fund, liquid assets fund or similar investment institution; at which the Insured maintains a Transfer Account.

Financial Instrument means any check, draft, promissory note, bill of exchange, or similar written promise, order or direction to pay a sum certain in Money; provided, however, Financial Instrument shall not mean any written instructions to a Financial Institution to debit a Transfer Account and to transfer, pay or deliver Funds from said Transfer Account through an electronic funds transfer system.

Forgery means the unauthorized signing of another person’s name upon, counterfeiting of or alteration of any Financial Instrument made or drawn by, upon, to the order of or for the benefit of the Insured. Additionally, mechanically or electronically reproduced signatures are treated the same as handwritten signatures.

Funds means a credit balance in a Transfer Account maintained by the Insured at a Financial Institution.

Funds Transfer Fraud means:
1. fraudulent electronic, e-mail, telegraphic, cable, teletype, telefacsimile, or telephone instructions issued to a Financial Institution to debit a Transfer Account and to transfer, pay or deliver Funds from said Transfer Account which instructions purport to have been transmitted by the Insured or by a person duly authorized by the Insured to issue such instructions but which have been fraudulently transmitted by another; and
2. fraudulent written instructions to a Financial Institution to debit a Transfer Account and to transfer, pay or deliver Funds from said Transfer Account through an electronic funds transfer system at specified times or under specified conditions, which written instructions purport to have been duly issued by the Insured but which have been fraudulently issued, forged or altered by another.

Impairment means:
1. the actual destruction or disappearance of Money or Securities owned or held by the Insured; or
2. the wrongful abstraction of Assets resulting from Theft by any natural person other than an Employee.

Insured means:
1. in all Coverage Sections except the Personal Identity Event Coverage Section, the Policyholder and any Subsidiary; and
2. in the Personal Identity Event Coverage Section, each Employee (as defined in solely the first paragraph of the Employee definition above) who was employed with the Policyholder or any Subsidiary both at the time a Personal Identity Event occurred with regard to such Employee and at the time such Personal Identity Event was discovered by such Employee.

Loss of Assets means the direct deprivation of the Insured of Assets by a single act or a series of related acts resulting directly from Agent Theft, Computer Fraud, Dishonesty, Forgery, Funds Transfer Fraud, Impairment, or Non-Payment of Money
Order/Counterfeit Paper Currency that occurred prior to the effective date of termination or cancellation of this policy.

**Messenger** means:
1. the insured or a partner of the Insured;
2. any Employee who is duly authorized by the Insured to have the care and custody of the insured property outside the Premises; and
3. any armored motor vehicle company under contract with the Insured to transport the insured property outside the Premises, but solely while transporting Assets of the Insured outside of the Premises.

**Money** means currency, coins, bank notes and bullion, traveler’s checks, registered checks and money orders held for sale to the public.

**Money Order** means any post office or express money order.

**Non-Payment of Money Order/Counterfeit Paper Currency** means the acceptance of any Money Order in good faith, in exchange for merchandise, Money or services, which Money Order has been issued or is purported to have been issued by any post office or express company, if such Money Order is not paid upon presentation, or due to the acceptance in good faith in the regular course of business of Counterfeit Paper Currency.

**Policyholder** means the organization named in item 1 of the declarations.

**Premises** mean the portion of the interior of any enclosed building occupied by the Insured in conducting its business, including the office of the corporate registrar or transfer agent.

**Securities** mean all negotiable and non-negotiable instruments or contracts representing either money or property and include revenue and other stamps in current use, tokens and tickets, but do not include Money.

**Subsidiary** means any entity, firm, company, organization or association, other than a Financial Institution, investment bank, hedge fund, private equity fund, exchange traded fund, insurance or reinsurance company or a holding company with insurance or reinsurance subsidiaries or operations, or any similar institution engaged in the exchange or investment of assets, whether or not owned or held by an Insured, in which the Policyholder on the inception date of this policy:
1. owns more than a 50% financial interest; or
2. has an ownership interest of less than 50% through outstanding securities or voting rights, but where the Policyholder’s policies and procedures and internal audit controls are established and adhered to for the operation of the entity; or
3. the Policyholder (i) has the largest interest of any owner of the entity, (ii) is contractually obligated to manage and supervise the operation, and (iii) the Policyholder’s policies and procedures and internal audit controls are established and adhered to for the operation of the entity.

With regard to a Subsidiary as defined in subparagraphs (2) and (3) above, the Policyholder shall be entitled to indemnification of loss under this policy to the extent
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of the Policyholder’s interest in such Subsidiary, unless the Policyholder is contractually required to provide fidelity insurance for the entire Subsidiary.

