

CorporateGuard - CrimeManager Complete

In consideration of the payment of the premium the *insurer* agrees as follows:

1. Insurance Cover

The *insurer* shall indemnify the *insured* for their *loss* sustained at any time resulting from either:

- (A) fraud or dishonesty committed by any *employee* (acting alone or in collusion with others); or
- (B) a *fraudulent act* committed by *any other person*;

which is committed with the principal intent to cause the *insured* to sustain such *loss* and is first *discovered* by the *insured* during the *policy period* or the *discovery period*.

2. Definitions

2.1 **Any other person** means any natural person who:

- (i) is not a director, officer, partner, trustee or *employee* of any *insured*; and
- (ii) does not have and does not provide services under any contract for services, written or implied, with any *insured*; and
- (iii) is not in collusion with any *employee*.

2.2 **Associated company** means any company in which the *policyholder* owns any amount which is less than or equal to 50% of the issued and outstanding voting shares, including joint ventures, either directly or indirectly through one or more of its *subsidiary companies*, and in which the *policyholder* retains *management control*.

Cover for any *associated company* shall only apply in respect of *loss* arising out of any act covered under this policy committed whilst such entity is an *associated company* of the *policyholder*. However upon written request by the *policyholder*, the *insurer* may consider, after assessment and evaluation of the increased exposure, granting cover for acts committed prior to the acquisition of an *associated company*. Such cover is only valid when specifically agreed in writing by the *insurer*.

- 2.3 **Computer or funds transfer fraud** means the theft of the *insured's*:
- (i) assets under the direct or indirect control of a computer system by manipulation of computer hardware or software programmes or systems by *any other person* who does not have authorised access to such computer system by the *insured*; or
 - (ii) funds from an account maintained by the *insured* at a financial institution (from which the *insured* or a person or organisation authorised by the *insured* may request the transfer, payment or delivery of funds), following fraudulent electronic, telegraphic, tested facsimile, tested telex, telephone or written instructions to debit such account and to transfer, pay or deliver funds from such account and which instructions purport to have come from the *insured* or a person or organisation authorised by the *insured* to issue such instructions, but which are fraudulently transmitted, issued, or are *forged* or have been the subject of *fraudulent alteration* by *any other person*.
- 2.4 **Counterfeit or counterfeiting** means the imitation of an authentic negotiable instrument such that the *insured* is deceived on the basis of the quality of the imitation to believe that the said item is the authentic original negotiable instrument. Fictitious instruments which merely contain fraudulent misrepresentations of fact and are genuinely signed or endorsed are not *counterfeit*.
- 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, payments made or withdrawals from any customer's account involving items which are not finally paid for any reason.
- 2.6 **Discovered or discovery** means when any *insured* or any of the *insured's* directors, partners, officers, departmental directors, senior managers, trustees or equivalent of any *insured* becomes aware of any act or acts which could reasonably be foreseen to give rise to a loss covered by this policy even though the exact amount or details of a loss are 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 of time specified in General provision 6.7 immediately following the non renewal or non-replacement of this policy during which written notice may be given to the *insurer* of any loss first *discovered* during such period of time in connection with any act committed prior to the end of the *policy period* and otherwise covered by this policy.
- 2.8 **Employee** means any natural person, other than a director or partner, who has entered into or works under a contract of service with any *insured* and whom such *insured* compensates by salary, wages and/or commissions and whom the *insured* has the right to govern and direct in the performance of such service. The term *employee* shall also mean any:

- (i) director of the *insured* whilst performing acts coming within the scope of the usual duties of an *employee* of the *insured* ;
- (ii) part-time or temporary *employee* performing the duties of an *employee* under the *insured's* supervision;
- (iii) retired *employee* appointed by the *insured* under a written contract whom the *insured* governs and directs in the performance of their service as an *employee*;
- (iv) student, secondee or volunteer pursuing studies, gaining work experience or performing the duties of an *employee* under the *insured's* supervision;
- (v) ex-employee of the *insured*, for a period not exceeding 90 days following the formal termination of their employment with the *insured* (other than where such termination is as a result of an act covered under this policy in accordance with Exclusion 3.9(i));
- (vi) trustee, fiduciary, administrator or officer of any *plan*;
- (vii) solicitor, other than a sole practitioner, retained by the *insured* and any *employee* of such solicitor whilst performing legal services for the *insured*;
- (viii) person provided to the *insured* by an employment agency (or similar source) to perform the duties of an *employee* under the *insured's* supervision;
- (ix) person or *employee* of an organisation to whom or which the *insured* outsource any normal administrative function;
- (x) *employee* which the *insured* is unable to identify by name but whose act or acts have caused a *loss* covered under this policy, provided that the evidence submitted proves beyond reasonable doubt that the *loss* was due to the act of such *employee*.

