

## Surplus Lines Flood Insurance Market Data and Statistics January 24, 2017

### How much primary residential coverage written by the surplus lines market is currently satisfying the mandatory purchase requirement?

Primary residential premium was 19% of the \$205.6 million in flood premium written on a surplus lines basis in the nine states reported by NAPSLO in 2016.

Breaking this down further, the total \$40.6 million of primary residential flood premium represents just 1% of the 2015 U.S. flood insurance market and just .01% of the \$41.3 billion of the 2015 U.S. surplus lines market.

**Exhibit I** further demonstrates this breakdown and **Exhibit II** further illustrates each category's proportionate share of the \$205.6 million in premium.

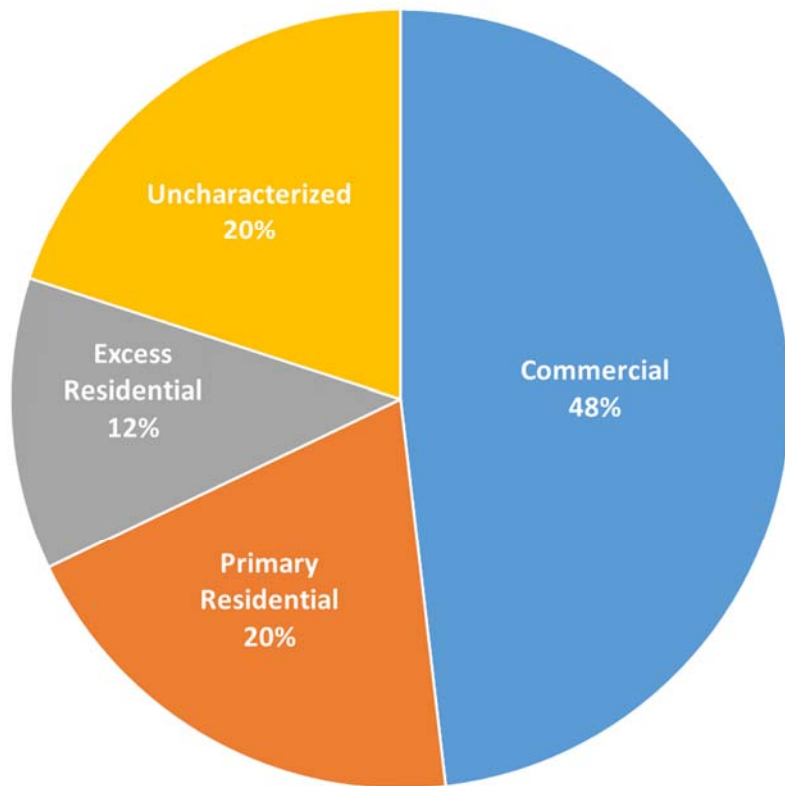
Exhibit I: Surplus Lines Flood Statistics  
California, Florida, Illinois, Mississippi, New York, Pennsylvania, Texas, Utah and Washington  
Calendar Year 2016

State	Primary Residential	Policy Count	Excess Residential	Policy Count	Primary Commercial	Policy Count	Excess Commercial	Policy Count	Unknown	Policy Count	Totals	Policy Count
California	3,451,718	4,265	481,516	282	17,529,209	4,246	4,591,173	694			26,053,616	9,487
Florida	21,431,045	4,823	22,745,919	11,963	27,326,395	2,701	12,282,377	1,504			83,785,736	20,991
Illinois <sup>(1)</sup>	554,464	480			1,145,385	122			257,781	100	1,957,630	702
Mississippi	46,971	27	499,799	650	1,273,451	488					1,820,221	1,165
New York <sup>(2)</sup>			-		-				40,846,257	3,590	40,846,257	3,590
Pennsylvania <sup>(1)</sup>	3,456,228	3,205			6,426,440	553					9,882,668	3,758
Texas	6,507,544	662	1,193,516	748	8,034,004	345	3,397,872	367			19,132,936	2,122
Utah	4,500,000		-		14,300,000		-				18,800,000	-
Washington <sup>(1)</sup>	619,135	619			2,694,285	2,201					3,313,420	2,820
<b>Total</b>	<b>40,567,105</b>	<b>14,081</b>	<b>24,920,750</b>	<b>13,643</b>	<b>78,729,170</b>	<b>10,656</b>	<b>20,271,422</b>	<b>2,565</b>	<b>41,104,038</b>	<b>3,690</b>	<b>205,592,485</b>	<b>44,635</b>

Residential	31.9%	Primary Residential	19.7%
Commercial	48.2%	Excess Residential	12.1%
Unknown	20.0%	Primary Commercial	38.3%
<b>Total</b>	<b>100.0%</b>	Excess Commercial	9.9%
		Unknown	20.0%
		<b>Total</b>	<b>100.0%</b>

- (1) Illinois, Pennsylvania and Washington are now collecting and reporting surplus lines flood data which was included in Exhibit 1.
- (2) New York standalone flood premium data is characterized by real property and personal property so distinctions based upon residential versus commercial are not possible.

Exhibit II: 2016 Surplus Lines Flood Premium



Source: CA, FL, IL, MS, NY, PA, TX, UT and WA Surplus Lines Stamping Offices

The stamping offices do not collect the level of data necessary to identify the amount of coverage written to satisfy the mandatory purchase requirement. However, using market share information from the stamping offices, we have identified the top underwriters of primary residential flood in CA, FL and TX to be:

- Lloyd's
- Lexington
- Western World

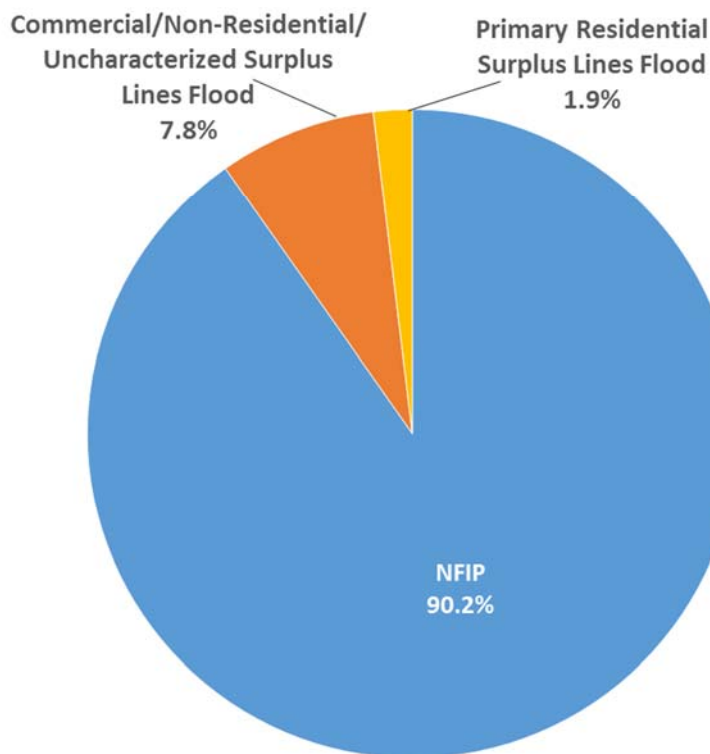
In speaking with these firms, and their brokers, we have learned the following:

- Lloyd's believes that a large portion of the personal lines flood policies written in their market are used to satisfy the mandatory purchase requirement. However, there are also instances where property owners look to Lloyd's because they have higher value or unique homes that require their underwriting expertise of a specialist insurer.
- Western World's approach is to (1) provide additional coverage (e.g., additional living expense); (2) carefully underwrite the premium among all flood zones; and (3) eliminate the surcharge for secondary homes. In early 2016, Western World indicated that all of its premium is satisfying the mandatory purchase requirement of the federal law.

