

In consideration of the payment of the premium and subject to the terms and conditions of this Policy the **Insurer** and the **Policyholder** agree as follows:

1. Insurance Coverage and Extensions

1.A) Insurance Coverage

The **Insurer** shall indemnify the **Insured** for **Loss Discovered** during the **Policy Period** (or, if applicable, the **Discovery Period**) resulting directly from any:

- (i) **Internal Crime** committed by an **Employee**; or
- (ii) **External Crime** committed by any **Other Person**.

1.B) Extensions

In addition to 1.A) Insurance Coverage the following Extensions to Insurance Coverage shall apply as part of and not in addition to the **Limit of Indemnity** (except for Extension 1.B)(vi) which is payable in addition to the **Limit of Indemnity**):

(i) **Additional Costs** of Working

The **Insurer** shall indemnify the **Insured** for any reasonable **Additional Costs** resulting directly from a **Loss** covered by this Policy which are incurred more than 48 hours after **Discovery** of such **Loss** provided that:

- (a) the **Additional Costs** are beyond the **Insured's** usual operational costs and necessary to the restoration of the normal course of the **Insured's** operations; and
- (b) such **Additional Costs** are limited to GBP250,000 any single **Loss** and in the aggregate;
- (c) the indemnification period for Extension 1.B)(i) shall be up to 28 days following **Discovery** of such **Loss**.

(ii) **Data Reconstitution Costs**

The **Insurer** shall indemnify the **Insured** for its reasonable costs as a direct result of a **Loss** covered by this Policy for:

- (a) the transcription or copying in order to reproduce electronic data in accordance with General Condition 4.8(iii);
- (b) the reproduction or reconstitution of software programs where necessary to correct the damage caused to the **Insured's** programs, including the purchase price of software programs from a third party to reproduce such software, provided that such indemnity in respect of Extension 1.B)(ii)(b) is limited to GBP250,000 any single **Loss**.

(iii) **Erroneous Transfer of Funds**

The **Insurer** shall indemnify the **Insured** for loss of **Funds Discovered** during the **Policy Period** (or, if applicable, the **Discovery Period**) resulting directly from theft by a party to whom **Funds** have been erroneously transferred by the **Insured** and in turn results in **Loss** provided that:

- (a) such indemnity is limited to GBP250,000 any single **Loss** and in the aggregate; and
- (b) the **Insured** exhaust every reasonable course of action to secure recovery of such **Funds**.

Erroneous transfer of **Funds** does not include the **Insured** acting upon an instruction that is intended to deceive.

(iv) **Interest**

Where **Loss** is covered by this Policy the **Insurer** shall indemnify the **Insured** for Interest.

For the purpose of Extension 1.B)(iv) Interest means the sum which would have been receivable (between the time of sustaining a **Loss** and **Discovery**) but for a **Loss** covered by this Policy, or which becomes payable by the **Insured** (between the time of sustaining a **Loss** and **Discovery** of such **Loss**), resulting directly from a **Loss** covered by this Policy.

The **Insurer's** liability for such Interest receivable or payable shall be:

- (a) calculated by applying the average of the Bank of England base rate in force between the time of sustaining such **Loss** and the date of **Discovery** of such **Loss**; and
- (b) shall not exceed 10% of the **Limit of Indemnity**.

(v) Legal Defence Fees

The **Insurer** shall indemnify the **Insured** for its reasonable legal fees, costs and expenses incurred in the Defence of any demand, claim, suit or legal proceeding first brought against the **Insured** during the **Policy Period** (or, if applicable, the **Discovery Period**) by a **Client** or a **Supplier** which, if established against an **Insured**, would constitute a **Loss** covered by this Policy, provided that such:

- (a) indemnity is limited to GBP250,000 any single **Loss**; and
- (b) legal fees, costs and expenses are incurred with the prior written consent of the **Insurer**; and
- (c) legal fees, costs and expenses are not recoverable from any other party.

For the purpose of Extension 1.B)(v) Defence means when the **Insured** is a defendant in a court of law or at arbitration.

(vi) Loss Investigation Costs

The **Insurer** shall pay the fees, costs and expenses of an independent investigative specialist nominated by the **Insurer**, following receipt of the **Insured's** proof of loss, to review the factual background of a **Loss** notified under this Policy and to determine the quantum of such **Loss**. No **Retention** amount shall be applied to such expense and such costs under Extension 1.B)(vi) are limited to GBP250,000 any single **Loss** and are payable in addition to the **Limit of Indemnity**.

Following such investigation the independent investigative specialist will issue a report in English, in a format agreed by the **Insurer**, in duplicate, to the **Insured** and the **Insurer**.

(vii) New Entities – Newly Created or Acquired

The **Insurer** shall indemnify the **Insured** for **Loss** in respect of any **Subsidiary Company, Associated Company or Plan** that is newly created or acquired during the **Policy Period** which:

- (a) has a total number of **Employees** which is less than 25% of the total number of **Employees** of all **Insureds** as recorded in the most recent annual audited report and consolidated accounts of the **Policyholder**; and
- (b) has not **Discovered** any single **Loss** of a type covered by this Policy within the last three years, whether or not insured, and which total amount is individually greater than the **Retention**; and
- (c) is engaged in the business activities set forth in the **Policyholder's** most recent annual audited report and consolidated accounts; and
- (d) employs a system of controls and procedures, which is as effective as that most recently advised to the **Insurer** by the **Insured** creating or acquiring such entity.