Theft means the unlawful taking to the deprivation of the Insured, including by violence or threat of violence, of Assets (other than any salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment).

Transfer Account means an account, maintained by the Insured at a Financial Institution, from which the Insured or the Insured’s authorized representatives may cause the transfer, payment or delivery of Funds:

1. by means of electronic, e-mail, telegraphic, cable, teletype or telephone instructions (communicated directly or through a cash management service or funds transfer system); or
2. by means of written instructions establishing the conditions under which such transfers are to be initiated by such Financial Institution through an electronic funds transfer system.

III. EXCLUSIONS

The coverage afforded by each Coverage Section made a part of this policy does not apply to:

a. loss or damage caused by fire, other than loss of or damage to Money, Securities, safes or vaults;

b. loss resulting from Theft or any other fraudulent, dishonest or criminal act by the Insured, or any partner, owner, trustee, governor, management committee members, members of the management board, or director, of the Insured, except while any director is acting within the scope of the usual duties of an employee, and whether acting alone or in collusion with others;

c. loss of potential income, including interest and dividends, of the Insured, a Client or any third party;

d. loss or damage arising out of war, whether or not declared, civil war, insurrection, rebellion or revolution, or any act or condition incident to the foregoing;

e. loss resulting from the loss of or damage to manuscripts, books of account or records maintained in any format or medium; provided, however, this exclusion shall not apply to the cost of the manuscripts, books of account or records plus the cost of labor and computer time for the actual transcription or copying of data maintained in any format or medium in order to reproduce such manuscripts, books of account or records;

f. loss resulting from, arising out of, based upon, attributable to, related to, in connection with, or from, directly or indirectly, the loss of or damage to proprietary information, trade secrets, confidential processing methods, patents, service marks, trademarks, copyrights, or other confidential information or
g. loss resulting from the surrendering of **Assets** away from the **Premises** or any other location resulting from a threat to do:

- bodily harm to any person; or

- damage to the **Premises** or property owned or held by the **Insured**;

provided, however, this exclusion does not apply to loss resulting from **Impairment** while being conveyed by a **Messenger** when the **insured** had no knowledge of any threat at the time of the incident;

h. loss, the proof of which is dependent solely upon:

- a profit and loss computation or comparison, or

- a comparison of inventory records with an actual physical count;

provided, however, where an **Employee** is involved, inventory records and actual physical count of inventory can be submitted as supporting documentation;

i. loss caused by any **Employee** from the time that an individual, as described in Clause VII(a) **Discovery of Loss**, not in collusion with the **Employee** shall have knowledge or information that the **Employee** has committed any **Theft** or fraudulent or dishonest act.

j. loss or damage to **Assets** while in the custody of any armored car company unless loss or damage is in excess of the amount recovered, recoverable or received by the **Insured** under:

- the **Insured’s** contract with the armored car company; and

- any indemnity or insurance carried by the armored car company;

k. loss or damage resulting from **Impairment** of **Money** or **Securities** which benefits any party (other than the **Insured’s** bank) acting in the capacity of a broker, factor, commission merchant, consignee, contractor or other agent or representative of the **Insured** except an **Agent**;

l. loss or damage to other tangible property while in the custody of any party other than the **Insured** or a **Messenger**;

m. loss or damage resulting from **Impairment** as a result of the unauthorized access and use of the **Insured’s** telephone system;
n. the costs of defending any legal proceeding brought against the Insured, or the fees, costs or expenses incurred or paid by the Insured in prosecuting or defending any legal proceeding;

o. loss or damage resulting from nuclear reaction, nuclear radiation or radioactive contamination, or to any act or condition incident to any of the foregoing;

p. fines, penalties, consequential damages, punitive damages, expenses as a result of regularly scheduled recurring or routine regulatory examinations, or compliance activities or non-monetary relief, including without limitation, injunctive relief, or other equitable remedies of any type for which the Insured is legally liable.