- Brokers for Lloyd’s indicated that near 100% of the primary residential flood policies they underwrite satisfies the mandatory purchase requirement.

If we extrapolate the \$205.6 million of flood premium written in CA, FL, IL, MS, NY, PA, TX UT and WA which comprised just .90% of total surplus lines premium in these states, we would estimate roughly \$375.7 million in surplus lines flood insurance premium written nationwide. As illustrated in **Exhibit III**, the estimated \$375.7 million of flood premium written on a surplus lines basis nationwide represents just 9.8% of total 2016 flood premium when combined with the \$3.4 billion of premium written by the NFIP. Primary residential flood premium represents just 1.9%.

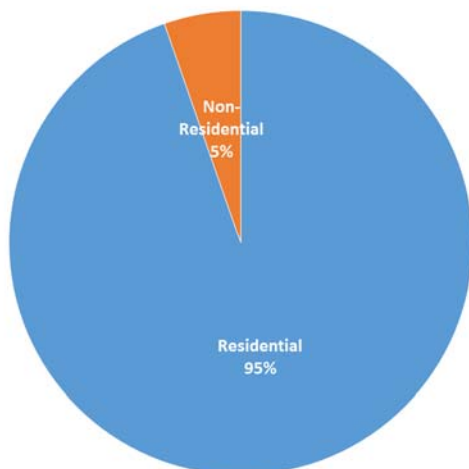
**Exhibit III: 2016 Flood Insurance Market by Premium Volume**



Sources: U.S. Stamping Offices, FEMA <https://www.fema.gov/policies-force-occupancy-type>

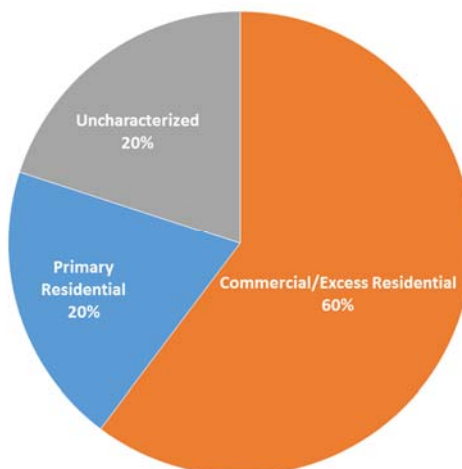
Further, 95% of the NFIP’s premium covers residential property (**Exhibit IV**), while virtually the opposite is true for the surplus lines market where primary residential flood premium represents just 20% of total flood premium written on a surplus lines basis (**Exhibit V**).

Exhibit IV: NFIP Premium by Coverage Type



Source: FEMA <https://www.fema.gov/policies-force-occupancy-type>

Exhibit V: Surplus Lines Premium by Coverage Type



Source: CA, FL, IL, MS, NY, PA, TX, UT and WA Surplus Lines Stamping Offices

**The residential flood business written in the surplus lines market covers risks for which the NFIP is either unavailable or does not meet the coverage requirements the insured is looking for.** As outlined in our January 13, 2016 testimony, consumers need alternatives to the NFIP when: (1) they need higher limits than the \$250,000 residential, \$100,000 personal contents and \$500,000 commercial limits offered by the NFIP; (2) they need enhanced coverage from that offered by the NFIP such as replacement cost of the damaged property rather than the actual cash value of the property, additional sublimits, additional structures, or the ability to schedule multiple properties on one policy; or (3) they need additional coverage beyond that offered by the NFIP such as additional living expense, basements, or business interruption for commercial entities. Without the existing surplus lines alternative, consumers who need it will be left with no option.

**What do those premiums and policies look like?**

Attached is an example of a surplus lines flood policy. This policy was voluntarily shared with the Pennsylvania Department of Insurance as an example of the types of policies written in the surplus lines market so that the Commissioner could help facilitate [increased access](#) to the private market.

Based on the data provided in Exhibit I above, the average 2015 premium per primary residential policy in the states of California, Florida, Illinois, Mississippi, Pennsylvania, Texas and Washington was \$809, \$4,444, \$1,155, \$1,740, \$1,078, \$498 and \$1,000, respectively. The aggregate average among these states was \$1,531.

**Where is that coverage written?**

The \$40.6 million in primary residential flood premium written in the surplus lines market is written in the eight states (California, Florida, Illinois, Mississippi, Pennsylvania, Texas, Utah and Washington) as outlined in **Exhibit I**. These premiums are filed with these states, and their applicable surplus lines premium taxes are remitted to these states, because they represent the home state of the insured, which in the case of residential coverage generally means the state in which the property is located.

[REDACTED]  
Policy Period: 10/15/2015-10/15/2016

Policy No.: [REDACTED]

Flood Zone: A

### Named Insured and Mailing Address

[REDACTED]  
[REDACTED]

### Producer Information

Please contact your producer with coverage questions, requests or concerns.

[REDACTED]  
[REDACTED]

Phone Number: [REDACTED]

Fax Number: [REDACTED]

### Subject of Insurance

[REDACTED]

### Coverage and Limits

Coverage:	Limits:
(A) Dwelling	\$ 174,000
(B) Appurtenant Structures	\$ 0
(C) Personal Property	\$ 0
(D) Additional Living Expense	\$ 22,500
(E) Increased Cost of Materials	\$ 0

**Total Limit of Insurance: \$ 196,500**

See Policy Terms and Conditions Section VII Limits of Insurance

### Covered Peril(s)

Flood

### Deductible(s)

\$5,000 each flood loss

\*\*Additional Living Expense \$1,000 Deductible Each Loss Separately

### Policy Conditions and Endorsements

Specific Conditions and Endorsements apply where indicated with an "X". Please refer to the policy Terms and Conditions for actual wording.

Non-Owner Occupied Endorsement

Condominium Endorsement

Replacement Cost Cover On Personal Property Endorsement

Debris Removal

Coinsurance: Coinsurance: Waived

Course Of Construction Endorsement

### Annual Policy Cost

Premium: \$ [REDACTED]  
Policy Fee: \$ [REDACTED]  
State Tax: \$ [REDACTED]  
Stamping Fee: \$ [REDACTED]

**Total Annual Cost: [REDACTED]**

Authorized Signature: *George Orr*

Mortgagee(s)

**Surplus Lines Disclosure**

The Insurance policy that you have purchased or are applying to purchase is being issued by Certain Underwriters at Lloyd's, London (Lloyd's). Lloyd's is a Nonadmitted Surplus Lines Alien Insurer. A Nonadmitted insurer is an insurance company is licensed and domiciled outside of the borders of state where the subject of insurance is located.

The Nonadmitted Insurance title of the Dodd-Frank Wall Street Reform and Consumer Protection Act, identifies Nonadmitted insurers domiciled outside the U.S. as eligible and otherwise approved to conduct business in any state in the U.S. so long as they are shown on National Association of Insurance Commissioners (NAIC) Quarterly Listing of Alien Insurers. Dodd-Frank Act, Title V, Subtitle B (§§ 511 et seq.)