Notwithstanding the above the term *employee* does not mean any person who is or acts on behalf of any external auditor, external accountant, broker, investment adviser or investment manager, factor, commission merchant, consignee, contractor or other similar agent or representative unless specifically agreed by the *insurer* and endorsed to this policy.

- 2.9 **Forgery or forged** means the hand-written signing or endorsing of the name of a genuine person or a copy of the said person's signature by *any other person* without authority and with intent to deceive. It does not include the signing 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.

- 2.10 **Fraudulent act** means:
- (i) the *forgery or counterfeiting or fraudulent alteration* of any money, securities or instruction upon which the *insured* has acted or relied and shall include *incoming cheque forgery*; or
 - (ii) the *forgery or fraudulent alteration* of any cheque or similar written promise by the *insured* to pay a veritable sum representing money drawn upon the *insured's* account at any bank at which the *insured* maintain a current or savings account;
 - (iii) the fraudulent use of any corporate credit, debit or charge card issued to the *insured* or any *employee* of the *insured* for business purposes where such card is *forged* or is the subject of *fraudulent alteration* provided that the *insured* and the *employee* have complied fully with the provisions, conditions or other terms under which the card was issued and provided the *insured* was legally liable for such loss;
 - (iv) *incoming cheque forgery*;
 - (v) *computer or funds transfer fraud*.
- 2.11 **Fraudulent alteration** means a material alteration to an instrument for a fraudulent purpose by *any other person* other than the person who was authorised to prepare or sign the instrument.
- 2.12 **Incoming cheque forgery** means the *fraudulent alteration* of, on or in:
- (i) any cheque or draft:
 - (a) drawn upon by any bank; or
 - (b) drawn upon by any corporation upon itself; or
 - (ii) any cheque or written order or direction to pay a veritable sum representing money drawn by any public body upon itself, or any warrant drawn by any public body which the *insured* shall receive at any of its premises in payment or purported payment for:
 - (a) tangible property sold and delivered; or
 - (b) services rendered
- subject to the *insured* retaining 20% of the loss in addition to the Retention as specified in Item 4 of the Schedule.
- 2.13 **Insured** means the *policyholder* and any of the *policyholder's subsidiary* and *associated companies* and any *plan* existing at the inception of this policy.
- 2.14 **Insurer** means AIG Europe Limited.
- 2.15 **Investigative Specialist** means any independent investigative specialist listed by endorsement to this policy as provided under Standard Extension 4.3(ii).
- 2.16 **Loss** means the direct financial loss sustained by the *insured* arising from or in connection with any single act or series of related, continuous or repeated acts (which shall be treated as a single act). *Loss* shall not include salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits paid by the *insured* where earned in the normal course of employment.
- Loss* does not mean any loss resulting from or amounting to:

- (i) any dealing or trading in securities, commodities, futures, options, foreign or Federal funds, currencies, foreign exchange and the like unless such loss is covered under Insurance Cover 1 (A) and results in the *employee* making improper financial gain for themselves or for any other individual or organisation intended by such *employee* to receive such benefit; or
 - (ii) any reckless or inadvertent acts; or
 - (iii) the creation of a liability to a third party other than as provided under Standard Extension 4.1.
- 2.17 **Management control** means that the *policyholder* has the right to control the day-to-day management of the relevant entity and sets security and internal control procedures, whether financial or operational.
- 2.18 **Money** means currency, coins, bank notes and bullion, cheques, travellers cheques, registered cheques, postal orders and money orders.
- 2.19 **Outsource** means the retention and authorisation by the *insured* of a person or an organisation to perform a normal administrative function on behalf of the *insured*, provided that:
- (i) such function is performed under a written contract; and
 - (ii) the *insured* retain the right to audit the performance of such function; and
 - (iii) the *insured* can demonstrate that they have vetted the person or organisation for competency, financial stability and honesty prior to the retention and authorisation by the *insured* of such person or organisation to perform such function.
- Cover in respect of any person or organisation to whom the *insured* outsource any normal administrative function shall apply in excess of any indemnification or valid and collectible insurance or indemnity, contractual or otherwise, available to the outsource entity or the *insured*.
- 2.20 **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 the past, present and future *employees* of the *insured* or their respective beneficiaries.
- Cover for any *plan* shall only apply in respect of loss arising out of any act covered under this policy committed whilst such entity is a *plan* maintained by the *insured*. However upon written request by the *policyholder*, the *insurer* may consider, after assessment and evaluation of the increased exposure, granting cover for acts committed prior to the acquisition of a *plan*. Such cover is only valid when specifically agreed in writing by the *insurer*.
- 2.21 **Policyholder** means the organisation specified in Item 1 of the Schedule.
- 2.22 **Policy period** means the period of time specified in Item 2 of the Schedule or as extended by the *insurer*.
- 2.23 **Pre-loss consultant** means any independent consultant listed by endorsement to this policy as provided under Standard Extension 4.6.