Solely with respect to the coverage afforded by this Loss of Assets Coverage Section, the following additional exclusions shall apply. Coverage under this Loss of Assets Coverage Section does not apply to:

q. loss or damage resulting from Impairment or Computer Fraud arising out of the giving or surrendering of Assets in any exchange or purchase, whether legitimate or fraudulent;

r. loss resulting from Impairment or Computer Fraud which induces the Insured to make any purchase or sale, whether legitimate or fraudulent;

s. loss caused by Forgery or the alteration of Assets received by the Insured in purported payment for property or services sold and delivered on credit;

t. loss or damage resulting from Impairment relating to the Theft of other tangible property within the Premises, while the Premises are not open for business, except other tangible property found within a safe, vault, cash box, locked cash drawer or cash register;

u. loss or damage resulting from Computer Fraud arising out of unintentional errors or omissions;

v. loss of computer time or use due to Computer Fraud;

w. loss or damage resulting from Funds Transfer Fraud caused by a Financial Institution, or any electronic funds transfer system, or electronic data processor, except to the extent that it is excess of any indemnity or other insurance provided for the benefit of customers of any of the aforesaid;

x. to loss resulting directly or indirectly from any authorized or unauthorized trading of Money, Securities or other tangible property whether or not in the name of the Insured and whether or not in a genuine or fictitious account; provided, however, this exclusion shall not apply to direct losses caused by Dishonesty. Direct losses as used herein shall mean only the amount of improper financial gain to the Employee;
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y. loss caused by any Agent from the time the Insured or any owner, partner or officer not in collusion with the Agent shall have knowledge or information that the Agent has committed any Agent Theft, or fraudulent or dishonest act;

z. loss or damage resulting from Credit Card Forgery.

IV. LIMIT OF LIABILITY

Any payment under this policy for a covered loss shall not reduce the Company’s liability for other covered loss arising from unrelated acts, except as noted in the Declarations. The maximum liability of the Company for any single loss shall not exceed the applicable Limit of Liability amount stated in Item 3 of the Declarations.

The Limit of Liability stated in Item 3 of the Declarations for a Coverage Section shall be the maximum liability of the Company for all loss arising from a single act or series of related acts under such Coverage Section. In the event a loss triggers coverage under multiple Coverage Sections and all such Coverage Sections are subject to equal Limits of Liability, then the most the Company will pay for all loss arising from any single act or series of related acts shall be an amount equal to one such Limit of Liability regardless of the Coverage Section(s) under which payment is made. In the event a loss triggers coverage under multiple Coverage Sections that are subject to Limits of Liability that are not equal, then the most the Company will pay for all loss arising from any single act or series of related acts shall be an amount equal to the highest applicable Limit of Liability set forth in the Declarations for such Coverage Sections; provided, however, the lower applicable Limit(s) of Liability for such Coverage Sections shall serve as a sublimit(s) of liability for loss covered under the respective Coverage Section(s) and such sublimit(s) of liability shall be part of and not in addition to the Limit of Liability applicable to all loss arising from such single act or series of related acts.

Regardless of the number of years this policy is in force and the number of premiums paid, the limit of the Company’s liability as specified in the Declarations shall not be cumulative over policy periods.

This Clause IV shall not apply to the Personal Identity Event Expenses Coverage Section.
V. DEDUCTIBLE AND OTHER INSURANCE

For each covered loss, coverage under this policy will be in excess of the greater of the following amounts:

- the deductible amount set forth in the Declarations for the applicable Coverage Section, and
- the amount of any other valid and collectible insurance or indemnity available to the Insured.

If a loss is covered partly under this policy and partly under a prior policy written by another carrier, the deductible amount under this policy applicable to the loss will be reduced by the amount of any deductible amount actually applied to loss under such prior policy. If the amount of any deductible amount actually applied to loss under such other carrier’s prior policy is greater than the deductible amount under this policy, then no deductible shall apply to the amount of covered loss under this policy.

The deductible amounts stated in the Declarations are separate deductibles applicable to each Coverage Section. The application of a deductible to loss covered under one Coverage Section shall not reduce the deductible under any other Coverage Section. In the event a loss triggers coverage under multiple Coverage Sections, then as to such loss the highest applicable deductible set forth in the Declarations for such Coverage Sections shall be deemed the deductible applicable to all loss arising from a single act or series of related acts.

This Clause V shall not apply to the Personal Identity Event Expenses Coverage Section.

VI. WORLDWIDE TERRITORY

Except for the Personal Identity Event Expenses Coverage Section, this policy shall apply to loss incurred by an Insured anywhere in the world unless prohibited by law.

VII. LOSS PROVISIONS

(a) Discovery of Loss

Discovery of loss by the Insured occurs when the Insured’s Corporate Insurance Risk Management Department, Internal Audit Department, Human Resources/Personnel Department or General Counsel, or any officer to whom they report, or any partner or owner of the Insured, first becomes aware of facts which would cause a reasonable person to believe that a loss covered by this insurance has been or will be incurred, even though the exact amount or details may not then be known.

