



# Watchdog<sup>SM</sup>

A Crime Policy

**Executive Risk Indemnity Inc.**

*Home Office:*

2711 Centerville Road, Suite 400  
Wilmington, DE 19808

*Administrative Offices/Mailing Address:*

82 Hopmeadow Street  
Simsbury, Connecticut 06070-7683  
Phone: 860.408.2000  
Fax: 860.408.2002  
E-mail: [csi-info@chubb.com](mailto:csi-info@chubb.com)  
Web Site: <http://csi.chubb.com>

**WATCHDOG<sup>SM</sup>**  
**A Crime Policy**

**EXECUTIVE RISK INDEMNITY INC.**

**Executive Risk Indemnity Inc. (the “Underwriter”) and the Insured, subject to all of the terms, conditions and limitations of this Policy, agree to the following:**

**Coverage shall be afforded under this Policy for loss discovered during the Policy Period (as set forth in ITEM 2 of the Declarations) under only those INSURING AGREEMENTS that reflect a Limit of Insurance and a Deductible in the coverage schedule contained in ITEM 3 of the Declarations.**

**I. INSURING AGREEMENTS**

**(A) Employee Theft Coverage:**

**(1) Employee Theft**

The Underwriter will pay for loss of or damage to **Money, Securities** and other property, which is discovered during the Policy Period, resulting directly from **Theft** or **Forgery** by any **Employee** of the **Insured** while acting alone or in collusion with others.

**(2) Third Party Liability**

The Underwriter will pay for loss sustained by a third party, which is discovered by the **Insured** during the Policy Period, resulting directly from **Theft** or **Forgery** by any **Employee** of the **Insured** for which loss the **Insured** is held liable.

**(B) Premises Coverage:**

**(1) Loss of Money and Securities**

The Underwriter will pay for loss of **Money** and **Securities**, which is discovered during the Policy Period, resulting directly from **Robbery**, burglary, misplacement, mysterious unexplainable disappearance, damage and destruction thereto, or **Theft** while such **Money** or **Securities** is or are upon the **Premises** of the **Insured** or any **Banking Premises**.

(2) **Loss of or damage to other property**

The Underwriter will pay for loss of or damage to other property which is discovered during the Policy Period, resulting directly from an actual or attempted **Robbery** or **Safe Burglary** within the **Insured's Premises**, or its exterior; provided, that the **Insured** is the owner of the **Premises** or is liable to the owner of the **Premises**, or its exterior, for such loss or damage.

(C) **Transit Coverage:**

The Underwriter will pay for loss of or damage to **Money, Securities** or other property which is discovered during the Policy Period, resulting directly from the actual destruction, disappearance, misappropriation, wrongful abstraction, actual or attempted **Robbery** or **Theft** of such **Money, Securities** or other property while outside the **Premises** in the care and custody of a messenger or armored motor vehicle company or while temporarily within the home of a director, an officer, a partner, an **Employee**, or a messenger of the **Insured**.

(D) **Forgery, Alteration and Counterfeit Money:**

The Underwriter will pay for direct loss, which is discovered during the Policy Period, resulting from **Forgery**, alteration, or counterfeiting of or in any **Financial Instrument** and from counterfeit **Money**.

For the purposes of this INSURING AGREEMENT (D), mechanically reproduced or facsimile signatures shall be treated the same as handwritten signatures.

(E) **Computer Theft and Funds Transfer Fraud:**

The Underwriter will pay for loss of or damage to **Money, Securities** and other property, which is discovered during the Policy Period, resulting directly from **Computer Theft, Computer Virus, or Funds Transfer Fraud**.

(F) **Claims Expense:**

The Underwriter will pay for reasonable expenses incurred by the **Insured** in order to determine the amount of covered loss payable under this Policy. The Underwriter shall only reimburse for such expenses provided the covered loss exceeds the **Single Loss** deductible independent of any such expenses. Reimbursement of such expenses will occur at the time of payment of loss.

(G) **Extortion:**

The Underwriter will pay for loss of **Money, Securities** or other property surrendered away from the **Premises** of the **Insured** as a result of a threat communicated to the **Insured** during the Policy Period:

- (1) to do bodily harm to any director, trustee, officer, **Employee**, partner or proprietor (if the **Insured** is a sole proprietorship) or a relative or an invitee or any member of the household of such director, trustee, officer, **Employee**, partner or proprietor who is, or allegedly is, being held captive; or
- (2) to do damage to the **Premises** or property of the **Insured**;

provided, however, that prior to the surrender of such property, the person receiving the threats has made a reasonable effort to notify an associate or a director or an officer of the **Insured** and a reasonable effort has been made to notify the Federal Bureau of Investigation and/or local law enforcement authorities concerning such threat.