- 2.24 **Premises** means the interior portion of any building owned or occupied by the *insured* and in which they conduct their business.
- 2.25 **Securities** mean all negotiable and non-negotiable instruments or contracts, including any note, stock, bond, debenture, evidence of indebtedness, share or other equity or debt security, representing either money or property, but does not include *money*.
- 2.26 **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* arising out of any act covered under this policy committed whilst such entity is a *subsidiary company* of the *policyholder*. However upon written request by the *policyholder*, the *insurer* may consider, after assessment and evaluation of the increased exposure, granting cover for acts committed prior to the acquisition of a *subsidiary company*. Such cover is only valid when specifically agreed in writing by the *insurer*.
- 2.27 **Terrorism** means any act of any individual acting for and on behalf of or in connection with any organisation with activities directed towards the overthrowing or influencing of any *de jure* or *de facto* government by force or violence.

3. Exclusions

The *insurer* shall not be liable to make any payment arising from or related or amounting to any of the following:

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 because of a *loss* covered under this policy, unless if covered under Optional Extensions 5.1 and 5.3.

3.2 **Credit risks**

Loss resulting from the complete or partial non-payment of or default upon any *credit arrangement* or *loss* caused by *forgery* or the *fraudulent alteration* of assets received by the *insured* in purported payment for property sold and delivered on credit unless such *loss* is covered under Insurance Cover 1(A) or 1(B).

3.3 **Directors/partners**

Loss resulting directly or indirectly from any act or series of acts committed by any director or partner of the *insured*, whether acting alone or in collusion, except to the extent that at the time the relevant act is committed such director or partner is deemed to be an *employee* under Definition 2.8 (i).

3.4 **Employee acts**

Loss resulting directly or indirectly from any act or series of acts of any *employee* unless expressly covered under Insurance Cover 1(A) or any relevant extensions.

3.5 **Extortion or kidnap and ransom**

Loss due to extortion or kidnap and ransom except if covered under either Insurance Cover 1(A) or under Standard Extension 4.2.

3.6 **Fees, costs and expenses**

Fees, costs or other expenses incurred in establishing the existence or amount of *loss* covered under this policy, or in prosecuting or defending any legal proceeding, or for any recall costs or costs associated with a recall, except if covered under Standard Extensions 4.2, 4.3 (i) and 4.3 (ii).

3.7 **Fines, penalties or damages**

Fines, penalties or damages of any type for which the *insured* is legally liable, except direct compensatory damages if covered under Standard Extension 4.1 or Optional Extension 5.1.

3.8 **Fire**

Loss or damage caused by fire, other than *loss* of or damage to *money*, *securities*, safes or vaults if covered under Standard Extension 4.4.

3.9 **Loss sustained after knowledge**

Loss caused from the time any (a) *insured* or any of the *insured's* directors, partners, trustees, officers, departmental directors, senior managers or equivalent of any *insured* or (b) any party to whom the *insured outsource* shall have knowledge or information that such *employee* or any other individual or organisation has committed any act or acts of fraud, dishonesty, criminal damage 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 act or acts involved *money*, *securities* or other property valued at £15,000 or more.

3.10 **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 5% of the *insured's* issued share capital of any *insured*.

3.11 **Non-violent crime**

Loss of and/or damage to any *money*, *securities* or property without the use of any force and violence other than in respect of:

- (i) *money* and/or *securities* on the *premises* or in transit if covered under Standard Extension 4.4; or
- (ii) a *fraudulent act* committed by any other person; or
- (iii) *loss* committed by an *employee* of the *insured* and covered under Insurance Cover 1 (A); or
- (iv) *loss* if covered under Standard Extension 4.2.

3.12 Premises damage

Damage or destruction to any:

- (i) *premises* or building, however caused; or
- (ii) contents and fixtures and fittings in the *premises* unless covered under Optional Extension 5.2.
- (iii) safes or vaults unless covered under Standard Extension 4.4(i)

3.13 Prior or subsequent discovery of loss

Loss the *insured* discovered:

- (i) prior to the commencement of the *policy period*; or
- (ii) subsequent to the expiry of the *policy period* or *discovery period*.

3.14 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.

However, where an *employee* is involved and has been identified, inventory records and actual physical count of inventory can be submitted as supporting documentation of *loss*.

3.15 Proprietary information, trade secrets and intellectual property

Loss of or arising from directly or indirectly the accessing of any confidential information including but not limited to trade secrets, computer programmes, customer information, patents, trademarks, copyrights or processing methods.

3.16 Radioactivity and nuclear

Loss, expense, liability or consequential loss of whatsoever nature directly or indirectly caused by or contributed to by or arising from:

- (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.

3.17 Violent crime by any individual or organisation

Loss arising out of theft occasioning the use of forcible and violent means unless:

- (i) if covered under Standard Extension 4.4 or Optional Extensions 5.2 or 5.4; or
- (ii) committed by an *employee* (acting alone or in collusion with others) and covered under Insurance Cover 1 (A).