In accordance with state law we are obliged to inform you that:

**The Insurance Contract issued by a nonadmitted insurer which is not licensed by nor under the jurisdiction of the South Dakota Insurance Director. (SDCL § 58-32-32)**

# *Underwriters at Lloyd's*

## Residential Terms & Conditions

AUTHORITY NUMBER: B1180D140591

**THIS INSURANCE** is affected with certain **Underwriters at Lloyd's**, London (not incorporated).

**THIS POLICY** is issued in accordance with the limited authorization granted to the correspondent by certain **Underwriters at Lloyd's**, London whose names and proportions underwritten by them can be ascertained from the office of said correspondent (such underwriters being hereinafter called "underwriters") and in consideration of the premium specified herein, underwriters do hereby bind themselves each for his own part, and not one for another, their heirs, executors and administrators.

**THE INSURED** is requested to read this Policy, and if not correct, return it immediately to the correspondent for appropriate alteration.

IN THE EVENT OF A CLAIM UNDER THIS POLICY, PLEASE NOTIFY THE FOLLOWING CORRESPONDENT:

POULTON ASSOCIATES INCORPORATED  
Natural Catastrophe Insurance Program  
3785 South 700 East, Second Floor  
Salt Lake City, UT 84106

Phone: (801) 268-2600 or Fax (801) 268-2674



In this Policy "you" and "your" refer to the Named Insured shown on the Coverage Declarations and "we" and "our" refer to the underwriters providing this insurance Policy. The term "Policy" and "Certificate" used within this insurance agreement are interchangeable and have the same meaning and effect.

## I. Insuring Agreement

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### A. Physical Loss/Physical Damage

1. In consideration of the premium paid and subject to the conditions, limits and exclusions contained herein, this Policy insures the structure of the **building(s)** and **personal property** at the **premises**, all as specified herein, against direct physical loss or physical damage which occurs and manifests itself during the period of this Policy, and is caused solely by the peril(s) shown in the Coverage Declarations and limited to one or more of the following perils:
  - a. Earthquake shock
  - b. Flood
  - c. Landslide

### B. Additional Living Expenses

1. Uninhabitable Dwelling:

If your dwelling is made uninhabitable by direct physical loss or physical damage caused solely by a peril insured by this Policy this Policy covers any necessary and reasonable increase in living expenses incurred by you and/or permanent members of your household so that your household can maintain its standard of living.

Payment shall be for the reasonably necessary time required for rebuilding, repairing or replacing your Dwelling or if you have to be permanently relocated, the reasonably necessary time required to settle elsewhere. The amount covered is limited to the Limit of Insurance shown in the Coverage Declarations for Additional Living Expenses. This period of time is not limited by expiration of this Policy.

2. Prohibited Use:

If a civil authority prohibits you and/or permanent members of your household from use of the premises as a result of direct damage to neighbouring premises by a peril insured against by this Policy, this Policy will cover any resulting additional living expenses. The amount covered is limited to the Limit of Insurance shown in the Coverage Declarations for Additional Living Expenses. This period of time is not limited by expiration of this Policy.

The amount covered for all Additional Living Expenses insured under both 1. Uninhabitable Dwelling and 2. Prohibited Use combined is the Limit of Insurance shown in the Coverage Declarations for Additional Living Expenses in respect of each loss or series of losses arising out of any one event.

### C. Debris Removal

We will pay your reasonable expense, excess of the deductible shown on the Coverage Declarations, for the removal of:

Debris on your premises, caused by a peril insured against, for direct physical loss, physical damage or destruction of property, to which this Policy applies.

The amount we will pay for debris removal is limited to 10% of the covered loss or \$25,000, whichever is less.

The Debris Removal coverage available is included within and not in addition to the limit of Coverage A. Any amount used for Debris Removal shall reduce the amount available under Coverage A.

### D. Increased Cost of Compliance

1. General. This Policy pays you to comply with a State or local floodplain management law or ordinance affecting repair or reconstruction of a structure suffering flood damage. Compliance activities eligible for payment are: elevation, floodproofing, relocation, or demolition (or any combination of these activities of your structure. Eligible floodproofing activities are limited to:
  - a. Nonresidential structures.
  - b. Residential structures with basements that satisfy FEMA's standard published in the Code of Federal Regulations [44 CFR 60.6 (b) or (c)].

2. Limit of Liability. We will pay up to \$30,000 under this coverage Increased Cost of Compliance, which only applies to policies with **building** coverage as designated on the coverage declaration. Our payment of claims is in addition to the amount of coverage shown on the coverage declarations page under **building**. But the maximum you can collect under this Policy for both **building** and Increased Cost of Compliance coverage cannot exceed the limit of liability shown for **building** coverage. A separate deductible does not apply
3. Nothing contained in this Clause shall override any Seepage and/or Pollution and/or Contamination Exclusion or any Radioactive Contamination Exclusion or any other Exclusion applicable to this Policy.
4. Any provision within this Policy (or within any Endorsement which forms part of this Policy) which insures Debris Removal is cancelled and replaced by the above.

## II. Definitions

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### A. ACT:

1. Refers to the The National Flood Insurance Act of 1968, as amended, and The Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. 4001 et. seq. in effect as of the effective date of this Policy as evidenced on the Coverage Declarations.

### B. Building(s) means:

1. The Dwelling where you principally reside, or your secondary residence and
2. Appurtenant Structures, being other permanent **buildings** or structures, with walls and a roof, on the **premises**.

C. **Catastrophic ground collapse** means geological activity that result in an abrupt collapse of ground cover causing a depression in the ground cover clearly visible to the naked eye that causes structural damage to the **building**, including the foundation.

D. **Earthquake shock** means physical damage caused by earth movement including landslide, mudflow, earth sinking or earth rising or shifting, only as a direct and immediate result of **earthquake shock**, but shall not include any consequential loss or damage from any other ensuing peril.

Each loss by **earthquake shock** shall constitute a single loss hereunder, provided, if more than one **earthquake shock** shall occur within any period of 72 hours commencing during the term of this Policy, such **earthquake shocks** shall be deemed to be a single earthquake within the meaning hereof. Underwriters shall not be liable for any loss caused by any **earthquake shock** occurring before the effective date and time of this Policy, nor for any loss occurring after the expiration date and time of this Policy. The insured may select the time from which any such period shall commence but no two selected periods may overlap.

E. **Flood** means physical damage caused by a general and temporary condition of partial or complete inundation of normally dry land areas from surface water, waves, tidal water, overflow of a body of water, mudflow or spray from any of these whether or not driven by wind arising during any one period of 72 consecutive hours during the period of this Policy. Underwriters shall not be liable for any loss caused by any **flood** occurring before the effective date and time of this Policy, nor for any loss occurring after the expiration date and time of this Policy. The insured may select the time from which any such period shall commence but no two selected periods may overlap.

F. **Landslide** except landslide as covered by **earthquake shock** definition above, means physical damage caused by the sudden movement of earth and/or rock ("land"), including sliding of land, mudflow except mudflow as covered by the **earthquake shock** and **flood** definitions above, land sinking, rising or shifting but excluding normal settling, gradual subsidence, gradual slippage and processes of erosion that take place over time.