**II. GENERAL AGREEMENTS**

(A) **Court Costs and Attorneys' Fees:**

The Underwriter shall indemnify the **Insured** against court costs and reasonable attorneys' fees incurred and paid by the **Insured** in defending any suit or legal proceeding brought against the **Insured** alleging liability which, if established against the **Insured**, would constitute a loss covered under this Policy in excess of the **Single Loss** deductible. Court costs and reasonable attorneys' fees indemnified hereunder shall be part of, and shall not be in addition to, the Limit of Insurance set forth for the applicable INSURING AGREEMENT in ITEM 3 of the Declarations of this Policy. Payment of such court costs and attorneys' fees shall operate to reduce the applicable Limit of Insurance.

If the amount of the **Insured's** liability or alleged liability is greater than the amount recoverable under this Policy, or if a deductible would apply to the loss, or both, the liability of the Underwriter to indemnify for court costs and attorneys' fees under the paragraph above is limited to the proportion of court costs and attorneys' fees incurred and paid by the **Insured** or by the Underwriter that the amount recoverable under this Policy bears to the total of such amount plus the amount which is not recoverable.

The **Insured** shall notify the Underwriter, at the earliest practicable moment, of any suit or legal proceeding, and in no event more than sixty (60) days thereafter, and at the request of the Underwriter shall furnish the Underwriter with copies of all pleadings and other papers available in connection with such suit or legal proceeding. The **Insured** shall not admit any liability for or settle any suit or legal proceeding without the Underwriter's consent, such consent not to be unreasonably withheld.

At the Underwriter's sole election, the **Insured** shall permit the Underwriter to conduct the defense of such suit or legal proceeding, in the **Insured's** name, through attorneys of the Underwriter's selection. The **Insured** shall give all reasonable information and assistance which the Underwriter may deem necessary to the defense of such suit or legal proceeding. Court costs and attorneys' fees paid pursuant to this paragraph shall be part of, and not in addition to, the Limit of Insurance set forth in ITEM 3 of the Declarations of the Policy. Payment of such court costs and attorneys' fees shall operate to reduce the applicable Limit of Insurance.

If the Underwriter pays court costs and attorneys' fees in excess of its proportionate share of such costs and fees, the **Insured** shall promptly reimburse the Underwriter for such excess costs and fees.

(B) **Consolidation or Merger:**

If the **Insured** shall, while this Policy is in force, establish any additional offices, other than by consolidation or merger with another organization or by the purchase or acquisition of assets or liabilities of another organization, such office shall be automatically covered hereunder from the date of such establishment without the requirement of notice to the Underwriter or the payment of additional premium for the remainder of the Policy Period.

If the **Insured** shall, while this Policy is in force, consolidate or merge with or purchase or acquire assets or liabilities of another organization (herein referred to as a "Transaction"), no coverage will be afforded under this Policy for loss which:

- (1) has occurred or will occur in offices or premises acquired by the **Insured** as a result of such Transaction;
- (2) has been caused or will be caused by an employee or employees of such organization; or
- (3) has arisen or will arise out of the assets or liabilities acquired by the **Insured** as a result of such Transaction;

unless the **Insured** shall:

- (1) give the Underwriter written notice of the Transaction within ninety (90) days thereafter;
- (2) obtain the written consent of the Underwriter to extend the coverage provided by this Policy to such additional offices or premises, **Employees** and other exposures on such terms and conditions as the Underwriter may require; and
- (3) pay to the Underwriter an additional premium, if required;

provided, however, that if the Transaction involves assets in an amount less than twenty-five percent (25%) of the consolidated assets of all **Insureds** on the day of the Transaction, coverage under this Policy shall be automatically afforded, without the necessity of an additional premium, for any **Single Loss** discovered on or after the effective date of the Transaction.