3.18 Voluntary exchange or purchase

Loss arising out of the voluntary giving or surrendering (whether or not such giving and surrendering is induced by deception) of *money*, *securities* or other property in any exchange or purchase, unless:

- (i) such *loss* is committed by an *employee* (acting alone or in collusion with others) and covered under Insurance Cover 1(A); or
- (ii) is as a result of a *fraudulent act* committed by any other person.

3.19 **War and terrorism**

Loss which arises directly or indirectly out of 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, the act of any lawfully constituted authority or *terrorism*.

4. Standard Extensions

Subject to all of the terms, exceptions and conditions of this policy, cover is extended as follows:

4.1 Care custody and control

Cover is extended to include *loss of money, securities or other property* belonging to any other individual or organisation, but which is in the care custody or control of the *insured* and for which the *insured* is liable. Such amount is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule.

4.2 Extortion or kidnap and ransom

Cover is extended to indemnify the *insured* in respect of the following covered losses for their *loss*, including **expenses** relating thereto, as a result of ransom monies (including ransom or extortion payments) paid or other property provided by the *insured* resulting from the communicated threat:

- (i) to do bodily harm to an **insured person**; or
- (ii) to damage or destroy any property (including computer systems, software or programmes and including any *premises* or fixtures and fittings contained within the *premises*) owned by the *insured* or for which the *insured* is legally liable;

provided that:

- (a) prior to the surrender of such ransom monies or property the person receiving the threat has made a reasonable effort to report the threat or demand to an associate or *employee* and the *insured* has reported the matter to the police; and
- (b) indemnity for extortion or kidnap and ransom (including ransom monies and related **expenses**) covered under Standard Extension 4.2 is limited to the lesser amount of 100% of the Limit of Liability specified in Item 3 of the Schedule or £2,500,000 any single *loss* and in the aggregate; and
- (c) indemnity under this Standard Extension shall be part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule; and
- (d) indemnity under Standard Extension 4.2 only shall not be subject to the Retention specified in Item 4 of the Schedule.

For the purposes of Standard Extension 4.2 only, **insured person** means a director or *employee* of or a partner in the *insured* or a relative or guest of such person.

For the purposes of Standard Extension 4.2 only, **expenses** mean all reasonable and necessary expenses incurred directly by the *insured* solely as a result of any covered extortion or kidnap and ransom incident insured hereunder, including:

- ◆ the amount paid by the *insured* or **insured person** as reward to an informant for information relevant to the kidnap and ransom;

- ◆ travel costs of the kidnap victim to join their immediate family upon their release, and the travel costs of an *employee* to replace the kidnap victim;
- ◆ travel costs to evacuate or hotel costs of an **insured person** who is the victim of a kidnapping or extortion threat;
- ◆ reasonable and necessary medical services and hospitalisation costs incurred by an **insured person** following or as a result of the kidnapping or the extortion, including treatment by a neurologist or psychiatrist, cosmetic surgery or confinement costs;
- ◆ reasonable and necessary fees and **expenses** of:
 - independent forensic analysts engaged by the *insured*;
 - independent qualified interpreter engaged by the *insured*;
 - Clayton Consulting (security consultants) or its subsidiaries;
 - Hill & Knowlton (public relations consultants) or its subsidiaries.

It is further understood and agreed that Standard Extension 4.2 will not cover any *loss*, or extortion and kidnap or ransom demand (including the ransom monies and **expenses** related thereto), which results in or occurs in or is directly or indirectly related to the following geographic territories: Colombia, Brazil, Mexico, Ecuador, Philippines, Honduras, or Chechnya.

4.3 Fees, costs and expenses

(i) Legal fees

Cover is extended to indemnify the *insured* for reasonable legal fees, costs and expenses incurred and paid by the *insured* in the **defence** of any demand, claim, suit or legal proceeding which the *insured* subsequently establishes results directly from a *loss* covered under this policy, provided that:

- (a) such indemnity is limited to £250,000 or 5% of the Limit of Liability specified in Item 3 of the Schedule which ever is lesser and such amount is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule;
- (b) the *insurer* shall not be liable to make any payment for fees, costs or other expenses (whether such fees, costs or expenses be for legal, accounting or other services) incurred by the *insured* in establishing the existence, validity or amount of any *loss* under this policy, other than if covered under Standard Extension 4.3(ii);
- (c) such legal fees, costs and expenses are incurred with the prior written consent of the *insurer*;
- (d) there is no duty upon the *insurer* to advance any legal fees, costs or expenses to the *insured* prior to the conclusion of the demand, claim, suit or legal proceeding;
- (e) such legal fees, costs and expenses are not recoverable from any other party.

For the purpose of this Standard Extension 4.3(i) **defence** shall mean a situation whereby the *insured* is acting as a defendant in a court of law.