This Extension 1.B)(vii) shall apply only in respect of **Loss** covered by this Policy which results from acts committed and **Discovered** in respect of such **Subsidiary Company, Associated Company or Plan** after the date on which it has been created or acquired.

(viii) Outsourced Administrative Support Functions

The **Insurer** shall indemnify the **Insured** for **Loss Discovered** during the **Policy Period** (or, if applicable, the **Discovery Period**) resulting from an act of fraud or dishonesty committed by an employee of a company to which the **Insured** **Outsources** an administrative business support function.

(ix) Physical Loss of **Money** or **Securities**

The **Insurer** shall indemnify the **Insured** for **Loss Discovered** during the **Policy Period** (or, if applicable, the **Discovery Period**) incurred as the direct result of physical loss, damage, destruction or disappearance of **Money** or **Securities** including theft by any **Other Person**:

- (a) from the **Premises**; or
- (b) while in transit when in the custody of an **Employee**; or
- (c) while in the custody of a financial institution or any security company, expressly authorised by the **Insured** to have custody of such **Money** and **Securities** provided that this Extension 1.B) (ix)(c) is always in excess of any valid and collectible indemnity or insurance policy available to such custodian; or
- (d) the physical loss or damage to or actual destruction of the **Insured's Office Contents** and safes, registers or vaults, either owned by the **Insured** or for which the **Insured** is liable, arising directly from an act covered under Extension 1.B)(ix)(a) but only where such **Loss** results from the use of force or violence. Such **Loss** in respect of Extension 1.B)(ix)(d) is limited to GBP250,000 any single **Loss**.

(x) Privacy Costs and Data Protection

In the event of an **Internal Crime** which results in **Loss** the **Insurer** shall indemnify the **Insured** for the additional administrative costs incurred by the **Insured**, with the **Insurer's** prior written consent, for those costs where the

Insured is required by law to notify its **Clients** that such a breach of security has occurred provided such costs are limited to GBP25,000 any single **Loss** and in the aggregate.

(xi) Reputational Recovery Costs

In the event of **Loss** the **Insurer** shall indemnify the **Insured** in respect of reasonable fees, costs and expenses billed by a public relations consultant retained by the **Insured**, with the **Insurer's** prior written consent, to mitigate the adverse effect on the **Insured's** reputation which has been caused by the publication or disclosure of a covered **Loss** provided such costs are limited to GBP25,000 any single **Loss**.

(xii) Run-Off Cover for **Insured** Entities

If during the **Policy Period** an entity ceases to be a **Subsidiary Company** or an **Associated Company** or a **Plan**, this Policy will indemnify the **Insured** in respect of **Loss** arising from acts committed prior to the date that such entity ceased to be a **Subsidiary Company** or an **Associated Company** or a **Plan**, where **Discovered** during the **Policy Period** in which such entity ceased to be an **Insured** (or, if applicable, the **Discovery Period**).

2. Definitions

2.1 **Additional Costs** mean:

- (i) the rental fee for temporary replacement equipment and temporary premises;
- (ii) the costs of engaging any necessary temporary staff and overtime payments in respect of **Employees** (other than relocation costs);
- (iii) the costs related to the transportation of equipment or documents;

which have been necessarily incurred by the **Insured** in accordance with Extension 1.B)(i) of this Policy following **Discovery** of such **Loss**.

Additional Costs do not mean the investigation costs associated with determining **Loss**.

2.2 **Associated Company** means any company in which the **Policyholder** owns less than 50% of the issued and outstanding voting shares, including joint ventures, and in which the **Policyholder** retains **Management Control**.

Cover for any **Associated Company** shall only apply in respect of **Loss** covered by this Policy which results from acts committed and **Discovered** whilst such entity is an **Associated Company** of the **Policyholder** (or as specified in Extension 1.B)(xii) Run-Off Cover for **Insured** Entities).

Loss shall be limited to the extent of the **Policyholder's** financial interest in such **Associated Company**.

2.3 **Client** means a customer or a client of the **Insured** to whom the **Insured** provides goods or services under a pre-existing written or electronic contract in return for payment.

2.4 **Computer Fraud** means the theft or the criminal or fraudulent appropriation or taking of **Money, Securities, Property or Funds** to the deprivation of the **Insured** by means of unauthorised access to a Computer System by any **Other Person**.

For the purpose of Definition 2.4 Computer System means a computer and all input, output, processing, storage (including off-line media libraries), intranets and communication facilities including related communication or open systems networks and extranets which are connected directly or indirectly to such a device.

2.5 **Credit Arrangement** means any credit agreement, extension of credit or hire purchase agreement, loan or transaction in the nature of a loan, lease or rental agreement, invoice, account, agreement or other evidence of debt.