(C) **Joint Insured:**

- (1) If there is more than one **Insured**, the **Insured** that is named first in the Declarations will act for itself and for every other **Insured** for all purposes of this Policy. If the first **Insured** ceases to be covered, then the next **Insured** will become the first **Insured** for the purposes of this GENERAL AGREEMENT (C).
- (2) If any **Insured**, or any partner, officer or director of that **Insured**, has knowledge of any information relevant to this Policy, that knowledge is considered knowledge of every **Insured**.
- (3) An **Employee** of any **Insured** is considered to be an **Employee** of every **Insured**.
- (4) If a loss is sustained by more than one **Insured**, the Underwriter will not pay more for loss sustained by more than one **Insured** than the amount the Underwriter would have paid if all loss had been sustained by one **Insured**.

(D) **Loss Covered under this Policy and Prior Insurance Issued by the Underwriter or any Affiliate:**

If any loss is covered both by this Policy and under any prior canceled or terminated crime insurance that the Underwriter or any affiliate of the Underwriter had issued to the **Insured** or any predecessor in interest to the **Insured**, the most that the Underwriter will pay under this Policy is the larger of the amount recoverable under this Policy or such prior insurance.

(E) **Other Insurance:**

Coverage afforded hereunder shall apply only as excess over any other valid insurance or indemnity obtained by the **Insured** or by any other party at interest or in any way involved in any loss covered by this Policy, whether collectible or not. As excess insurance, this Policy shall not apply or contribute to the payment of any loss until the amount of such other insurance or indemnity shall have been exhausted.

**III. GENERAL CONDITIONS**

(A) **Changes:**

This Policy, including any endorsements attached hereto, contains all the agreements between the **Insured** and the Underwriter concerning the insurance afforded. The first named **Insured** set forth in ITEM 1 of the Declarations is solely authorized on behalf of all **Insureds** to make changes in the terms of this Policy with the Underwriter's consent. The terms of this Policy can be amended or waived only by endorsement issued by the Underwriter and made a part of this Policy.

(B) **Discovery:**

The Underwriter will pay for loss sustained by the **Insured** through acts committed or events occurring at any time and discovered by the **Insured** during the Policy Period set forth in ITEM 2 of the Declarations. Discovery of loss occurs when a titled officer, a director, a partner, an Insurance Manager or a Risk Manager first becomes aware of facts which would cause a reasonable person to assume that a loss covered by this Policy has been or will be incurred, even though the exact amount or details of such loss may not then be known. Discovery also occurs when the **Insured** receives notice of an actual or a potential claim against it involving a loss covered under this Policy.

(C) **Extended Discovery Period:**

Upon the termination or cancelation of this Policy, the **Insured** shall have an additional period of ninety (90) days from the effective date of such termination or cancelation within which to discover loss sustained by the **Insured** prior to the effective date of such termination or cancelation. Such Extended Discovery Period shall terminate immediately upon the **Insured** obtaining similar insurance.

At any time prior to the termination or cancelation of this Policy for any reason other than non-payment of premium, the **Insured** may give written notice to the Underwriter requesting an Extended Discovery Period of one (1) year within which to discover loss sustained by the **Insured** prior to the effective date of such termination or cancelation. As a precondition to the one (1) year Extended Discovery Period, the **Insured** shall have paid the additional premium stated in ITEM 4 of the Declarations. Such Extended Discovery Period shall terminate immediately upon the **Insured** obtaining similar insurance. In such event, the **Insured** shall be entitled to a pro-rata return of the additional premium stated in ITEM 4 of the Declarations for the unused portion of the one (1) year Extended Discovery Period.

(D) **Loss under Prior Policy:**

In the event a loss is partly covered under this Policy and also partly covered under a prior policy of similar insurance or bond issued by a prior insurer, the deductible under this Policy shall be reduced by the deductible amount applied to such loss by the prior insurer. The coverage afforded under this Policy for such loss shall only be in excess of the Limit of Insurance provided under the prior Policy or bond, such prior Policy or bond to be considered primary insurance as to such loss.

(E) **Interests Covered; Ownership of Property:**

This Policy is for the benefit of the **Insured** only. It provides no rights or benefits to any other person or organization. The property covered under this Policy is limited to property:

- (1) that the **Insured** owns or holds; or
- (2) for loss of or damage to which the **Insured** is held liable.

(F) **Liberalization:**

If, within forty-five (45) days prior to or during the Policy Period, the Underwriter releases a new edition of this Policy Form C25848 (as indicated by the edition date on the bottom of the first page of this Policy) which broadens the coverage under this Policy without requiring the payment of additional premium, the broadened coverage will apply to this Policy prospectively only as to losses discovered after the effective date of the revised coverage.