(ii) **Use of investigative specialists**

Cover is extended to include the fees and expenses of an *investigative specialist*, to investigate the facts behind a *loss* covered or *loss* potentially covered under this policy and to determine the quantum of such *loss*. No Retention amount shall be applied to the expense of the *investigative specialist* and such expense paid by the *insurer* will be limited to £250,000 or 5% of the Limit of Liability specified in Item 3 of the Schedule whichever is the lesser. Such amount is payable in addition to the Limit of Liability specified in Item 3 of the Schedule.

Provided that an *investigative specialist* is nominated by the *insured* from the pre-approved panel the *investigative specialist* may proceed to investigate any *loss* notified under this policy. The *investigative specialist* shall not be any entity or person with a clear conflict of interest. Should the *insured* wish to nominate an *investigative specialist* not on the pre-approved panel, the *insurer's* prior written approval is required before any fees, costs or expenses are incurred which are recoverable under this policy. The *insurer* retains the right to attend the initial meeting with the *insured* and *investigative specialist*.

The *investigative specialist* shall advise how the *insured's* controls were or may have been breached and summarise recommendations which may prevent future similar losses.

A report shall be issued in English (in a format agreed by the *insurer*) in duplicate to the *insured* and the *insurer*.

No changes shall be made to the list of *investigative specialists* endorsed to this policy during the *policy period* unless such amendments are agreed to by the *policyholder* and the *insurer*.

(iii) **Reconstitution costs**

Cover is extended to include the reasonable cost of rewriting or amending the *insured's* software programmes or systems with the prior written consent of the *insurer* where such rewriting or amending is necessary to correct the programmes or amend the security codes following a *loss* covered under this policy. The *insurer's* liability for such rewriting or amending is limited to £250,000 for any single *loss* and in the aggregate and such amount is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule.

4.4 **Money or securities – damage, destruction or disappearance**

Cover is extended to include:

- (i) the physical loss of or damage to or actual destruction or disappearance of *money or securities* including damage to or actual destruction of safes or vaults incurred in connection with such *loss*; and/or

- (ii) theft of money or securities by any other person, whether occasioning the use of force or violence or not, occurring:
 - (a) within the premises; or
 - (b) within the interior of any banking premises or similar recognised place of safe deposit; or
 - (c) whilst in transit and in the care, custody and control of a director or employee of or a partner in the insured; or
 - (d) whilst in the care, custody and control of any security company or armoured motor vehicle company, which is duly authorised by the insured to retain the care and custody of such money or securities;

provided that this Standard Extension:

- (1) is limited to £250,000 in respect of any single loss as a result of physical loss of or damage to or actual destruction of money or securities caused by fire; and
- (2) is always in excess of any other valid and collectable insurance or indemnity (or would be valid or collectible except for the application of the retention amount or the exhaustion of the limits of liability), contractual or otherwise, available to the insured; and
- (3) is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule

4.5 **New entities – newly created or acquired**

Cover is extended to include:

- (i) any newly created subsidiary or associated company or plan formed or established by any insured during the policy period; or
- (ii) any merger with, or consolidation with, or purchase of, or other acquisition of the assets of another business. Indemnity under this policy shall apply to acts committed from the date of such merger with, or consolidation with, or purchase of, or other acquisition of the assets of another business.

Cover in respect of both (i) and (ii) above is afforded to such subsidiary or associated company or plan or assets only in respect of loss arising out of any act covered under this policy committed whilst such entity is or was a subsidiary or associated company or plan of the policyholder and this policy shall only apply in respect of such an entity for loss discovered after the commencement of such cover. In the event of (i) or (ii) above such new entity shall be covered hereunder provided that such entity:

- (a) has a total gross annual turnover and total number of employees which are less than 15% of the combined total gross annual turnover and total number of employees of all insureds; and

- (b) has not discovered any single *loss* of a type covered by this policy within the last 3 years which, whether insured or not and before the application of any retention, deductible or excess, was individually greater than 30 % of the Retention specified in Item 4 of the Schedule; and
- (c) conducts business activities which are comparable to the *insured's* business as most recently advised to the *insurer*; and
- (d) is governed by controls and procedures which are as effective as those most recently advised to the *insurer* by the *insured* creating or acquiring such entity.

If the new entity fails to meet the conditions set out in (a), (b), (c) and (d) above the *insurer* may agree upon written request to provide cover hereunder for acts committed on or after the date of such creation, merger, consolidation, purchase or acquisition but only upon the condition that within 90 days of the acquisition of the newly created or acquired *subsidiary* or *associated company* or *plan* or assets, the *insurer* shall have been provided with full particulars of the newly created or acquired *subsidiary* or *associated company* and any additional premium and/or amendment to the policy has been agreed by the *insurer*.