### G. Personal property means:

1. **Personal property** usual to the occupancy of the Dwelling and owned or used by you or permanent members of your household while such **personal property** is on the **premises**. We will also cover personal effects owned by a guest or servant while such personal effects are on the **premises**.
2. Materials, and supplies for use in the construction, structural alteration, alteration, maintenance or repair of the **premises** while such materials, and supplies are at the **premises**.
3. Foodstuffs, bedding, tack and other equipment while at the **premises**, which is used for the maintenance and care of pets and livestock, provided such pets or livestock are not kept for commercial or business purposes.

H. **Premises** means the real property at the address shown on the Coverage Declarations.

- I. **Sinkhole** collapse means the settlement or systematic weakening of the land supporting the **building(s)**, when such settlement or systematic weakening results from movement or ravelling of soils, sediments, or rock materials into subterranean voids created by the effect of water on a limestone or similar rock formation.

### III. Losses Excluded

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A. This Policy does not insure against:

1. Loss or damage arising directly or indirectly out of nuclear reaction, nuclear radiation or radioactive contamination, however such nuclear reaction, nuclear radiation or radioactive contamination may have been caused.
2. Loss or damage arising directly or indirectly out of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not) civil war, rebellion, revolution, insurrection, military or usurped power or martial law or confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any government or public or local authority.
3. Loss, damage or increased cost arising directly or indirectly out of enforcement of any ordinance or law regulating the use, reconstruction, repair or demolition of any **building(s)** insured hereunder, nor any loss, damage, cost, expense, fine or penalty which is incurred, or sustained by or imposed on you at the order of any governmental agency, court or other authority arising from any cause whatsoever.
4. Loss or damage arising out of acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body relating to faulty, inadequate or defective:
  - a. Planning, zoning, development, surveying, siting;
  - b. Design, specifications, workmanship, repair, construction, renovation, remodelling, grading, compaction;
  - c. Materials used in repair, construction, renovation or remodelling; or
  - d. Maintenance of all or part of any property on or off the **premises**.
5. Loss or damage arising out of normal settling, shrinking or expansion of land, **buildings**, structures or foundations; or erosion, gradual subsidence or the processes of erosion that take place over time, or any other gradually occurring loss or damage whether caused by **earthquake shock, flood or landslide** or not, or any loss or damage which commenced prior to the inception of this Policy.
6. Loss or damage arising out of fire regardless of any other event which contributes concurrently or in any sequence to the loss or damage.
7. Loss or damage arising out of exposure to weather conditions where any **personal property** is left in the open or not contained in **buildings** which are on permanent foundations and capable of secure storage.
8. Mysterious disappearance or inventory shortage, theft, fraud, or any kind of wrongful conversion or abstraction.
9. The costs for reconstruction of electronic data or other data.
10. Loss or damage arising out of cessation, fluctuation or variation in, or insufficiency of, water, gas or electricity supplies, or other public utility service supplying the **premises**.
11. Reduction in rental value, reduction in market value or the saleability of property insured by this Policy, or any costs or expenses related thereto.

B. Notwithstanding any provision in this Policy to the contrary (or within any Endorsement which forms part of this Policy), this Policy does not insure:

1. Any loss, damage, costs or expense, or
2. Any increase in insured loss, damage, cost or expense, or
3. Any loss, damage, cost, expense, fine or penalty, which is incurred, sustained or imposed by order, direction, instruction or request of, or by any agreement with, any court, government agency or any public, civil or military authority, or threat thereof, (and whether or not as a result of public or private litigation) which arises from "any kind of seepage or any kind of pollution and/or contamination," or threat thereof, whether or not caused by or resulting from a peril insured, or from steps or measures taken in connection with the avoidance, prevention, abatement, mitigation, remediation, clean-up or removal of such seepage or pollution and/or contamination or threat thereof.

The term "any kind of seepage or any kind of pollution and/or contamination" as used in this Policy includes (but is not

limited to):

- a. Seepage of, or pollution and/or contamination by anything, including but not limited to, any material designated as a "hazardous substance" by the United States Environmental Protection Agency or as a "hazardous material" by the United States Department of Transportation, or defined as a "toxic substance" by the Canadian Environmental Protection Act for the purposes of part II of that Act, or any substance designated or defined as toxic, dangerous, hazardous or deleterious to persons or the environment under any other Federal, State, Provincial, Municipal or other law, ordinance or regulation and;
  - b. The presence, existence, or release of anything which endangers or threatens to endanger health, safety or welfare of persons or the environment.
- C. Notwithstanding any of the other provisions of this Policy, this Policy does not insure against loss, damage, costs, expenses, fines, or penalties incurred or sustained by or imposed on you at the order of any government agency, court or other authority arising from any cause whatsoever.
- D. This Policy does not cover:
1. The removal of asbestos, dioxin or polychlorinated biphenols (hereinafter all referred to as "materials") from any goods, products, or structure unless the material is itself damaged by **earthquake shock, flood or landslide** as covered in this Policy;
  2. Demolition or increased cost of construction, repair, debris removal or loss of use necessitated by the enforcement of any law or ordinances regulating such materials;
  3. Any governmental direction or request declaring that such materials present in, or part of, or utilized on any undamaged portion of your property must be removed or modified.

Nor does coverage provided by this Policy apply to any payment for the investigation or defence of any loss or damage, or any cost, loss of use, expense, fine or penalty or for any expense or claim or suit related to any of the above.

- E. Notwithstanding any provision in this Policy to the contrary (or within any Endorsement which forms part of this Policy), this Policy does not insure any **building(s)** and / or **personal property** and / or Additional Living Expenses at any **premises** located within the borders of the state of California for the peril of **earthquake shock**.
- F. Notwithstanding any provision in this Policy to the contrary (or within any Endorsement which forms part of this Policy), this Policy excludes any loss to any **building(s)** including the foundations and / or **personal property** and / or Additional Living Expenses at any **premises** located within the borders of the state of Florida arising directly or indirectly from **sinkhole** and / or **catastrophic ground collapse**.
- G. This Policy does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:
1. the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year calculations, by any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not; or
  2. any change, alteration, or modification involving the date change to the year 2000, or any other date change, including leap year calculations, to any such computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not.

This clause applies regardless of any other cause or event that contributes concurrently or in any sequence to the loss, damage, cost, claim or expense.

This Policy does not cover any costs and expenses, whether preventative, remedial or otherwise, arising out of or relating to change, alteration or modification of any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not.

- H. This Policy does not insure any loss, damage, claim, cost, expense or other sum directly or indirectly arising out of or relating to: mold, mildew fungus, spores or other microorganism or any type, nature, or description, including but not limited to any substance whose presence poses an actual or potential threat to human health.

This exclusion applies regardless whether there is (i) any physical loss or damage to insured property; (ii) any insured peril or cause, whether or not contributing concurrently or in any sequence; (iii) any loss of use, occupancy, or functionality; or (iv) any action required, including but not limited to repair, replacement, removal, clean-up, abatement, disposal, relocation, or steps taken to address medical or legal concerns.

This exclusion replaces and supersedes any provision in the Policy that provides insurance, in whole or in part, for these matters.