(G) **Premiums:**

The first named **Insured** set forth in ITEM 1 of the Declarations:

- (1) is responsible for the payment of all premiums; and
- (2) will be the payee for any return of premiums by the Underwriter.

(H) **Territory:**

This Policy covers loss incurred as a result of acts committed or events occurring anywhere in the world, unless such territory is limited by endorsement to this Policy.

(I) **Representation of the Insured:**

The **Insured** represents that all statements made by or on behalf of the **Insured**, contained in the application or any attachments thereto, are true and complete to the best knowledge of the **Insured**.

**IV. CANCELATION PROVISIONS**

(A) **Cancelation of Policy:**

This Policy will terminate upon the occurrence of any of the following:

- (1) The first named **Insured** set forth in ITEM 1 of the Declarations may cancel this Policy by mailing or delivering to the Underwriter notice of cancelation stating when thereafter such cancelation will be effective. In such event, earned premium will be computed in accordance with the customary short rate table and procedure. Premium adjustment may be made either at the time cancelation by the **Insured** is effective or as soon as practicable thereafter, but payment or tender by the Underwriter of unearned premium is not a condition of cancelation by the **Insured**.
- (2) The Underwriter may not cancel this Policy except for failure to pay premium when due or immediately upon the voluntary liquidation or dissolution of the **Insured**. The Underwriter will mail or deliver to the **Insured** at least twenty (20) days' written notice if cancelation is for failure to pay premium when due.
- (3) The Underwriter will not be required to renew this Policy upon expiration. If the Underwriter elects not to renew this Policy, written notice to that effect will be delivered or mailed to the **Insured** at least sixty (60) days prior to the Expiration Date set forth in ITEM 2 of the Declarations.

By acceptance of this Policy, the **Insured** gives the Underwriter notice of cancellation for all crime policies or bonds issued by the Underwriter to the **Insured** which, but for this cancellation, would still be in force on the Inception Date of this Policy. Such cancellation shall be effective at the time this Policy becomes effective.

(B) **Cancellation as to Any Employee:**

This Policy shall be canceled as to any **Employee** immediately upon discovery by the **Insured**, or by any of its officers, directors or partners not in collusion with such **Employee**, of any dishonest act by the **Employee** whether:

- (1) committed while employed by the **Insured**; or
- (2) committed prior to becoming employed by the **Insured**, provided such dishonest act resulted in a loss of \$25,000 or more.

V. **PROVISIONS AFFECTING LOSS SETTLEMENT**

(A) **Limit of Insurance:**

The most the Underwriter will pay for loss resulting from any **Single Loss** is the applicable Limit of Insurance shown in ITEM 3 of the Declarations; provided, however, that regardless of the number of years this Policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.

**Single Loss Covered by Single INSURING AGREEMENT:**

The Underwriter will pay for loss resulting from a **Single Loss** under only a single INSURING AGREEMENT. If two or more INSURING AGREEMENTS of this Policy apply to a **Single Loss**, the **Insured** may elect the INSURING AGREEMENT under which it will seek coverage. In no event will the Underwriter pay more than the applicable Limit of Insurance under the applicable INSURING AGREEMENT in respect of such **Single Loss**.

(B) **Deductible:**

The Underwriter will not pay for loss resulting from a **Single Loss** unless the amount of such loss exceeds the applicable **Single Loss** deductible shown in ITEM 3 of the Declarations. The Underwriter will then pay the amount in excess of such deductible, subject to the applicable Limit of Insurance.

(C) **Duties in the Event of Loss:**

After the **Insured** discovers a loss or a situation that may result in a loss that may be covered under this Policy, the **Insured** must:

- (1) notify the Underwriter in writing as soon as practicable, and in no event later than ninety (90) days after discovery by the **Insured** of the loss. The Underwriter agrees to waive the written notice requirement if the amount of loss does not exceed twenty-five percent (25%) of the **Single Loss** deductible for the applicable INSURING AGREEMENT;
- (2) submit to an examination under oath at the Underwriter's request and give the Underwriter a signed statement of the answers of the **Insured**;
- (3) give the Underwriter a written, sworn proof of loss within one hundred eighty (180) days after discovery, which shall provide, at a minimum:
  - (a) the date and circumstances surrounding discovery, including the name(s) of the person(s) making the discovery;
  - (b) details of how the subject loss occurred or will occur;
  - (c) the amount of actual loss known and an estimate of the total loss expected to result; and
  - (d) a description of all known sources of recovery to reduce the loss;
- (4) provide the Underwriter with all information, assistance and cooperation as the Underwriter may reasonably request in the investigation and settlement of any claim; and
- (5) notify the police or other appropriate law enforcement authority(ies) if the **Insured** has reason to believe that loss covered by any INSURING AGREEMENT(S) involves a violation of law.