4.6 **Pre-loss consultant services**

Cover is extended to include *pre-loss consultant* services and the *policyholder* shall have the right to the services of a *pre-loss consultant* whereby:

- (i) the scope of such services shall be determined solely by the *insured* providing that the scope falls within the general risk management parameters of this policy; and
- (ii) the costs associated with such services shall be limited to a maximum of 10% of the Premium as specified in Item 5 of the Schedule, excluding any insurance premium tax payable. This Standard Extension 4.6 shall not be subject to the Retention specified in Item 4 of the Schedule nor shall such costs erode the Limit of Liability specified in Item 3 of the Schedule; and
- (iii) the *insurer* will pay the cost of such services directly to the relevant *pre-loss consultant* up to the amount specified under (ii) above on receipt of a description of the work undertaken and an invoice detailing the associated costs.

It is understood and agreed that the disclosure to the *insurer* of the final written report produced by the *pre-loss consultant* or any of the findings therein, is solely at the discretion of the *insured*. However, where such findings are material to the *insurer's* exposure under this policy, the *insured* must disclose the same to the *insurer* at renewal of this policy or any extension to the *policy period* as specified in Item 2 of the Schedule.

5. Optional Extensions

Subject to all of the terms, exclusions and conditions of this policy, cover is extended as follows unless shown as Not Included in Item 7 of the Schedule:

5.1 Contractual penalties

Cover is extended to include the amount of any penalty assumed by and enforced against the *insured* under written contract, resulting directly from a *loss* covered by this policy provided that the *insurer's* liability for such *loss* is limited to 15% of the Limit of Liability specified in Item 3 of the Schedule and such amount is part of and not in addition to the Limit of Liability so specified.

5.2 Criminal damage

Cover is extended to include *loss* sustained as a result of criminal damage committed with the principal intent to cause the *insured* to sustain such *loss* by:

- (i) any *employee* (acting alone or in collusion with others); or
- (ii) any other person where such *loss* occurs at the *premises*;

provided that this Extension:

- (a) is limited to £250,000 any single *loss* and in the aggregate and such amount is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule; and
- (b) excludes *loss* resulting from criminal damage to *money* and *securities* and safes and vaults ; and
- (c) excludes damage occasioned by fire, howsoever caused; and
- (d) is always in excess of any other insurance or indemnity contractual or otherwise available to the *insured*; and
- (e) does not apply in addition to Standard Extension 4.3(iii) Reconstitution Costs in respect of the same act or series of related, continuous or repeated acts.

5.3 Interest receivable or payable

Cover is extended to include the amount of any interest which would have been receivable but for a *loss* covered under this policy, or which becomes payable by the *insured* resulting directly from a *loss* covered under this policy provided that the *insurer's* liability for such interest receivable or payable:

- (i) is that which is 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
- (ii) is limited to 15% of the Limit of Liability specified in Item 3 of the Schedule and such amount is part of and not in addition to the Limit of Liability specified therein.

5.4 **Violent and forcible theft of property by any other person**

Cover is extended to include:

- (i) Loss caused by theft or attempted theft following entry to or exit from the *premises* by forcible and violent means by *any other person* resulting in:
 - (a) theft of any tangible property (other than contents and fixtures and fittings); or
 - (b) theft of any contents, fixtures and fittings limited to £250,000 any single *loss*, such amount being part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule; or
- (ii) Loss caused by theft or attempted theft incurred whilst in transit due to forcible and violent means exercised by *any other person* resulting in theft of any tangible property whilst in transit by a director or *employee* of or a partner in the *insured* ;

provided that this Extension:

- (a) is in excess of any other valid and collectible insurance or indemnity, contractual or otherwise, available to the *insured*; and
- (b) is part of and not in addition to the Limit of Liability specified in Item 3 of the Schedule.

For the purpose of this Optional Extension 5.4 property shall not include *money* and *securities*.

6. **General Provisions**

6.1 **Limit of liability**

The payment of any *loss* shall not reduce the *insurer's* liability for other *losses*. The *insurer's* maximum liability for any single *loss* shall not exceed the amount specified in Item 3 of the Schedule.

6.2 **Limit of liability under this policy and prior insurance**

Loss which is covered partly by this policy and partly by any other policy (including policies of which this is a renewal) issued by the *insurer* or any AIG company 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.

6.3 **Non accumulation of liability**

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 Liability as specified in Item 3 of the Schedule shall not be cumulative from year to year or period to period.

6.4 Retention and other insurance

For each and every *loss*, cover under this policy will be excess of the greater of:

- (i) the Retention specified in Item 4 of the Schedule; or
- (ii) the amount of any other valid and collectible insurance or indemnity, contractual or otherwise, available to the *insured*.

Retention shall not apply in respect of:

- (a) 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
- (b) indemnity as provided under Standard Extension 4.2 extortion or kidnap and ransom; or
- (c) use of any *investigative specialist* as provided under Standard Extension 4.3 (ii) or Standard Extension 4.6.

If a *loss* is covered partly under this policy and partly under a prior policy issued by another insurer or carrier, the Retention under this policy applicable to the *loss* will be reduced by the retention or deductible actually applied to *loss* under such other policy.