2.6 **Discovered** or **Discovery** means when any of the **Insured's** directors, partners, officers, trustees, departmental directors, senior managers or equivalent of any **Insured** first become aware of any fact which could reasonably be foreseen to give rise to a **Loss** covered by this Policy even though the exact amount or detail of a **Loss** is not known at the time of **Discovery**. Such **Discovery** shall constitute knowledge possessed or **Discovery** made by every **Insured**.

2.7 **Discovery Period** means the period specified in General Condition 4.7 immediately following the expiry of the **Policy Period** during which time written notice may be given to the **Insurer** of any **Loss Discovered** during the **Discovery Period** but solely in connection with any act committed prior to the end of the **Policy Period** and only if the Policy is not replaced by a similar policy issued by the **Insurer** or any other party.

2.8 **Employee** means:

- (i) a natural person employed by the **Insured** under a contract of service who is compensated by salary, wages or commissions and whom the **Insured** has the right to govern and direct in the performance of such service;
- (ii) a natural person serving as a director or trustee of the **Insured** but solely whilst performing acts coming within the scope of the usual duties of an **Employee** of the **Insured** or whilst acting as a member of a committee duly constituted by the **Insured's** board of directors to perform specific acts;
- (iii) a natural person performing part-time or temporary compensated services for the **Insured**, including natural persons supplied by an employment agency, who operate under the **Insured's** direct supervision and control;
- (iv) a student, secondee or volunteer pursuing studies, gaining work experience or performing the duties of an **Employee** under the **Insured's** direct supervision and control;
- (v) a natural person duly appointed as a trustee, fiduciary, administrator or officer of a **Plan**.

Employee does not mean:

- (a) any director or trustee of the **Insured** except as provided in (ii) and (v) above;
- (b) any person who is or acts on behalf of any external auditor, external accountant, broker, investment adviser, investment manager, factor, commission merchant, consignee, contractor or other similar agent or representative.

2.9 **External Crime** means:

- (i) the **Forgery** or **Fraudulent Alteration** of any cheque, draft, promissory note, bill of exchange, warrant or similar written order to pay a veritable sum representing **Money** drawn upon the **Insured's** account at any financial institution at which the **Insured** maintains an account;
- (ii) **Funds Transfer Fraud**;
- (iii) **Fraudulent Incoming Payment Request** which is **Tested**;
- (iv) **Computer Fraud**;
- (v) theft of **Money** and **Securities** as specified in Extension 1.B)(ix).

2.10 **Forgery** or **forged** means the handwritten signing or endorsing of the name of a genuine person by any **Other Person** without authority and with intent to deceive. It does not mean the signing or endorsing in whole or in part of one's own name, with or without authority, in any capacity, for any purpose. Mechanically or electronically produced or reproduced signatures are treated the same as hand-written signatures.

2.11 **Fraudulent Alteration** means a material alteration for a fraudulent purpose by any **Other Person** other than the person who was authorised to prepare or sign the instrument.

2.12 **Fraudulent Incoming Payment Request** means:

- (i) any payment request received in the normal course of business and upon which the **Insured** would ordinarily act and rely; and
- (ii) which directs the **Insured** to make payment for goods or services rendered by the transfer **Funds** or **Money**; and
- (iii) is either written or printed, including any facsimile or telex requests, or received by telephone; and
- (iv) purports to have been sent or communicated by a natural person who is:
 - (a) a **Client** or a **Supplier** but which request has been fraudulently issued with the intent to deceive the **Insured**, without the knowledge and consent of such **Client** or **Supplier** of the **Insured**; or
 - (b) a director, partner, executive officer, manager or employee of the **Insured** who is authorised to instruct other **Employees** to transfer **Funds** but is, in fact, a Fake President .

For the purpose of Definition 2.12 (iv) (b) Fake President means a person who purports to be a bona fide director, partner, executive officer, manager or employee of the **Insured**, but is not, in order to deceive an **Employee** into making a payment which they believe is legitimate but which is, in fact, fraudulent.

Indemnity in respect of **Fraudulent Incoming Payment Request** is limited to GBP250,000 any single **Loss**.

2.13 **Funds** mean a credit or debit balance which is held in an account maintained with a financial institution in the name of and for the benefit of the **Insured** and is capable of being transferred.

2.14 **Funds Transfer Fraud** means:

The fraudulent transmission of any written, electronic, **Tested** telephone, **Tested** facsimile or **Tested** telex instruction issued to a financial institution, at which the **Insured** maintains a transfer account, which directs such financial institution to pay or deliver **Funds**, **Money** or **Securities** from the **Insured's** transfer account, and which instruction purports to have been issued by the **Insured** but is, in fact, issued by an **Other Person** without the knowledge or consent of the **Insured**.

2.15 **Insured** means the **Policyholder** and any of the **Policyholder's** **Subsidiary** and **Associated Companies** and any **Plan** existing at the inception of this Policy.