- I. This Policy does not cover any costs and expenses, whether preventative, remedial or otherwise, arising out of or relating to change, alteration or modification of any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not.
- J. Notwithstanding any provision to the contrary within this insurance or any endorsement thereto it is agreed that this insurance excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any act of terrorism regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

For the purpose of this Policy an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

This also excludes loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any action taken in controlling, preventing, suppressing or in any way relating to any act of terrorism.

If the underwriters allege that by reason of this exclusion, any loss, damage, cost or expense is not covered by this insurance the burden of proving the contrary shall be upon the insured.

In the event any portion of this endorsement is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

#### **IV. Property Excluded**

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A. This Policy does not cover:

1. Land, land values, soil, water, air, or any interest or right therein.
2. **Building(s)** and other structures used in whole or in part for any commercial, farming or manufacturing purposes, other than residences on the **premises** held for rental.
3. Mobile homes; but this exclusion does not apply to modular or manufactured housing permanently attached to foundations.
4. Paved areas, including but not limited to parking lots, terraces, driveways, walkways, sidewalks, pavements, paths, curbing and swimming pools.
5. Bridges, steps and stairs; wharves, piers and jetties, unless physically attached to any **building(s)**.
6. Retaining walls whether or not necessary for the continuing stability of any part of the **premises**, and whether or not attached to any **building(s)**.
7. Fences; embankments and earthen structures, tanks, wells, ponds, dams, and dikes.
8. Trees, shrubs, lawns, plants, landscaping costs, animals, birds or fish.
9. Any aircraft or other aerial device, watercraft and their trailers, motorized and non-motorized vehicles other than motorized equipment used to maintain the **premises**.
10. Accounts, bills, currency, money, medals, notes, credit cards, securities, deeds, bullion, books of account, evidences of debt or title, manuscripts, passports, tickets, stamps and valuable papers.
11. Jewellery, watches, precious stones, precious metals, silverware, silver-plated ware, gold-ware, gold-plated ware, and pewter ware, fine art, objects d'art, firearms, sculpture and statuary, furs and garments trimmed with fur.
12. Loss or damage to the basement and/or real property and **personal property** suffering loss or damage within the basement where the basement has not been declared within the Policy Application for this insurance.

#### **V. Other Insurance**

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This Policy, including any amendments or endorsements, does not cover any loss or damage which at the time of the happening of such loss or damage is insured by, or would, but for the existence of this Policy, be insured by any other insurance Policy or policies whether primary or excess.

## VI. Territorial Limits

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This Policy insures **building(s)** and/or **personal property** owned by you at the **premises** described in the Coverage Declarations.

## VII. Limits of Insurance

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For the perils of **earthquake shock** and **landslide** as insured by this Policy we shall not be liable for more than the Limit of Insurance for each coverage and the Total Limit of Insurance for all coverage stated in the Coverage Declarations in respect of each loss or series of losses arising out of one event and in the annual aggregate separately for each peril.

For the peril of **flood** as insured by this Policy, we shall not be liable for more than the Limit of Insurance for each coverage and the Total Limit of Insurance for all coverage stated in the Coverage Declarations in respect of each loss or series of losses arising out of any one event.

Notwithstanding the provisions of Property Excluded paragraph 12., where the insured has declared they have a basement within the Policy Application for this insurance we will insure direct physical loss or physical damage to **personal property** in the basement caused solely by the peril(s) of **earthquake shock, landslide** and **flood** as insured by this Policy. We shall not be liable for more than a sub-limit of 5% of the Limit of Insurance for **personal property** or USD 15,000, whichever the lesser, in respect of each loss or series of losses arising out of one event and in the annual aggregate separately for the peril(s) of **earthquake shock** and **landslide** as insured by this Policy. This sub-limit is included within the Limit of Insurance for **personal property** and does not increase the amount payable under the Total Limit of Insurance for all coverage stated in the Coverage Declarations in respect of each loss or series of losses arising out of one event from the peril(s) of **earthquake shock, landslide** and **flood** as insured by this Policy and in the annual aggregate separately for the peril(s) of **earthquake shock** and **landslide**.

## VIII. Deductible

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### A. Property

Each loss or series of losses caused by an insured peril arising out of one event shall be adjusted separately. A single deductible of the amount shown in the Coverage Declarations shall be deducted from the adjusted amount of each loss or the combined losses arising out of one event.

### B. Additional Living Expenses

Additional Living Expenses is subject to the separate deductible stated in the Coverage Declarations and from the adjusted amount of each loss or series of the combined losses arising out of one event the amount of this deductible shall be deducted.

## IX. Waiting Period(s)

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A. Coverage for **flood** and /or **landslide** becomes effective on the 15th day after the inception date of the Policy. Coverage for **earthquake shock** becomes effective on the 5th day after the inception date of the Policy. If you have existing insurance for **flood** and/or **landslide**, and/or **earthquake shock** similar to that provided by this Policy that is in force through another insurer up to the inception of this Policy the respective waiting periods are waived.

1. New Policy (other than as provided for in paragraphs 2, 3 or 4 below); in respect of **flood** and /or **landslide** coverage, the effective date of coverage under a new Policy will be 12:01 a.m., local time, on the 15th calendar day after the inception date of the Policy; in respect of earthquake shock, the effective date of coverage under a new Policy will be 12:01 a.m., local time, on the 5th calendar day after the inception date of the Policy.
2. New Policy (in connection with making, increasing, extending, or renewing a loan, whether conventional or otherwise); **flood** insurance, which is initially purchased in connection with the making, increasing, extending, or renewal of a loan, shall be effective at the time of loan closing, provided that the Policy is applied for and we approve of the application and the payment of premium is made at or prior to the loan closing. For example if our approval of application date is April 3, 2:00 p.m. and the refinancing and premium payment is April 3, 3:00 p.m., the Policy inception shall be at April 3, 3:00 p.m.. The **flood** coverage waiting period listed in paragraph 1. Immediately above does not apply.
3. New Policy (in connection with mortgage portfolio reviews); in respect of **flood** coverage the 15-day waiting period does not apply when **flood** insurance is required as a result of a lender determining that a loan on a **building** in a Special Flood Hazard Area that does not have **flood** insurance should be protected by **flood** insurance. The coverage is effective upon our acceptance of an application and the payment of premium. For example where the application acceptance and

premium payment date is March 2nd the Policy inception date is March 2nd. The **flood** coverage waiting period listed in paragraph 1. above does not apply.

4. New Policy (in connection with existing **flood** and / or **landslide** and /or **earthquake shock** coverage); the 15-day **flood** and/or **landslide** coverage waiting period and the 5-day **earthquake shock** coverage waiting period listed in paragraph 1. above do not apply when you have existing insurance for **flood** and / or **landslide** and / or **earthquake shock** similar to that provided by this Policy that is in force through another insurer up to the inception of this Policy. The coverage is effective upon our acceptance of an application and the payment of premium. For example where the application acceptance and premium payment date is March 2nd, the Policy inception date is March 2<sup>nd</sup>.