(D) **Valuation:**

- (1) Subject to the applicable Limit of Insurance, the Underwriter will pay for:
  - (a) loss of **Money**, but only up to and including its face value. In the event of loss of **Money** in any currency other than United States dollars, the Underwriter may, at its option, pay for loss of such **Money**:
    - (i) at face value in the original currency; or

- (ii) in the United States dollar equivalent determined by the rate of exchange as reported in *The Wall Street Journal*, published in New York, 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 Underwriter may, at its option:
  - (i) pay the value of such **Securities** or replace them in kind, in which event the **Insured** must assign to the Underwriter all its rights, title and interest in and to such **Securities**; or
  - (ii) pay the cost of any lost instrument bond required in connection with issuing duplicates of the **Securities**. However, the Underwriter will be liable only for 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:
    - (A) the value of the **Securities** at the close of business on the day the loss was discovered; or
    - (B) the Limit of Insurance;
- (c) loss of, or loss from damage to, other property including damage to the **Premises** for not more than:
  - (i) the actual cash value of the property on the day the loss was discovered;
  - (ii) the cost of repairing the property or **Premises**; or
  - (iii) the cost of replacing the property with property of like kind and quality.

The Underwriter may, at its option, pay the actual cash value of the property or repair or replace it. If the Underwriter cannot agree with the **Insured** upon the actual cash value or the cost of repair or replacement, the value or cost of repair or replacement will be determined by arbitration in accordance with the rules of the American Arbitration Association.

With respect to loss of or damage to electronic data, books of account or other records, tapes, disks or similar electronic media, the Underwriter will only pay for the cost of blank books, blank pages, blank tapes, or blank disks, plus the cost of labor and computer time for the actual transcription or copying of data furnished by the **Insured** in order to reproduce such data, books, records, tapes, disks or similar electronic media.

- (2) The Underwriter may, at its option, pay for loss of, or loss from damage to, property other than **Money**:
  - (a) in the original currency in which the loss occurred; or
  - (b) in the United States dollar equivalent of the currency in which the loss occurred determined by the rate of exchange as reported in *The Wall Street Journal*, published in New York, on the day the loss was discovered.
- (3) Any property that the Underwriter pays for or replaces shall become the Underwriter's property.

(E) **Transfer of the Insured's Rights and Duties under this Policy:**

The **Insured's** rights and duties under this Policy may not be transferred without the written consent of the Underwriter.

(F) **Subrogation and Recoveries:**

- (1) To the extent it makes any payment under this Policy, the Underwriter shall be subrogated to all of the rights of recovery of the **Insured** against any person(s) or entity(ies), and the **Insured** shall:
  - (a) execute all papers and do whatever is necessary to secure such rights, including executing any documents necessary to enable the Underwriter effectively to bring suit in the name of the **Insured**; and
  - (b) take no action which impairs the Underwriter's rights of subrogation or recovery.
- (2) Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this Policy will be distributed as follows:
  - (a) to the **Insured**, until the **Insured** is reimbursed for any loss that it sustained in excess of the applicable Limit of Insurance and the **Single Loss** deductible amount, if any;

- (b) to the Underwriter, until it is reimbursed for all amounts paid under this Policy; and
  - (c) to the **Insured**, until it is reimbursed for that part of the loss equal to the **Single Loss** deductible amount, if any.
- (3) Recoveries do not include any recovery:
- (a) from insurance, suretyship, reinsurance, security or indemnity taken for the Underwriter's benefit; or
  - (b) of original **Securities** after duplicates of them have been issued.

(G) **Legal Action against the Underwriter:**

The **Insured** may not bring any legal action against the Underwriter involving loss:

- (1) unless the **Insured** has complied with all the terms of this Policy;
- (2) until ninety (90) days after the **Insured** has filed proof of loss with the Underwriter; and
- (3) unless brought within two (2) years from the date the **Insured** discovered the loss.

**VI. EMPLOYEE BENEFIT PLAN(S)**

Each Employee Benefit Plan listed in ITEM 1 of the Declarations is included as an **Insured** under INSURING AGREEMENTS (I). With respect to losses sustained and discovered by any such Plan, INSURING AGREEMENT (A)(1) is deleted and replaced by the following:

"The Underwriter will pay for direct losses of **Money, Securities** and other property caused by any **Employee** of any **Insured** acting alone or in collusion with others."