- 2.16 **Insurer** means Pembroke Syndicate 4000 at Lloyd's.
- 2.17 **Internal Crime** means:
any dishonest or fraudulent act committed by an **Employee** with the intent to cause such **Loss**, whether acting alone or in collusion with others.
- With regard to any **Loss** involving a **Credit Arrangement** or **Trading**, **Internal Crime** means only such dishonest or fraudulent acts committed by an **Employee** which results in an improper financial gain for:
- (i) such **Employee**; or
 - (ii) any person in collusion with such **Employee** provided that the **Insured** establishes beyond reasonable doubt that such **Employee** intended to participate in such improper financial gain.
- Improper financial gain does not include salary, fees, commissions, bonuses, profit sharing, other emoluments, remuneration or similar benefits either properly or improperly paid by the **Insured** to an **Employee**.
- 2.18 **Limit of Indemnity** means the amount specified in Item 3 of the Schedule.
- 2.19 **Loss** means the direct financial loss sustained by the **Insured**.
- Loss** arising out of, based upon or attributable to any single act or series of related, continuous or repeated acts in which the same **Employee** or **Other Person** is concerned or implicated shall be considered a single **Loss**.
- Loss** shall also mean the direct financial loss sustained by:
- (i) any individual or organisation in the event of:
 - (a) an **Internal Crime**; or
 - (b) an **External Crime**; or
 - (c) an Erroneous Transfer of **Funds** as specified in Extension 1.B)(iii); or
 - (d) Physical Loss of **Money** or **Securities** as specified in Extension 1.B)(ix);
- which directly results in **Loss** of **Money, Securities, Property** or **Funds**, belonging to any individual or organisation or for which they are responsible, when such **Money, Securities, Property** or **Funds** are in the care custody or control of the **Insured** and for which the **Insured** is legally liable; or
- (ii) a **Client** in the event of an **Internal Crime** committed at a **Client's Premises**, at which the **Insured** is contracted to provide services for such **Client**, which directly results in **Loss** of **Money, Securities, Property** or **Funds** which belong to a **Client**, or for which the **Client** is responsible, and for which the **Insured** is vicariously liable provided that:
 - (a) indemnity is limited to 15% of the **Limit of Indemnity**; and
 - (b) such act results in an improper financial gain being obtained by such **Employee**.
- 2.20 **Management Control** means that the **Policyholder** controls the day-to-day management of the **Associated Company** and sets security and internal control procedures, whether financial or operational.
- 2.21 **Money** means bank notes, bullion, cheques, travellers cheques, registered cheques, postal orders and money orders. **Money** shall not include **Funds**.
- 2.22 **Office Contents** means furnishings, fixtures, equipment (other than computers, computer systems, computer networks and peripheral equipment, computer programs and other computer related equipment), alarms, stationery or record books.
- 2.23 **Other Person** means any natural person who:
- (i) is not the **Insured** nor a director, partner, officer or trustee of any **Insured** nor an **Employee** of any **Insured**; and/or
 - (ii) is not in collusion with any **Employee**.
- 2.24 **Outsources** means the retention and authorisation by the **Insured** of a person or an organisation to perform an administrative business support function on behalf of the **Insured**, provided that:
- (i) such function is performed under a written or electronic agreement; and
 - (ii) the **Insured** retains the right to audit the performance of such function; and
 - (iii) the **Insured** can demonstrate that it has vetted the person or organisation for competency and financial stability prior to the retention of such person or organisation to perform such service by the **Insured**; and
 - (iv) this insurance shall apply in excess of any valid and collectible insurance or indemnity, contractual or otherwise.