6.5 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 the *insured* as joint *insured* and, accordingly, without limitation:

- (i) the *policyholder* shall act for itself and for all *insured* 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*, however, in the event that any *loss* sustained by any United Kingdom *plan* is covered under this policy, payment shall be made by the *insurer* to the trustees of such funds for and on behalf of the beneficiaries;
- (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 under this policy, then the remaining *insureds* shall continue to be joint *insured* for all purposes under this policy;
- (iv) knowledge possessed or *discovery* made by any *insured* or by any director, partner, trustee, officer, 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 *insured* shall not exceed the amount for which the *insurer* would be liable had all such *loss* been sustained by any one of the *insured*;

- (vi) in calculating loss covered under 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.

6.6 How to give notice and report a loss

- (i) Notice of a claim or circumstance which may reasonably be expected to give rise to a claim shall be given in writing sent by post or facsimile to:
Financial Lines Claims Department
AIG Europe Limited
The AIG Building
2-8 Altyre Road
Croydon CR9 2LG
Facsimile: +44 (0)20 8680 7321
or by email to Claims.Crime@aig.com. If posted the date of posting shall constitute the date that notice was given, and proof of posting shall be sufficient proof of notice.
- (ii) The *insured* shall, as a condition precedent to the obligations of the *insurer* under this policy:
 - (a) give written notice to the *insurer* as soon as practicable but in any event no later than 60 days after loss is discovered; and
 - (b) give notice to the police unless loss is caused by, involves or implicates any *employee*; and
 - (c) provide the *insurer* with all requested information and documents and co-operate with the *insurer* in all matters pertaining to the loss; and
 - (d) furnish to the *insurer* affirmative proof of loss with full particulars within 6 months of discovery in the absence of a conclusive report by an *investigative specialist*.

6.7 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 90 days following the effective date of non-renewal with the *insurer*.

6.8 Loss settlement

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

6.9 **Basis of valuation**

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

- (i) the actual market value, determined by that published in the Financial Times in the United Kingdom or equivalent local daily financial newspaper of securities, foreign funds, currencies or precious metals at the close of business on the day the *loss* was *discovered*, or, if less, the actual cost of replacing the *securities*;
- (ii) the cost of blank books, blank pages or other materials 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 labour for the actual transcription or copying of electronic data furnished by the *insured*, in order to reproduce such electronic data;
- (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. The actual cash value of other 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 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.

6.10 **Recoveries**

Recoveries (except from insurance, reinsurance, sureties or indemnity), will be allocated in the following order of reimbursement:

- (i) firstly, for any costs and expenses reasonably and necessarily incurred in relation to the recovery;
- (ii) secondly, the *insured* will be reimbursed for any *loss* exceeding the Limit of Liability specified in Item 3 of the Schedule;
- (iii) thirdly, the *insurer* will be reimbursed for any settlement made; and
- (iv) lastly, the *insured* will be reimbursed for *loss* equal to the Retention amount specified in Item 4 of the Schedule.

6.11 **Subrogation**

In the event of any payment under this policy, the *insurer* shall be subrogated to the extent of such payment to all of the *insured's* rights of recovery in respect of the payment. The *insured* shall execute all papers required and shall do everything necessary to secure any rights including the execution of any documents necessary to enable the *insurer* effectively to bring suit in the name of the *insured* whether such acts shall be or become necessary before or after payment by the *insurer*.

6.12 **Governing law and dispute resolution**

Any interpretation of this policy relating to its construction, validity or operation shall be made in accordance with the laws of England and

Wales and in accordance with the English Text as it appears in this policy.

Any dispute or difference which may arise under or in connection with this policy (including dispute regarding settlement of *loss* following a report of the *investigative specialist*), whether arising before or after its termination or expiry, shall be submitted, at the *policyholder's* election, to one of the following dispute resolution procedures:

- (i) non-binding mediation in accordance with the recommendations of any MAC accredited mediation agency;
- (ii) binding arbitration under the then prevailing Rules of the London Court of International Arbitration (LCIA) by a single arbitrator appointed either by agreement, between the *insurer* and the *policyholder* (on behalf of the *insured* with whom the *insurer* is in dispute) or, failing such agreement within 30 days of the reference to arbitration, by the President of the LCIA or his duly appointed deputy. Any request made to the President of the LCIA for the appointment of an arbitrator shall stipulate the fields in which the arbitrator must have experience in order fairly to deliberate on the matter in dispute.

Should the *policyholder* elect for procedure (i):

- (a) no judicial proceedings shall be commenced until the mediation has ended and at least 30 days have elapsed for further reflection and negotiation.
- (b) the costs of the mediation shall be borne equally between the parties to the dispute unless agreed otherwise.
- (c) any *insured* who is party to the dispute may, not less than 30 days after the mediation has ended, refer the dispute to binding arbitration under procedure (ii).