## **X. Conditions**

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### A. Valuation of Property

#### 1. **Building(s)**

- a. It is understood that, in the event of damage, settlement shall be based upon the cost of repairing, replacing or reinstating (whichever is the least) on the same site with material of like kind and quality without deduction for depreciation, subject to the following provisions:
  - i. The repairs, replacement or reinstatement (all hereinafter referred to as "replacement") must be executed with due diligence and dispatch;
  - ii. Until replacement has been effected the amount of liability under this Policy in respect of loss shall, be limited to the actual cash value at the time of loss;
  - iii. If replacement with material of like kind and quality is restricted or prohibited by any by-laws, ordinance or law, any increased cost of replacement due thereto shall not be covered by this Policy.
- b. Our liability for loss under this Policy including this endorsement shall not exceed the smallest of the following amounts:
  - i. The amount of the Policy applicable to the destroyed or damaged **building(s)**
  - iv. The replacement cost of the **building(s)** or any part thereof identical with such **building(s)** and intended for the same occupancy and use.
  - v. The amount actually and necessarily expended in replacing the said **building(s)** or any part thereof.
  - vi. If replacement with material of like kind and quality is restricted by material shortages, or increases in cost, due to material shortages, any increased cost of replacement due to such material shortage shall be covered by this Policy, up to the specific limit shown upon the Coverage Declarations (if any) of this Policy for Increased Cost of Materials.

#### 2. Personal property

The basis of valuation shall be as follows:

- i. **Personal property** of others, at the amount for which you are liable but in no event to exceed the actual cash value taking into account depreciation.
- ii. All other **personal property** at the actual cash value taking into account depreciation. In the event of loss hereunder the actual cash value shall be that which existed immediately prior to the loss.

### B. Notification of Claims

You will, upon knowledge of any occurrence likely to give rise to a claim, shall give as soon as reasonably possible written notice thereof to the person(s) or Firm named for that purpose in the Policy.

### C. Proof of Loss

You shall tender a signed and sworn proof of loss within sixty (60) days after the occurrence of a loss (unless such period be extended by the written agreement of underwriters) stating the time, place and cause of loss, your interest and the interest of all others in the property, the value thereof and the amount of loss or damage thereto.

### D. Subrogation

If we become liable for any payment under this Policy in respect of loss or damage we shall be subrogated, to the extent of such payment, to all your rights and remedies against any party in respect of such loss or damage and shall be entitled at our own

expense to sue in your name. You shall give us all such assistance in your power as we may require to secure our rights and remedies and, at our request, shall execute all documents necessary to enable us to effectively bring suit in your name including the execution and delivery of the customary form of loan receipt. Any recoveries received will first be applied towards the expenses in seeking recovery, then to the amounts paid by us to you, and then to reimburse you for amounts paid by you under this Policy's deductible obligation.

#### E. Salvage and Recoveries

All salvages, recoveries and payments recovered or received subsequent to a loss settlement under this Policy shall be applied as if recovered or received prior to the said settlement and all necessary adjustments shall be made by the parties hereto.

#### F. Representations

It is represented by you that the property that is the subject of this Policy is sound and is in a good state of repair.

In subscribing to this Policy, we have relied on the statements you made in the application, and these statements form the basis of this Policy. If you have knowingly provided incorrect, false or misleading information, this Policy shall become voidable at our option and may result in all claims under this Policy being forfeited.

If the Policy has been procured by fraud, or if you have concealed any material facts relating to the property insured herein, this Policy shall be deemed entirely null and void.

#### G. False or Fraudulent Claims

If you shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Policy shall become void and all claims hereunder shall be forfeited.

#### H. Suit Against Underwriters

No suit, action or proceeding for the recovery of any claim under this Policy shall be sustainable in any court of law or equity unless:

1. You have fully complied with all the requirements of this Policy, and
2. The suit, action or proceeding is commenced within twelve (12) months after the written denial of the claim or any amount claimed to be due hereunder. Where the law of the State where the **premises** is located requires that the period of time extend beyond twelve (12) months, this Policy conform to the length of time most favourable to the insured.

#### I. Service of Suit Clause (U.S.A.)

It is agreed that in the event of our failure hereon to pay any amount claimed to be due hereunder, we will at your request submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of our rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer to a case to another Court as permitted by the laws of the United States or any State in the United States. It is further agreed that service of process in such suit may be made upon

**Mendes & Mount, 3 Park Avenue, New York, NY 10016,**

and that in any suit instituted against any one of them upon this contract, we will abide by the final decision of such Court or of any Appellate Court in the event of an appeal.

The above-named are authorized and directed to accept service of process on our behalf in any such suit and/or upon your request to give a written undertaking to you that they will enter a general appearance upon our behalf the event such a suit shall be instituted.

Further, pursuant to any statute of any state, territory or district of the United States which makes provision therefore, we hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of you or any beneficiary hereunder arising out of this contract or insurance, and hereby designate the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

#### J. Abandonment

There shall be no abandonment to us of any property

#### K. Assignment



Assignment or transfer of this Policy shall not be valid except with our written consent.

#### L. Inspection and Audit

We shall be permitted, but not obligated to, inspect your property at any time. Neither our right to make inspections, nor the making thereof, nor any report thereon shall constitute an undertaking, on behalf of or for your benefit or others, to determine or warrant that such property is safe.

#### M. Mortgagee/Loss Payee Clause

Whenever a mortgagee is noted on any individual Policy issued hereunder, the following Mortgagee/Loss Payee Clause shall apply but only to **building** property:

Loss or damage, if any, under this Policy shall be payable to the mortgagee (or trustee) named in the first page of this Policy or named on an endorsement attached hereto, as interest may appear, under all present or future mortgages upon the property herein described in which the aforesaid may have an interest and this insurance, as to the interest of the mortgagee (or trustee) only therein shall not be invalidated by any act of neglect of the mortgagee or owner of the within described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor the occupation of the **premises** for purposes more hazardous than are permitted by this Policy, provided, that in case the mortgagor or owner shall neglect to pay any premium due under this Policy, the mortgagee (or trustee) shall, on demand, pay the same.

Provided also, that the mortgagee (or trustee) shall notify us of any change of ownership or occupancy or increase of hazard which shall come to the knowledge of said mortgagee (or trustee) and, unless permitted by this Policy, it shall be noted thereon and the mortgagee (or trustee) shall, on demand, pay the premium for such increased hazard for the term of the use thereof otherwise this Policy shall be null and void.

We reserve the right to cancel this Policy at any time as provided by its terms, but in such case notice must be given simultaneously to you and the mortgagee (or trustee) named herein. If we decide to cancel or not renew this Policy, other than for non-payment of premium, coverage hereunder for the peril of **food** only will continue in effect for the benefit of the mortgagee only for 45 days from the date that cancellation or non-renewal is sent to the mortgagee. Should this private placement Policy be cancelled or non-renewed coverage may be available under the National Flood Insurance Program.

Whenever we shall pay the mortgagee (or trustee) any sum for loss under this Policy and shall claim that, as to the mortgagor or owner, no liability thereof existed, we shall, to the extent of such payment, be thereupon legally subrogated to the rights of the party to whom such payment shall be made, under all securities held as collateral to the mortgage debt, or may, at its option, pay to the mortgagee (or trustee) the whole principal due or to grow due on the mortgage with interest, and shall thereupon receive a full assignment and transfer of the mortgage and all such other securities but no subrogation shall impair the right of the mortgagee (or trustee) to recover the full amount of said mortgagee's (or trustee's) claim.