- 2.25 **Plan** means any pension, employee benefit, welfare benefit, share save or share option plan or charitable fund or foundation established and maintained by the **Insured** for the benefit of its past, present and future **Employees** of the **Insured** or their respective beneficiaries.
Cover for any **Plan** shall only apply in respect of **Loss** covered by this Policy which results from acts committed and **Discovered** whilst such entity is a **Plan** maintained by the **Insured** (or as specified in Extension 1.B)(xii) Run-Off Cover for **Insured** Entities).
- 2.26 **Policyholder** means the organisation specified in Item 1 of the Schedule.
- 2.27 **Policy Period** means the period of time specified in Item 2 of the Schedule or as may be extended by the **Insurer** in writing.
- 2.28 **Premises** means the interior portion of any building owned or occupied by the **Insured** and in which the **Insured** conducts or supports its business.
- 2.29 **Property** means tangible property owned by the **Insured** or for which it is legally liable, other than **Money**, **Securities** and **Funds**.
- 2.30 **Retention** means the amount retained by the **Insured** for each and every **Loss** as specified in Item 4 of the Schedule.
- 2.31 **Security** or **Securities** mean any negotiable and non-negotiable instrument, including any stock, bond, debenture, evidence of debt, share or other equity or debt security, representing either **Money** or **Property**.
- 2.32 **Subsidiary Company** means any company in which the **Policyholder** either directly or indirectly through one or more of its **Subsidiaries**:
- (i) controls the composition of the board of directors; or
 - (ii) controls more than half of the voting power; or
 - (iii) holds more than half of the issued share capital.
- Cover for any **Subsidiary Company** shall only apply in respect of **Loss** covered by this Policy which results from acts committed and **Discovered** whilst such entity is a **Subsidiary Company** of the **Policyholder** (or as specified in Extension 1.B)(xii) Run-Off Cover for **Insured** Entities).
- 2.33 **Supplier** means a supplier from whom the **Insured** receives goods or services under a pre-existing written or electronic contract in return for payment.
- 2.34 **Terrorism** means any act or acts of force or violence (whether threatened or actual) by any person or persons acting alone or on behalf of or in connection with any organisation, which is carried out for political, religious or ideological ends and is either directed towards the over-throwing or influencing of any government, de jure or de facto, or to put the public or any part of the public in fear.
- 2.35 **Tested** means:
- A method which, prior to acting on such instruction, authenticates the identity of the originator and validates that the content of such instruction is genuine and has not been altered or modified and which:
- (i) is actioned directly, in respect of 2.9 (ii) **External Crime - Funds Transfer Fraud**, by the financial institution in receipt of such instruction, and verified by an authorised person at the **Insured** who is independent of the individual who has initiated such instruction; and
 - (ii) is actioned directly, in respect of 2.9 (iii) **External Crime – Fraudulent Incoming Payment Request**, by the **Insured** and in respect of 2.35 (ii) includes:
 - (a) the validation of all contacts and bank details for payment beneficiaries and all requests for changes to existing contacts or bank details; and
 - (b) the verification by an authorised person at the **Client** or the **Supplier** or the **Insured's** office issuing such instruction, who is independent of the individual who has initiated such instruction; and
 - (c) a method by which the **Insured** is not solely reliant on the contact details supplied in such instruction to seek such verification.
- 2.36 **Trading** means trading, purchase, sale or other dealings in securities, metals, commodities, futures, options, funds, currencies, foreign exchange and interests therein, and the like.

3. Exclusions

The **Insurer** shall not be liable for:

3.1 Consequential Loss

Indirect or consequential loss of any nature including, but not limited to, any loss of income, interest and dividends not realised by the **Insured** or any other individual or organisation except if covered by Extension 1.B) (i), (ii), (iv), (v), (vi), (x) or (xi).

3.2 Credit Risks

Loss resulting from the complete or partial non-payment of or default upon any **Credit Arrangement**.

However this exclusion shall not apply to **Loss** covered under 1.A)(i) **Internal Crime** or 1.A)(ii) **External Crime**.

3.3 Discovery Limitation

Loss

(i) that is **Discovered** prior to the commencement of the **Policy Period**; or

(ii) that is **Discovered** after expiry of the **Policy Period** or, if applicable, the **Discovery Period**.

3.4 Employee Acts

Loss resulting directly or indirectly from any act committed by an **Employee** unless covered by Insurance Coverage 1.A)(i) **Internal Crime** or Extension 1.B)(iii) Erroneous Transfer of **Funds**.

3.5 Extortion

Loss due to extortion unless covered by Insurance Coverage 1.A)(i) **Internal Crime**.

3.6 Fines, penalties, taxes or damages

Fines, penalties, taxes or damages of any type.

3.7 Fire

Loss or damage caused by fire, other than as covered by Extension 1.B)(ix) Physical Loss of **Money** or **Securities**.

3.8 Loss Sustained after Knowledge

Loss sustained from the time any **Insured** or any of the **Insured's** directors, partners, officers, trustees, departmental directors, senior managers or equivalent of any **Insured** learns that an **Employee** has committed any act of fraud, dishonesty or theft:

(i) whilst such **Employee** is in any **Insured's** service or during the term of employment with any **Insured**; or

(ii) prior to an **Employee** being employed by any **Insured**, provided the sum involved exceeds GBP15,000.

This exclusion shall not apply if the person who **Discovered** such act is in collusion with such **Employee**.

3.9 Major Shareholder

Loss involving any person who, at the time of committing an act which results in a **Loss** covered by this Policy, owns or controls more than 20% of the issued share capital of an **Insured**.

3.10 Malicious Acts

Loss arising from a malicious act, unless such act directly results in improper financial gain for the **Employee** who has committed such act.

3.11 Postal Services

Loss of **Money**, **Securities**, **Property** or other property whilst in the mail unless such **Loss** is covered by Insurance Coverage 1.A)(i) **Internal Crime**.

3.12 Property damage

Damage or destruction to any:

(i) premises, building or land, however caused; or

(ii) office contents, safes, registers or vaults unless covered by Extension 1.B)(ix)(d) Physical Loss of **Money** or **Securities**.

3.13 Profit, Loss or Inventory Computation

Loss, the proof of which is dependent solely upon a:

(i) profit and loss computation or comparison; or

(ii) comparison of inventory records with an actual physical count.

Inventory records and actual physical count of inventory can be submitted as supporting documentation to the **Insured's** proof of loss as specified under General Condition 4.6.

3.14 Proprietary Information, Trade Secrets and Intellectual Property

Loss of or arising directly or indirectly from the accessing of any confidential information of any kind including but not limited to trade secrets, computer programs, customer information, patents, trademarks, copyrights or processing methods, except to the extent that such confidential information is used to facilitate the commission of an act otherwise covered by this Policy.