Should the *policyholder* elect for procedure (ii):

- (a) the costs of the arbitrator and the fee to the LCIA will be borne equally by the *insurer* on the one hand and the relevant *insured* on the other in any event.
- (b) each party shall bear its own costs of the arbitration in any event and the arbitrator shall not be asked or entitled to make any order for costs that conflicts with this agreement.
- (c) in the event that separate disputes arise between the *insurer* and several *insured* on related matters these shall be heard by the same arbitrator either together or consecutively as the arbitrator shall consider appropriate.

Legal proceedings (including non-binding mediation and binding arbitration under (i) and (ii) above) for the recovery of any *loss* under this policy shall not be brought after the expiration of the minimum period of limitation imposed by law.

6.13 **Assignment**

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

6.14 Contracts (Rights of Third Parties) Act 1999

Pursuant to Section 1(a) and Section 1(2) of the Contracts (Rights of Third Parties) Act 1999, nothing in this policy is intended to confer a directly enforceable benefit on any party other than the *insured*.

6.15 Changes in risk during policy period

If during the *policy period* any of the following **changes in risk** take place, then the cover provided under this policy is amended to apply only to those acts committed prior to the effective date of such change in risk.

For the purpose of this General provision **changes in risk** mean:

- (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 any *insured*; or
- (v) knowledge that an act of fraud or dishonesty or criminal damage has been committed by any *employee* of the *insured* or any director, partner, trustee, officer, departmental director, senior manager or equivalent as set out under Exclusion 3.9.

6.16 Cancellation

This policy may be cancelled as follows:

- (i) by the *insurer* for non-payment of premium;
- (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 whereby no refund in premium shall be due;
- (iii) by the *insurer* following the issue of written notice to the address specified in Item 1 of the Schedule in respect of the *policyholder* or any *insured* or any *employee* of any *insured*. Cancellation shall apply 30 days following the issue of such notice.

6.17 Fraudulent claims

If the *insured* shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this policy shall be void and all claims under it shall be forfeited.

6.18 Signature and alteration

The insurance provided by this policy is operative only if the Schedule of 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 written endorsement bearing the signature of an authorised representative of the *insurer*.

6.19 Proposal and representation

In granting cover to any one *insured*, the *insurer* has relied upon the statements and particulars in the proposal together with its attachments and other information supplied. All such statements, attachments and information are the basis of and are incorporated into the contract. The *insured* shall not conceal or misrepresent any material fact or circumstance when making such representation.

6.20 Title and italics

The titles of these paragraphs are for convenience only and do not lend any meaning to this contract. In this policy, words in italics have special meaning and are defined.

COMPLAINTS

We believe you deserve courteous, fair and prompt service. If there is any occasion when our service does not meet your expectations please contact us using the appropriate contact details below, providing the Policy/Claim Number and the name of the Policyholder/Insured Person to help us deal with your comments quickly.

Claims related complaints:

Head of Financial Lines & Professions Claims – Claims Manager 58 Fenchurch Street, London, EC3M 4AB

Telephone: +44 (0) 207 063 5418

Email: claims.fl2@aig.com

Online: www.aig.co.uk (please select “contact” followed by “your feedback”)

All other complaints:

Customer Relations Unit

AIG Europe Limited, 2-8 Altyre Road, Croydon CR9 2LG

Telephone: +44 (0) 208 649 6666

Facsimile: +44 (0) 208 680 7330

Email: uk.customer.relations@aig.com

Online: www.aig.co.uk (please select “contact” followed by “your feedback”)

We will acknowledge the complaint within 5 business days of receiving it, keep you informed of progress and do our best to resolve matters to your satisfaction within 8 weeks. If we are unable to do this you may be entitled to refer the complaint to the Financial Ombudsman Service who will review your case. We will provide full details of how to do this when we provide our final response letter addressing the issues raised.

The Financial Ombudsman Service may not be able to consider a complaint if the complainant:

- has not provided us with the opportunity to resolve the complaint, or
- is a business with more than 10 employees and a group annual turnover of more than €2 million; or
- is a trustee of a trust with a net asset value of more than £1 million or;
- is a charity with an annual income of more than £1 million.

The Financial Ombudsman Service can be contacted at:

Financial Ombudsman Service, Exchange Tower, London, E14 9SR

Telephone: 0800 023 4567 (calls are normally free for people phoning from a fixed line)
0300 123 9123 (calls are charged at the same rate as 01 or 02 numbers on mobile tariffs)

Email: complaint.info@financial-ombudsman.org.uk

Following this complaint procedure does not affect your right to take legal action.

1.1. **Financial Services Compensation Scheme**

The Insurer is covered by the Financial Services Compensation Scheme (FSCS). The Insured may be entitled to compensation from the scheme in the unlikely event that the Insurer cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Further information is available from the FSCS.

Financial Services Compensation Scheme, 7th Floor Lloyds Chambers, Portsocken Street, London E1 8BN

Telephone: 020 7892 7300

Fax: 020 7892 7301

E-mail: enquiries@fscs.org.uk

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