#### N. Policy Renewal

The term of this Policy begins on its inception date and ends on its expiration date, as shown in the Coverage Declarations. We are under no obligation to send any renewal notice or other notice to you, or any mortgagee or loss payee that this Policy term is coming to an end except if the Policy is subject to the Federal Mandatory Purchase Requirement where the terms and conditions of paragraph 3. of condition O. Cancellation in respect of expiration/non-renewal apply.

This Policy shall not continue into any successive Policy term unless the premium payment for any successive Policy term is received by the Administrator of Natural Catastrophe Insurance Program prior to the expiration date.

#### O. Cancellation

This insurance contract may be cancelled at any time:

1. Only upon the submission of an acceptable and complete Cancellation Request Form(s) executed by both the Named Insured and the mortgagee(s) shown as such in the mortgagee or loss payee section of the Coverage Declarations; or
2. By us or on our behalf for non-payment of premium by delivering to you or by mailing to you at your address as shown in the Coverage Declarations, written notice stating when not less than ten (10) days thereafter the cancellation shall be effective.
3. However if the Policy is subject to the Federal Mandatory Purchase Requirement an expiration/non-renewal notice will be sent simultaneously to the insured and any mortgagees noted on the Policy no less than forty-five (45) days prior to the expiration date shown on the Coverage Declarations. Should this private placement Policy be cancelled or non-renewed coverage may be available under the National Flood Insurance Program.
4. The mailing of such notice as aforesaid, shall be sufficient proof of notice and this insurance shall terminate at the date and hour specified in such notice.

5. In the event that this Policy is cancelled by you we shall retain the customary short rate proportion of the premium hereon. However, in the event that you have incurred loss(es) under this Policy the Policy premium will be considered as earned to the extent of such loss(es).
6. If this Policy is cancelled by or on our behalf we shall retain the pro rata proportion of the premium hereon.
7. Payment or tender of any unearned premium by us shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as possible.
8. If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.
9. Any request for cancellation must be made through the Producer to the Program Administrator.

**P. Conformity to Law and Statute**

The terms of this Policy which are in conflict with the statutes of the state wherein any insured property is located or with federal flood insurance laws or regulations, all of which are in force at the time of loss, are hereby amended to conform to such statutes, laws or regulations as may be applicable.

**Q. Coinsurance**

Unless otherwise noted on the Coverage Declarations this Policy is subject to an 80 percent coinsurance requirement and the following conditions also apply:

1. We will not pay the full amount of any loss if the replacement cost value of the Dwelling at the time of loss multiplied by the coinsurance percentage shown in the Coverage Declarations is greater than the amount shown for coverage (a) Dwelling in the Coverage Declarations. Instead we will determine the most we will pay using the following steps:
  - a. Multiply replacement cost value of the Dwelling at the time of loss by the coinsurance percentage;
  - b. Divide the amount shown for coverage (a) Dwelling as shown on the Coverage Declarations by the figure determined in step (a) above;
  - c. Multiply the total amount of loss, before the application of any Deductible, by the figure determined in step (b) above; and
  - d. Subtract the Deductible from the figure determined in step (c) above.

We will pay the amount determined in step (d) above or the Limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

*Coinsurance Example No. 1 (Underinsurance)*

Where a single **premises** is insured and;  
 The replacement cost value of the Dwelling is \$250,000  
 The coinsurance percentage is 80%  
 The amount of coverage (a) Dwelling is \$100,000  
 The Deductible is \$250  
 The amount of loss is \$40,000  
 Step 1.  $\$250,000 \times 80\% = \$200,000$  (the minimum amount of insurance to meet the coinsurance requirements)  
 Step 2.  $\$100,000 / \$200,000 = 0.50$   
 Step 3.  $\$40,000 \times 0.50 = \$20,000$   
 Step 4.  $\$20,000 - \$250 = \$19,750$   
 Underwriters will pay no more than \$19,750. The remaining \$20,250 is not covered.

*Coinsurance Example No. 2 (Adequate Insurance)*

Where a single **premises** is insured and;  
 The replacement cost value of the Dwelling is \$250,000  
 The coinsurance percentage is 80%  
 The amount of coverage (a) Dwelling is \$200,000  
 The Deductible is \$250  
 The amount of loss is \$ 40,000  
 Step 1.  $\$250,000 \times 80\% = \$200,000$  (the minimum amount of insurance to meet the coinsurance requirements)  
 Step 2.  $\$200,000 / \$200,000 = 1.00$

Step 3. \$40,000 x 1.00 = \$40,000

Step 4. \$40,000 – \$250 = \$39,750

Underwriters will cover the \$39,750 loss in excess of the Deductible. No penalty applies.

## **XI. Endorsements Section**

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### REPLACEMENT COST COVER ON PERSONAL PROPERTY ENDORSEMENT

This Replacement Cost Cover on Personal Property Endorsement amends this Policy only if the “Replacement Cost Cover on Personal Property” box is marked under “Endorsements” on the Coverage Declarations of this Policy as follows:

Section X., Condition A. Valuation of Property, subsection 2. Personal Property, item ii. Which reads:

All other **personal property** at the actual cash value taking into account depreciation. In the event of loss hereunder the actual cash value shall be that which existed immediately prior to the loss.

Is deleted and replaced with:

All other **personal property** at the Replacement Cost Value without taking into account depreciation.

All other terms and conditions of the Policy remain the same.

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### NON-OWNER OCCUPANT EXCLUSION ENDORSEMENT

This Non-Owner Occupant Endorsement amends this Policy only if the “Non-Owner Occupied Endorsement” box is marked under “Endorsements” on the Coverage Declarations of this Policy.

It is understood and agreed that coverage for occupant’s **personal property** and Additional Living Expenses are excluded from coverage under the applicable sections of this Policy when the said occupant does not own the occupied Dwelling.

All other terms and conditions of the Policy remain the same.

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### CONDOMINIUM ENDORSEMENT

This Condominium Endorsement amends this Policy only if the “Condominium Endorsement” box is marked under “Endorsements” on the Coverage Declarations page of this Policy.

A. If coverage under this Policy is provided for a condominium, such coverage shall apply to the condominium owner’s owned real property including your improvements thereto, if any, as shown on the Declarations page under:

5. Coverage A Dwelling;
2. Coverage B **personal property**; and
3. Coverage D Additional Living Expenses.

Coverage applies excess of the Deductibles shown on the Coverage Declarations.

If the deductible shown on the Policy Declarations is evidenced as a percentage, then that amount will apply against the Limit of Insurance shown on the Policy Declaration or \$5,000, whichever is greater and shall apply separately for each peril. No change in deductible shall apply where a specified dollar amount is shown on the Policy Declaration.

B. Condominium Loss Assessments.

For the peril of flood only and only if the peril of flood is marked as covered on the Coverage Declarations, this Policy shall pay up to the Coverage A limit, less the deductible separately for each event or assessment, for assessments made against you by the condominium association where the Subject of Insurance resides, in accordance with the association’s Covenants, Conditions, and Restrictions and your deed.

This assessment coverage shall apply only to direct physical loss to those elements of **building(s)** that are owned by the association resulting from a flood as defined in this Policy. In the event that there is other flood insurance applicable to such loss, this assessment coverage shall be in excess of any such flood insurance coverage applying to any such loss including any applicable deductible.

This Assessment coverage is part of and not in addition to the Dwelling limit shown on the Coverage Declaration.