The Company will pay the Insured for loss sustained as a direct result of acts committed prior to the effective date of termination or cancellation of this policy (except when cancellation is due to non-payment of premium), which is discovered by the Insured during the policy period or within 90 days after the effective date of such termination or cancellation; provided, however, the 90-day extended period set forth
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herein to discover loss terminates immediately upon the effective date of any other fidelity and crime insurance obtained by the Insured.

This Clause VII(a) shall not apply to the Personal Identity Event Expenses Coverage Section or the Loss of Employee Benefit Plan Assets Coverage Section.

(b) Notification & Proof of Loss

Upon knowledge or discovery of loss by the insured or of an occurrence which would cause a reasonable person to believe that such loss or occurrence would give rise to a covered loss in the amount of 50% of the applicable deductible or more, the Policyholder shall, on behalf of any Insured:

- give notarized written notice to the Company of such loss or occurrence, at the address stated in Item 5(b) of the Declarations, no later than 90 days after such discovery or first obtaining such knowledge, on the form provided;

- give notice to the police if loss results from Agent Theft, Computer Fraud, Forgery, Funds Transfer Fraud, Impairment, or Non-Payment of Money Order/Counterfeit Paper Currency;

- provide all requested information and documents and cooperate with the Company in all matters pertaining to such loss or occurrence; and

- give written notice to the Company of the Insured’s election to apply to such loss either Loss Settlement Clause 1 or Loss Settlement Clause 2, as set forth below, no later than 30 days after the submission of the notarized written notice of such loss to the Company and no later than 90 days after knowledge or discovery of such loss. If the Policyholder fails to give written notice to the Company of such election, this policy shall apply as if the Insured had elected to apply Loss Settlement Clause 2 to such loss.

1) LOSS SETTLEMENT CLAUSE 1: Election of the Fidelity Research & Investigative Settlement Clause (FRISC)

An independent investigative specialist will investigate the facts and determine the quantum of loss. The Policyholder and the Company shall jointly task and budget the investigative specialist regarding the scope and cost of the investigation to be performed. The final report issued by the investigative specialist will be definitive as respects the facts and the quantum of loss and shall be provided to both the Insured and the Company.

Upon receipt and acceptance of written notification by the Company, the Policyholder shall choose an investigative specialist from the attached endorsement, provided the choice does not present a clear conflict of interest. The Company and the Policyholder will share equally the cost of the investigative specialist. The deductible amount is not applicable to the cost of
the investigative specialist, and the expense paid by the Company will be a part of, and not in addition to, the applicable Limit of Liability.

After a joint review of the investigative report, if the Policyholder disputes the Company’s coverage determination, the Company, at the Policyholder’s request, will submit the dispute to mediation and/or arbitration (if applicable). The rules of the American Arbitration Association shall apply to this proceeding except for the selection of the mediator and/or arbitrator.

Upon receipt and acceptance of written notification by the Company, the Policyholder shall choose a mediator and/or arbitrator from the attached endorsement, provided the choice does not present a clear conflict of interest. The Company and the Policyholder will bear their own costs, in the event of a mediation and/or arbitration.

2) LOSS SETTLEMENT CLAUSE 2: Waiver of FRISC

(A) The Insured shall be required to meet the following conditions in presenting loss to the Company: (i) the Insured shall give notarized written notice to the Company no later than 90 days after knowledge or discovery of the loss; ii) the Insured shall give notice to the police if the loss results from agent theft, Computer Fraud, Forgery, Funds Transfer Fraud, Impairment, or non-Payment of Money Order/Counterfeit Paper Currency; (iii) the Insured shall file a detailed proof of loss, duly sworn to, with the Company within 120 days after knowledge or discovery of the loss; and (iv) the Insured shall provide all requested information and documents and cooperate with the Company in all matters pertaining to the loss.

Upon the Company’s request, the insured shall submit to examination by the Company, subscribe the same, under oath if required, and produce for the Company’s examination all pertinent records, all at such reasonable times and places as the Company shall designate, and shall cooperate with the Company in all matters pertaining to the loss or the claim.