In compliance with certain provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA):

- (A) If the **Insured** first named in ITEM 1 of the Declarations is an entity other than the Plan, any payment the Underwriter makes for loss sustained by any Plan will be held by that **Insured** for the use and benefit of the Plan(s) sustaining the loss.

(B) If two or more Plans are insured under this insurance, any payment the Underwriter makes for loss:

- (1) sustained by two or more Plans; or
- (2) of commingled funds or other property of two or more Plans;

is to be shared by each Plan sustaining loss in the proportion that the amount of insurance required for each such Plan under ERISA bears to the total of those amounts.

(C) The **Single Loss** deductible applicable to any INSURING AGREEMENT does not apply to loss sustained by any Plan covered under this Policy that is subject to ERISA.

## VII. DEFINITIONS

(A) “**Banking Premises**” means the interior of the portion of any building(s) occupied by any **Financial Institution**, or similarly recognized place of safe deposit, including any night depository chute or safe maintained by any **Financial Institution**.

(B) “**Computer Theft**” means the unauthorized and fraudulent taking of **Money**, **Securities** or other property directly through the use of a computer located anywhere.

(C) “**Computer Virus**” means any unauthorized instructions designed to infiltrate the **Insured’s** computer system which were maliciously entered by any person.

(D) “**Employee**” means:

- (1) any natural person:
  - (a) while in the service of the **Insured** (and for sixty (60) days after termination of service);
  - (b) whom the **Insured** compensates directly by salary, wages or commissions; and
  - (c) whom the **Insured** has the right to direct and control while performing services for it;

- (2) any natural person furnished to or hired by the **Insured**:
- (a) to substitute for a permanent **Employee** who is on leave or vacation; or
  - (b) as part-time help or to meet seasonal or short-term workload conditions;
- while that person is subject to the **Insured's** direction and control and performing services for it;
- (3) any student or volunteer who performs services for the **Insured** without compensation;
- (4) any individual assigned to perform duties for the **Insured** by any agency furnishing temporary personnel; provided, that this Policy will be in excess of any other insurance or suretyship held by the agency furnishing the temporary personnel to the **Insured**;
- (5) any director, trustee or non-compensated officer of the **Insured** but only while performing acts within the scope of the usual duties of an **Employee**; or
- (6) any natural person employed by an independent contractor while that person is subject to the **Insured's** direction and control and performing services for the **Insured**.

**Employee** does not mean any agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character, except as provided in (D)(6) above.

(E) "**Financial Institution**" means:

- (1) a banking, savings or thrift institution; or
- (2) a stock broker, mutual fund, liquid assets fund or similar institution at which the **Insured** maintains a **Transfer Account**.

(F) "**Financial Instruments**" means checks, drafts or promissory notes, or similar written promises, orders or directions to pay a sum certain in **Money**, that are:

- (1) made or drawn upon by the **Insured**; or
- (2) made or drawn upon by one acting as the **Insured's** agent, or that are purported to have been so made or drawn upon.

**Financial Instruments** shall also mean written instruments required in conjunction with any credit, debit or charge card issued to the **Insured**, or any **Employee** on behalf of the **Insured**; provided, that the Underwriter shall not pay for loss arising from any credit, debit or charge card if the **Insured** or the **Employee** has not fully complied with the provisions, conditions or other terms under which the card was issued.

- (G) “**Forgery**” means the signing of the name of another person or organization with intent to deceive. **Forgery** 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.
- (H) “**Funds Transfer Fraud**” means:
- (1) electronic, telegraphic, cable, telefacsimile, teletype or telephone instructions fraudulently transmitted to a **Financial Institution** directing such institution to debit a **Transfer Account** and to transfer, pay or deliver **Money** or **Securities** from such **Transfer Account** to any person, entity or account, which instructions purport to have been transmitted by an **Insured** but were in fact fraudulently transmitted by someone other than the **Insured** without the **Insured’s** knowledge or consent; or
  - (2) fraudulent written instructions (other than those covered under INSURING AGREEMENT (D)) issued to a **Financial Institution** directing such institution to debit a **Transfer Account** by use of an electronic funds transfer system at specified intervals or under specified conditions, which instructions purport to have been issued by an **Insured** but were in fact fraudulently issued, forged or altered by someone other than the **Insured** without the **Insured’s** knowledge or consent.
- (I) “**Insured**” means any entity listed in ITEM 1 of the Declarations, any **Subsidiary**, and any Employee Benefit Plan qualified under ERISA that is sponsored exclusively by the **Insured** for the benefit of its employees. **Insured** also means any Employee Benefit Plan(s) of any **Subsidiary** in which the **Insured** owns or controls more than a fifty percent (50%) financial interest.
- (J) “**Money**” means:
- (1) currency, bullion, coins and bank notes; and
  - (2) travelers checks, register checks and money orders held for sale to the public.
- (K) “**Premises**” means the interior of that portion of any building that is occupied by the **Insured** in conducting its business.