3.15 Radioactivity and Nuclear

Loss, damage, expense, liability or consequential loss of whatsoever nature directly or indirectly arising out of, based upon or attributable to:

- (i) ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel; or
- (ii) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.

3.16 Voluntary Exchange or Purchase

Loss arising out the voluntary giving or surrendering of **Money, Securities, Funds, Property** or other property in any exchange or purchase unless such **Loss** is a direct result of **Internal Crime, External Crime**, or Extension 1.B) (iii) Erroneous Transfer of **Funds**.

3.17 War and **Terrorism**

Loss or damage arising directly or indirectly by reason of or in connection with war, invasion, act of foreign enemy, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportion of or amounting to a popular uprising, military or usurped power, martial law, riot or the act of any lawfully constituted authority or **Terrorism**.

4. General Conditions

4.1 **Limit of Indemnity**

The **Insurer's** total liability under this Policy for any single **Loss** shall not exceed the **Limit of Indemnity**.

4.2 **Limit of Indemnity** under this Policy and Prior Insurance

Loss which is covered partly by this Policy and partly by any other policy issued by the **Insurer** to the **Insured**, for which the previous discovery period has not expired, shall be limited to the larger amount of insurance under the previous policy or this Policy and shall on no account be cumulative.

4.3 Non Accumulation of Limit

Regardless of the number of years this Policy is in force and irrespective that it is or may be renewed and regardless of the number of premiums paid, the **Limit of Indemnity** shall not be cumulative from year to year or period to period.

4.4 **Retention** and Other Insurance

The **Insurer** shall only be liable for the amount of **Loss** that is in excess of the **Retention**. The **Retention** shall apply to each and every **Loss**.

The **Retention** shall not apply in respect of:

- (i) any **Plan**, where such **Plan** is required by law to comply with the Employee Retirement Income Security Act 1974 (ERISA) in the United States of America (USA); or
- (ii) the use of any independent investigative specialist as provided by Extension B)(vi) Loss Investigation Costs.

This Policy shall not cover any **Loss** to the extent that such **Loss** is insured or would, but for the existence of this Policy, be insured by any other insurance policy (irrespective of the inclusion in such other insurance policy of any similar limitation of coverage), and whether such other insurance is stated as primary, contributory, excess, contingent or otherwise, provided that this General Condition shall not apply to the amount by which any **Loss** exceeds:

- (a) the limit of indemnity under such other insurance policy and any deductible or retention applicable under such insurance policy; or
- (b) the **Retention**;

whichever is the greater. If (a) above is applicable by virtue of this General Condition, the **Retention** shall not be applied. Any **Loss** recoverable pursuant to any other insurance policy to the benefit of the **Insured** will not be cumulative in respect of the application of the **Retention**.

4.5 Single Policy

This Policy is a single contract of insurance and if more than one **Insured** is covered this Policy shall nevertheless be, and remain, a single contract of insurance for the benefit of all **Insureds** as joint **Insureds** and, accordingly, without limitation:

- (i) the **Policyholder** shall act for itself and for all **Insureds** for all purposes under this Policy, including but not limited to the giving and receiving of notice, the giving of notice of **Loss**, the payment of premiums that may become due and the receipt and acceptance of any endorsements issued to form a part of this Policy;
- (ii) payment of any **Loss** under this Policy to the **Policyholder** shall fully release the **Insurer** with respect to such **Loss**;
- (iii) if there is more than one **Insured** under this Policy and any such entity other than the **Policyholder** ceases for any reason to be covered by this Policy, then the remaining **Insureds** shall continue to be **Insureds** for all purposes under this Policy;

- (iv) knowledge possessed or **Discovery** made by any director, partner, officer, trustee, departmental director, senior manager or equivalent thereof of any **Insured** shall for all purposes constitute knowledge possessed or **Discovery** made by every **Insured**;
- (v) the **Insurer's** liability for **Loss** sustained by any or all of the **Insureds** shall not exceed the amount for which the **Insurer** would be liable had all such **Loss** been sustained by any one of the **Insureds**;
- (vi) in calculating **Loss** covered by this Policy, where another **Insured** receives a benefit corresponding or relating to such **Loss**, that benefit will be set off against the value of such **Loss**.

4.6 Notification and Proof of **Loss**

As a condition precedent to its right to be indemnified under this Policy the **Insured** shall:

- (i) give written notice to the **Insurer** as soon as practicable but in any event no later than 60 days after **Loss** is **Discovered**; and
- (ii) provide the **Insurer** with all requested information and documents and co-operate with the **Insurer** in all matters pertaining to the **Loss**; and
- (iii) furnish to the **Insurer** affirmative proof of loss with full particulars within 6 months of **Discovery**.

Notice of **Loss** shall be given in writing directly to Pembroke Managing Agency Ltd, Level 3, 8 Fenchurch Place, London EC3M 4AJ. Notice shall be effective on the date of receipt by the **Insurer** at such address.

4.7 **Discovery Period**

If the **Policyholder** chooses not to renew or extend this Policy and does not replace this Policy with a similar policy or cover with the **Insurer** or any other party, then the **Policyholder** shall have the right to a **Discovery Period** of 30 days following the effective date of non-renewal with the **Insurer**.