(B) Claims Expense: Coverage is extended to include reasonable expenses (excluding the cost of services rendered by Employees of the Insured) incurred by the Insured for producing and certifying particulars or details of the Insured’s business required by the Company in order to arrive at a covered loss payable under this policy (“Claims Expense Coverage”). If no covered loss is established hereunder, then the Insured will bear all such expenses. The Limit of Liability for all Claims Expense Coverage provided hereunder shall be $10,000, which shall be part of and not in addition to the applicable Limit of Liability. There shall be no coverage hereunder for any expenses arising out of any legal dispute, suit or arbitration with the Company. The Claims Expense Coverage afforded hereunder shall be subject to a deductible in the amount of $1,000.

(C) No action shall lie against the Company unless, as a condition precedent thereto: (i) the Insured has complied with all the terms and conditions of this policy; (ii) 90 days have expired after the date the required proof of loss
was filed with the Company; and (iii) such action is commenced within two years after knowledge or discovery of the loss.

If any limitation is prohibited by any law controlling the construction of this policy, the limitation shall be deemed to be amended to comply with the minimum period of limitation permitted by law.

Any dispute between the Insured and the Company involving the amount or valuation of the covered loss will be submitted to mediation or arbitration for resolution.

This Clause VII(b) shall not apply to the Loss of Client Assets Coverage Section, the Personal Identity Event Expenses Coverage Section or the Credit Card Forgery Coverage Section.

(c) Settlement of Loss

The Company may, with the Insured’s consent, settle any claim for covered loss of property with the owner. Any property for which the Company has made indemnification shall become the property of the Company. At its discretion, the Company may pay the actual cash value or make applicable repairs or replacements.

(d) Basis of Valuation

In no event shall the Company be liable for more than:

- at the sole discretion of the Company, the actual cash value of Securities at the close of business on the day the covered loss was discovered subject to the limits of liability, or the actual cost of replacing the Securities, whichever is less, plus the cost to post any required lost instrument bonds. The costs of posting any required lost instrument bonds and replacing the Securities shall be paid by the Insured and the Company. The Insured shall pay the costs related to the value of covered loss within its deductible and the costs related to any amount of covered loss in excess of the limits of liability and the Company shall pay the costs related to the covered loss in excess of the deductible and up to the limits of liability;

- the cost of blank books, blank pages or other materials plus the cost of labor and computer time for the actual transcription or copying of data maintained in any format or medium in order to reproduce books and records;

- the cost of labor for the actual transcription or copying of electronic data, furnished by the Insured, in order to reproduce such electronic data;

- the actual cash value of other tangible property at the time of loss or the actual cost of repairing or replacing the other tangible property with other tangible property or material of like quality or value, whichever is less.
The actual cash value of other tangible property if held by the Insured as a pledge, or as collateral for an advance or a loan, shall be considered not to exceed the value of the other tangible property as determined and recorded by the Insured when making the advance or loan, or in the absence of a record, the unpaid portion of the advance or loan plus accrued interest at legal rates;

- if a foreign currency (a currency other than the currency in which this policy is written) is involved in a covered loss sustained by the Insured, then for the purpose of any required calculation in the settlement of covered loss, the rate of exchange shall be the rate as published in the Wall Street Journal on the date of discovery;

- the selling price of inventory that is held for sale or the cost of the inventory plus 5%, whichever is less; and

- if the loss of the value of services provided by the Insured is the subject of loss, then the actual cost to the Insured of providing such services.

VIII. CANCELLATION CLAUSE

A. This policy shall be canceled:

- upon receipt by the Company of written notice of cancellation from the Policyholder;

- in the event the Policyholder shall consolidate with or merge into another entity such that the Policyholder is not the surviving parent entity, or sell all or substantially all of its assets to any other person or entity or group of persons or entities acting in concert;

- for reason of non-payment of premium, 10 days after the receipt by the Policyholder of written notice from the Company; or

- for reasons other than non-payment, 60 days after the receipt by the Policyholder of a written notice from the Company.

Upon cancellation by either the Policyholder or the Company for any reason other than non-payment of premium, the Company shall refund any applicable unearned premium computed pro rata. Upon cancellation by the Company for non-payment of premium, the Company shall be due the premium computed at customary short rates for the time period that the policy was in effect.

B. This policy shall be canceled as respects any Employee or Agent:

- immediately upon discovery of any dishonesty by an individual, as described in Clause VII(a) Discovery of Loss, not in collusion with the Employee; or
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- immediately from the time the **Insured** or any owner, partner or officer not in collusion with **Agent** shall have knowledge or information that the **Agent** has committed any **Agent Theft** or fraudulent or dishonest act; or

- 60 days after the receipt by the **Policyholder** of written notice of cancellation from the **Company**.