- (L) **“Robbery”** means the taking of property of the **Insured** from the care and custody of the **Insured**, an **Employee**, or any person who holds such property under authorization by the **Insured**, by one who has:
- (1) caused or threatened to cause such person bodily harm; or
  - (2) committed an objectively unlawful act witnessed by such **Insured**, **Employee**, or person.
- (M) **“Safe Burglary”** means the felonious abstraction of insured property from within a vault or safe located within the **Premises** by a person making felonious entry into such vault or safe, and any vault containing the safe, when all doors thereof are duly closed and locked by at least one combination or time lock, provided that such entry shall be made by actual force and violence, demonstrated by visible marks made by tools, electricity, gas or other chemicals upon the exterior of:
- (1) a door or doors of such vault or safe, and any vault containing the safe, if entry is made through such doors; or
  - (2) the top, bottom or walls of such vault or safe, and any vault containing the safe through which entry is made, if not made through such doors.
- (N) **“Securities”** means negotiable and non-negotiable instruments representing either **Money** or other property and includes:
- (1) stock certificates, 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 **Insured**.

**Securities** does not mean **Money**.

- (O) **“Single Loss”** means all loss caused by, resulting from or involving an act or event, or a series of related acts or events, whether or not involving one or more specific persons.
- (P) **“Subsidiary”** means any entity in which the **Insured**, on the Inception Date of this Policy:
- (1) owns more than a fifty percent (50%) financial interest;
  - (2) owns or controls more than a fifty percent (50%) financial interest through outstanding securities or voting rights; or

- (3) owns or controls up to but not more than fifty percent (50%) financial interest, either directly or indirectly, through one or more of its **Subsidiaries**, but controls the management of said entity(ies). Coverage with respect to any such entity(ies) shall be limited to the proportion of the **Insured's** financial interest in such entity(ies).
- (Q) "**Theft**" means the unlawful taking of **Money, Securities**, or other property from the **Insured**. For the purposes of INSURING AGREEMENT (A)(2) only, **Theft** means the unlawful taking by any **Employee** of **Money, Securities** or other property to the deprivation of someone other than the **Insured**.
- (R) "**Transfer Account**" means an account maintained by the **Insured** at a **Financial Institution** from which the **Insured** can initiate the transfer, payment or delivery of **Money** or **Securities**:
- (1) by means of electronic, telegraphic, telefacsimile, cable or telephone instructions communicated directly or through an electronic funds transfer system; or
- (2) by means of written instructions (other than those covered under INSURING AGREEMENT (D)) establishing the conditions under which such transfers are to be initiated by such **Financial Institution** through an electronic funds transfer system.

## VIII. EXCLUSIONS

The Underwriter will not pay for:

- (A) loss resulting from the acts, or based on the authority, of any government, or any agency, department or division thereof;
- (B) loss that is an indirect and consequential result of any act or **Single Loss** covered by this Policy, including but not limited to loss resulting from loss of income, whether or not earned or accrued, or potential income (including but not limited to interest and dividends) not realized by the **Insured** due to an act or **Single Loss** covered by this Policy;
- (C) loss of trade secrets, confidential processing methods, or other confidential or proprietary information of any kind;
- (D) those amounts incurred and paid by the **Insured** as court costs and attorney's fees in defending a suit or proceeding against the **Insured**, except as may be provided under GENERAL AGREEMENT (A), Court Costs and Attorneys' Fees;
- (E) loss resulting from nuclear reaction, nuclear radiation or radioactive contamination, pollution, or any related act or incident;