The **Discovery Period** shall not apply in the event of Cancellation as set out under General Condition 4.15.

4.8 Basis of Valuation

In determining the amount to be paid under this Policy for any **Loss**, deductions shall be made in respect of any property received from any source whatsoever, including payments and receipt of principal, interest, dividends, commissions and the like, whenever received, in connection with any matter from which an indemnifiable **Loss** has arisen.

In no event shall the **Insurer** be liable for more than:

- (i) the actual market value of **Securities**, foreign funds, currencies or precious metals which shall be determined by their closing market value on the last business day prior to the date the **Loss** was **Discovered**, or the actual cost of replacing the **Securities**, if less;
- (ii) the cost of blank books, blank pages or other materials (other than electronic data) used by the **Insured** in the conduct of its own business plus the cost of labour and computer time for the actual transcription or copying of data furnished by the **Insured** in order to reproduce books of accounts and records;
- (iii) the cost of blank electronic data processing media on which electronic data is recorded and the cost of labour for the actual transcription or copying of electronic data furnished by the **Insured**, in order to reproduce such electronic data used by the **Insured** in the conduct of its own business. However, if such electronic data cannot be reproduced and represents **Securities** or other financial instruments of value, then the **Loss** will be valued as indicated in paragraphs (i) and (iv) of this General Condition;
- (iv) the actual cash value of other property at the time of **Loss** or the actual cost of repairing or replacing the property with property or material of like quality or value, whichever is less.

4.9 Recoveries

Recoveries, whether effected by the **Insurer** or by an **Insured**, will be allocated in the following order of reimbursement:

All recoveries from third parties for payments made under this Policy shall be applied, after first deducting the reasonable costs and expenses incurred in obtaining such recovery but excluding any overhead costs incurred by the **Insured** including but not limited to, salaries of any of its directors, officers, **Employees**, in-house lawyers or other in-house professional advisers, in the following order of priority:

- (i) the **Insured** shall first be reimbursed for the amount of its **Loss** which would otherwise have been paid by the **Insurer** under this Policy but only for the fact that it is in excess of the **Limit of Indemnity** provided by this Policy;
- (ii) the **Insurer** shall then be reimbursed for the amount of its liability under this Policy; and
- (iii) any remaining sum shall be applied towards reimbursement of the **Retention** borne by the **Insured** under this Policy.

4.10 Subrogation

In the event of any payment of any **Loss** by the **Insurer** under this Policy, the **Insurer** shall be subrogated to all rights, title, interests and causes of action of the **Insured** to the extent of such payment. The **Insured** shall do all things necessary to secure such rights, title, interest or causes of action, including the execution of documents necessary to enable the **Insurer** effectively to bring proceedings in the **Insured's** name or its own name, where applicable.

4.11 Governing Law and Dispute Resolution

- (i) The construction, interpretation and meaning of the conditions in this Policy shall be determined in accordance with English Law and in accordance with the English Text as it appears in this Policy.
- (ii) Any dispute arising out of or in connection with this Policy, including any question regarding its formation, existence, validity or termination, shall be referred by the **Policyholder** or the **Insurer** to arbitration in London, England in accordance with the Arbitration Act 1996. The rules for the conduct of the arbitration shall, subject to the provisions of the Arbitration Act 1996, be at the discretion of the arbitrator.
- (iii) Neither party may take legal proceedings against the other in relation to any aspect of this Policy or in relation to any claim under it except as provided by the Arbitration Act 1996.
- (iv) There shall be three arbitrators, appointed firstly by the **Policyholder**, secondly by the **Insurer** with the third appointed by mutual consent and within 30 days of their appointment by the two aforementioned arbitrators.
- (v) The arbitrators shall be persons with at least ten years experience in financial fraud matters within the insurance or reinsurance industry, including lawyers or other professional advisors.
- (vi) The arbitrators' costs shall be apportioned equally between the **Policyholder** and the **Insurer**.
- (vii) The decision of the arbitrators shall be binding on both the **Policyholder** and the **Insurer**.

4.12 Assignment

This Policy and any rights under it cannot be assigned without written consent of the **Insurer**.

4.13 Third Party Rights

It is agreed that:

- (i) this Policy is not intended to confer any benefits or rights on any party other than the **Insured** whether or not such other interest is noted on the Policy;
- (ii) the **Insurer** and the **Insured** shall be entitled to rescind, cancel or vary this Policy in any way without the consent of any other party whether or not an interest of such other party is noted on the Policy;
- (iii) in the event of a claim for **Loss** (whether proceedings are commenced or not) by a party other than the **Insured** against the **Insurer** for the enforcement of any term of this Policy, the **Insurer** shall be entitled to raise by way of defence or set-off any matter which could have been raised by them by way of defence or set-off had such claim had been made by the **Insured**.

4.14 Changes in Risk

If during the **Policy Period** any of the following Changes in Risk take place, then the cover provided by this Policy shall apply only to those acts committed prior to the effective date of such Change in Risk.