C. This policy shall be canceled as respects any **Subsidiary** immediately as of:

- the time that such entity, firm, company, organization or association no longer meets the definition of “**Subsidiary**” in this policy;

- the effective time of any sale of all or substantially all of such **Subsidiary’s** assets; or

- the effective time of any liquidation or dissolution of such **Subsidiary**.

Notice of cancellation will be mailed or delivered to the mailing address shown on the Declarations. Proof of mailing or delivery will be sufficient proof of notice.

IX. **CONSOLIDATION, MERGER OR ACQUISITION**

If the total assets of the **Insured** (as stated in the application for this policy) increase more than 15%, through any consolidation or merger with, purchase of assets of, or acquisition of the majority stock ownership of an organization, then the **Policyholder** shall:

- within 90 days of the effective date of the transaction give the **Company** written notice of the transaction;

- within 90 days of the effective date of the transaction provide to the **Company** any additional information it may request;

and shall pay the **Company** any additional premium calculated pro rata from the date of the transaction to the end of the policy period.

Notwithstanding the above, any entity acquired during the policy period shall be subject to coverage only for covered loss sustained as a direct result of acts committed subsequent to the effective date of the acquisition and during the policy period. There is no coverage for loss incurred prior to the acquisition of any said entity. If an entity was acquired before the policy effective date, then there is no coverage for loss incurred prior to the acquisition of any said entity. Such insurance as is provided by this policy to a **Subsidiary** acquired by an **Insured** shall apply only as specifically excess over any representations and warranties insurance issued in connection with such acquisition.
X. SUBROGATION

In the event of any payment under this policy, the Company shall be subrogated to the extent of the payment to all of the Insured’s rights of recovery. The Insured shall execute all papers required and shall do everything necessary to secure and preserve the rights, including the execution of the documents necessary to enable the Company effectively to bring suit in the name of the Insured. And, the Insured shall do nothing after discovery of loss to prejudice the rights of recovery.

Recoveries (except from sureties, insurance, reinsurance or indemnity), less the actual cost of recovery, made after a covered loss will be distributed as follows:

- first, the Insured shall be reimbursed for covered loss exceeding the applicable Limit of Liability and the deductible amount (if applicable);
- second, the Company shall be reimbursed for the settlement made; and
- third, the Insured shall be reimbursed for covered loss equal to the deductible amount.

XI. JOINT INSURED

If more than one Insured is covered under this policy, the Policyholder shall act for itself and for every other Insured for all purposes of this policy.

If any Insured or officer of that Insured has knowledge of any information relevant to this policy, that knowledge is considered knowledge of every Insured.

An Employee of any Insured is considered to be an Employee of every Insured.

If this policy or any of its coverage sections is cancelled or terminated as to any Insured, loss sustained by such Insured is subject to coverage only if discovered prior to the effective date of cancellation or termination.

The Company will not pay more for loss sustained by more than one Insured than the amount the Company would pay if all the loss had been sustained by one Insured.

XII. ASSIGNMENT AND CHANGES

No changes, modifications or assignments of interest of this policy shall be effective except when made by a written endorsement to this policy which is signed by an authorized representative of the Company. Additionally, notice to any agent or knowledge possessed by any agent or by any other person shall not affect a waiver or a change in any part of this policy or estop the Company from asserting any right under the terms of this policy.

By acceptance of this policy, the Policyholder agrees the policy embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance.
XIII. ACTION AGAINST THE COMPANY

The Insured cannot bring an action against the Company unless:

- the Insured has complied with all the terms and conditions of this policy;
- the action is brought within 90 days after the Policyholder’s receipt of the issued investigative specialist’s report outlining a loss, or within 90 days after the Company’s receipt of the proof of loss; or, with respect to the Personal Identity Event Expenses Coverage Section, within 90 days after the Policyholder’s receipt of the issued Personal Identity Event investigative specialist’s report outlining a loss; and
- the action is brought within two (2) years after knowledge or discovery of the loss or, with respect to the Personal Identity Event Expenses Coverage Section, the Personal Identity Event.

If any limitation listed above is prohibited by any law controlling the construction of this policy, the limitation shall be deemed to be amended to comply with the minimum period of limitation permitted by law. This policy is for the sole benefit of the Insured. No suit, action or legal proceedings shall be brought hereunder by anyone other than the Insured.

XIV. HEADINGS

The headings of the various clauses and paragraphs of this policy and endorsements, if any, attached to this policy, are inserted solely for convenience or reference and are not to be deemed in any way to limit or expand the provisions to which they relate, and are not part of this policy.