- (F) loss resulting from:
- (1) war, whether or not declared, warlike action, insurrection, rebellion or revolution or any related act or incident; or
  - (2) damage to the **Premises** from vandalism or malicious mischief;
- (G) loss caused by an **Employee** of the **Insured**:
- (1) if a director, an officer or a partner of the **Insured** possessed at any time knowledge of any act or acts of **Theft**, fraud or dishonesty committed by such **Employee**:
    - (a) while in the service of the **Insured** or otherwise during the term of employment by the **Insured**; or
    - (b) prior to employment by the **Insured**, provided that such conduct involved **Money, Securities** or other property valued at \$25,000 or more; or
  - (2) for whom similar prior insurance issued by the Underwriter has been canceled and not reinstated since the last such cancelation;
- (H) loss resulting from any dishonest or criminal act committed by any of the **Insured's Employees**, directors, trustees or non-compensated officers, whether acting alone or in collusion with other persons and whether committed while performing services for the **Insured** or otherwise, except to the extent coverage is afforded under INSURING AGREEMENT (A)(1) or (A)(2);
- (I) loss, or that part of any loss, the proof of which involves in any manner a profit and loss computation or comparison, or a comparison of inventory records with an actual physical count; provided, however, that where the **Insured** establishes wholly apart from such comparison that it has sustained a loss covered under INSURING AGREEMENT (A)(1) or (A)(2) and it has identified the **Employee** involved, then it may offer its inventory records and actual physical count of inventory in support of the amount claimed;
- (J) loss resulting directly or indirectly from trading, whether or not in the name of the **Insured** and whether or not in a genuine or fictitious account, except to the extent coverage is afforded under INSURING AGREEMENT (A)(1) or (A)(2) as a consequence of **Employee Theft**;
- (K) loss of any intangible property;

- (L) “investigative expenses” which means any expenses and costs incurred by the **Insured** in investigating or establishing the existence of or the amount of any loss covered under this Policy, except to the extent that coverage is afforded under INSURING AGREEMENT (F) of this Policy;
- (M) “punitive or exemplary damages” which means damages of any type, other than direct compensatory damages, for which the **Insured** is legally liable and arising from a loss covered under this Policy, including but not limited to punitive, exemplary or multiplied damages;
- (N) loss of or to **Money, Securities** or other property while in the mail;
- (O) loss for which the **Insured** could recover under a contract with an armored motor vehicle company or under any insurance or indemnity carried by or for the benefit of customers of an armored motor vehicle company;
- (P) loss due to fire; except with respect to **Safe Burglary** covered under INSURING AGREEMENT (B)(2) only, loss of or damage to **Money** and **Securities** or damage to any safe or vault.
- (Q) loss resulting from any dishonest or fraudulent act committed by the **Insured** or any of its partners whether acting alone or in collusion with others.
- (R) loss resulting directly or indirectly from **Computer Theft, Computer Virus** or **Funds Transfer Fraud**, except to the extent coverage is afforded under INSURING AGREEMENT (A)(1), (A)(2) or (E).
- (S) loss resulting directly or indirectly from **Forgery** or alteration, except to the extent coverage is afforded under INSURING AGREEMENT (A)(1), (A)(2) or (D).
- (T) loss of or to **Money, Securities** or other property as a result of Kidnap/Ransom or other extortion payments (as distinguished from the loss of or to **Money, Securities** or other property as a result of a **Robbery**) surrendered to any person because of a threat to do:
  - (1) bodily harm; or
  - (2) damage to the **Premises** or other property owned by the **Insured** or held by the **Insured** in any capacity;

except to the extent coverage is afforded under INSURING AGREEMENT (G);  
and

(U) liability or damages resulting from any civil, criminal or other legal proceeding in which the **Insured** is adjudicated to have engaged in racketeering activity. However, where the **Insured** establishes that the act or acts giving rise to such liability or damages were committed by an **Employee** under circumstances which result directly in a loss to the **Insured** covered by INSURING AGREEMENT (A), then coverage shall be afforded (subject to the other terms, conditions and limitations of this Policy) for such direct loss which would be covered under INSURING AGREEMENT (A)(1) or (A)(2); provided, that in no event will the Underwriter pay any multiplied damages. For the purposes of this EXCLUSION (U), "racketeering activity" shall have the meaning ascribed to such term in 18 United States Code 1961 et seq., as amended.

**In witness whereof, the Underwriter has caused this Policy to be executed by its authorized officers, but this Policy shall not be valid unless countersigned on the Declarations Page by a duly-authorized representative of the Underwriter.**

*Henry A. Aubert*  
Secretary

  
President