We will not pay any loss assessment charged against you:

6. And the condominium association by any governmental body;

4. That results from a deductible under the insurance purchased by the condominium association insuring common elements;
5. That results from a loss to personal property, including contents of a condominium building;
6. That results from a loss sustained by the condominium association that was not reimbursed under a flood insurance policy written in the name of the association under the Act because the building was not, at the time of loss, insured for an amount equal to the lesser of:
  - a. 80% or more of its full replacement cost; or
  - b. The maximum amount of insurance permitted under the Act;
7. To the extent that payment under this policy for a condominium building loss, in combination with payments under any other NFIP policies for the same building loss, exceeds the maximum amount of insurance permitted under the Act for that kind of building; or
8. To the extent that payment under this policy for a condominium building loss, in combination with any recovery available to you as a tenant in common under any NFIP condominium association policies for the same building loss, exceeds the amount of insurance permitted under the Act for a single-family dwelling.

There is no coverage for commonly owned real or **personal property** that is the responsibility of the association which should be insured by the association under the terms of the covenants, conditions and restrictions that regulate those responsibilities of the association.

All other terms, conditions, and exclusion of the Policy remain the same.

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#### COURSE OF CONSTRUCTION OR BUILDERS RISK ENDORSEMENT

If the "COURSE OF CONSTRUCTION OR BUILDERS RISK ENDORSEMENT" box is not marked under "Endorsements" on the Coverage Declarations of this Policy then it is understood and agreed that;

- A. Coverage for **building(s)** in the course of construction or structural alteration and materials and supplies used to construct or structurally alter the **building(s)** is excluded under this Policy; and
- B. Coverage for **personal property** and Additional Living Expenses is excluded under this Policy.

If the "COURSE OF CONSTRUCTION OR BUILDERS RISK ENDORSEMENT" box is marked under "Endorsements" on the Coverage Declarations of this Policy then it is understood and agreed that;

- C. Coverage for **building(s)** in the course of construction or structural alteration and materials and supplies used to construct or structurally alter the **building(s)** are included under this Policy. ,
- D. Coverage for **personal property** and Additional Living Expenses is excluded under this Policy. However, coverage for **personal property** and Additional Living Expenses can be insured if approved by underwriters and subject to confirmation that:
  - a. Construction is complete;
  - b. Owner-occupancy is confirmed;

Insured values for **personal property** and / or Additional Living Expenses have been submitted in writing for the applicable coverage parts to be covered; and

The Policy has been re-rated by underwriters to take increased values into consideration and all premiums due have been paid.

All other terms and conditions of the Policy remain the same.

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#### ELECTRONIC DATA ENDORSEMENT

##### A. Electronic Data Exclusion

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

This Policy does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of ELECTRONIC DATA from any cause whatsoever (including but not limited to COMPUTER VIRUS) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting there from, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

ELECTRONIC DATA means facts, concepts and information converted to a form useable for communications, interpretation or processing by electronic and electromechanical data processing or electronically controlled equipment and includes programs, software and other coded instructions for the processing and manipulation of data or the direction and manipulation of such equipment.

COMPUTER VIRUS means a set of corrupting, harmful or otherwise unauthorized instructions or code including a set of maliciously introduced unauthorized instructions or code, programmatic or otherwise, that propagate themselves through a computer system or network of whatsoever nature. COMPUTER VIRUS includes but is not limited to 'Trojan Horses', 'worms' and 'time or logic bombs'.

#### B. Electronic Data Processing Media Valuation

Notwithstanding any provision to the contrary within the Policy or any endorsement thereto, it is understood and agreed as follows:

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost of the blank media plus the costs of copying the ELECTRONIC DATA from back-up or from originals of a previous generation. These costs will not include research and engineering nor any costs of recreating, gathering or assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the insured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

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#### SEVERAL LIABILITY NOTICE

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations. LSW 1001 (Insurance)

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#### MINIMUM EARNED PREMIUM CLAUSE

In the event of cancellation of this Policy by the insured, a minimum premium of 25.00% as of inception shall become earned; any conditions of the Policy to the contrary notwithstanding. Failure of the insured to make timely payment of premium shall be considered a request by the insured for the underwriters to cancel. In the event of such cancellation by the underwriters, for non-payment of premium the minimum premium shall be due and payable; provided however, such non-payment cancellation shall be rescinded if the insured remits the full premium within 10 days of receiving it. In the event of any other cancellation of the underwriters, the earned premium shall be computed pro-rata, not subject to the minimum premium.

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#### LLOYD'S PRIVACY POLICY STATEMENT UNDERWRITERS AT LLOYD'S, LONDON

A. The Certain Underwriters at Lloyd's, London want you to know how we protect the confidentiality of your non-public personal information. We want you to know how and why we use and disclose the information that we have about you. The following describes our policies and practices for securing the privacy of our current and former customers.

##### 7. Information We Collect

The non-public personal information that we collect about you includes, but is not limited to:

Information contained in applications or other forms that you submit to us, such as name, address, and social security number

Information about your transactions with our affiliates or other third-parties, such as balances and payment history

Information we receive from a consumer-reporting agency, such as credit-worthiness or credit history

##### 9. Information We Disclose

We disclose the information that we have when it is necessary to provide our products and services. We may also disclose information when the law requires or permits us to do so.

##### Confidentiality And Security

Only our employees and others who need the information to service your account have access to your personal information. We have measures in place to secure our paper files and computer systems.

##### 10. Right To Access Or Correct Your Personal Information

You have a right to request access to or correction of your personal information that is in our possession.

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#### CONTACTING US

If you have any questions about this privacy notice or would like to learn more about how we protect your privacy, please contact the agent or broker who handled this insurance. We can provide a more detailed statement of our privacy practices upon request.

06/03

LSW1135B

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#### ALASKA POLICYHOLDER NOTICE

3 AAC 25.050

This Policy is issued by a nonadmitted or surplus lines insurer. Insurance may only be purchased from nonadmitted insurers if the full amount, kind, or class of insurance cannot be obtained from insurers who are admitted to do business in the State of Alaska. Your broker or the surplus lines broker has determined that this was true on the date the Policy was placed. Before issuing a renewal Policy or extending this Policy, remarketing is required. To avoid intentional or unintentional extension of coverage in the surplus lines market when an admitted market for that coverage exists, a nonadmitted insurer is prohibited from the automatic renewal or extension of a Policy without remarketing by your broker or the surplus lines broker. In order to comply with the Alaska Administrative Code, the following notice is given:

**You are hereby notified that, under 3 AAC 25.050, your Policy will terminate effective no later than the date and time of its expiration. We reserve the right to cancel this Policy sooner than the expiration date by giving you notice of cancellation as required in AS 21.36.220. You may request through your broker that a new Policy from the surplus lines broker be concurrent with the effective date of the termination of this Policy. You are also notified that a new Policy, if issued by us, is subject to ratering, which may result in a premium increase of more than ten percent (10%). As required by 3 AAC 25.050, you are hereby notified that any subsequent Policy issued by us may be subject to a ten percent (10%) or more increase in premium. The actual premium will be based upon rates that apply at the time a subsequent Policy, if any, is issued and will be made available to you before the effective date of the new Policy, or the date subsequent coverage is bound, whichever occurs first.**