For the purpose of General Condition 4.14 Changes in Risk means:

- (i) the liquidation of the **Policyholder**, or the appointment of a receiver, liquidator, manager or administrator in respect of the **Policyholder**; or
- (ii) the liquidation of any single **Insured** or the appointment of a receiver, liquidator, manager or administrator of such **Insured**; or
- (iii) the consolidation or merger of the **Policyholder** with another business entity, or upon any purchase, assignment, transfer, pledge or sale of assets or shares occasioning any change in control of the **Policyholder**; or
- (iv) a change of control in an **Insured**.

4.15 Cancellation

This Policy may be cancelled as follows:

- (i) by the **Insurer** for non-payment of premium; or
- (ii) by the **Policyholder** immediately upon the **Insurer's** receipt of a written notice. In such case the **Insurer** shall refund any unearned premium calculated at pro-rata of the annual premium except in the event of a **Loss** having been **Discovered** prior to the date of cancellation in which case no refund in premium shall be due.

4.16 Fraudulent Claims

- (i) If the **Insured** makes a fraudulent claim under this Policy the **Insurer**:
 - (a) is not liable to pay the claim; and
 - (b) may recover from the **Insured** any sums paid by the **Insurer** to the **Insured** in respect of the claim; and
 - (c) may by notice to the **Insured** treat the Policy as having been terminated with effect from the time of the fraudulent act.
- (ii) If the **Insurer** exercises its right under General Condition 4.16(i) (c) above:
 - (a) the **Insurer** shall not be liable to the **Insured** in respect of a relevant event occurring after the time of the fraudulent act. A relevant event is whatever gives rise to the **Insurer's** liability under the Policy (such as the occurrence of a loss, the making of a claim, or the notification of a potential claim); and
 - (b) the **Insurer** need not return any of the premiums paid.

4.17 Sanctions Limitation and Exclusion Clause

No **Insurer** shall be deemed to provide cover and no **Insurer** shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that Underwriter to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

4.18 Signature and Alteration

The insurance provided by this Policy is operative only if this Policy bears the signature of an authorised representative of the **Insurer** and no change in or modification to this Policy will be effective unless made by a written endorsement that has been agreed by the **Insurer** and which endorsement bears the signature of an authorised representative of the **Insurer**.

4.19 Titles and Bold

The titles of these paragraphs are for convenience only and do not lend any meaning to this contract. In this Policy, words in bold have special meaning and are defined. Any reference to the singular shall include the plural and vice versa.

Notice to the Insured

Data Protection Act 1998

We may store your information on a computer and use it for administration, risk assessment, research and statistical purposes, marketing purposes and for crime prevention (see further details below). We will only disclose your personal details to third parties, if it is necessary for the performance of your contract with us.

In order to assess the terms of the insurance contract or administer claims that arise, we may need to collect data that the Data Protection Act defines as sensitive, such as medical history or criminal convictions. By proceeding with this contract you will signify your consent to such information being processed by us or our agents.

We will keep your information secure at all times. In certain circumstances, for example for systems administration purposes, we may have to transfer your information to another country, which may be a country outside the European Economic Area (EEA). By proceeding with your insurance application, we will assume you are agreeable for us to transfer your information to a country outside the EEA.

Should you wish to receive a copy of the information we hold on you, please contact the Compliance Officer, Pembroke Managing Agency Ltd, Box 146, Lloyd's, 1 Lime Street, London EC3M 7HA.

Complaint Procedure

The **Insurer** is committed to providing a first class service at all times.

If at any time there are questions or concerns regarding this Policy or the handling of a claim, you should in the first instance refer to your insurance broker or intermediary, if any. If your problem cannot be resolved, any question or complaint should then be addressed to:

Director of Claims
Pembroke Managing Agency Ltd
Level 3
8 Fenchurch Place
London
EC3M 4AJ

Telephone: +44 (0) 20 7337 4507

If after following the above procedure your complaint has not been resolved to your satisfaction, you should write to the Chief Executive at the address above.

In the event you wish to pursue matters further, where appropriate, you can refer the matter at any time to the:

Complaints Department
Lloyd's
One Lime Street,
London EC3M 7HA
Telephone: 020 7327 5693 Fax: 020 7327 5255

E-mail: Lloyds-Regulatory-Complaints@lloyds.com

Complaints that cannot be resolved by the Complaints Department may, where appropriate, be referred to the Financial Ombudsman Service to review the case.

The address is:

Financial Ombudsman Service

South Quay Plaza
183 Marsh Wall
London E14 9SR
Telephone: 0845 080 1800
www.financial-ombudsman.org.uk

The Financial Ombudsman's Service decision is binding upon the **Insurer** but you are free to reject it without affecting your legal rights.

Financial Services Compensation Scheme

The **Insurer** is covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the scheme if the **Insurer** cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Further information about compensation scheme arrangements is available from the FSCS.

Pembroke Syndicate 4000 at Lloyd's

Pembroke Syndicate 4000 at Lloyd's is managed by Pembroke Managing Agency Ltd (a managing agency authorised and regulated by the FCA).