

**DECLARATIONS
KIDNAP/RANSOM AND
EXTORTION POLICY**

Name of Insured:

Policy Number

FEDERAL INSURANCE COMPANY

Incorporated under the laws of Indiana
a stock insurance company herein called the Company

Item 1. Limits of Liability:

Insuring Clause 1 – Extortion Coverage
Insuring Clause 2 – Delivery Coverage
Insuring Clause 3 – Expense Coverage

Item 2. Deductible Amount:

Item 3. Designated Person(s):

Item 4. Designated Property:

SPECIMEN

Item 5. Territory:

Item 6. Policy Period:

From 12:01 A.M. on termination of this policy. to 12:01 A.M. on the effective date of the

Item 7. Endorsements Effective at Inception:
Refer to Schedule of Forms attached

Item 8. Termination of Prior Policy(ies):

In Witness Whereof, the Company issuing this policy has caused this policy to be signed by its Authorized Officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

FEDERAL INSURANCE COMPANY

Henry A. Aubel

Secretary

Heaven R. Offore

President

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Authorized Representative

Date

INSURING CLAUSES

In consideration of payment of the required premium and subject to the Declarations made a part hereof and the limitations, conditions, provisions and other terms of this policy, the Company agrees with the Insured to pay the Insured for losses any Insured included herein shall sustain or discover it has sustained in the manner set forth below.

EXTORTION COVERAGE INSURING CLAUSE 1

- 1.1 The Company shall be liable for loss of any property or other consideration actually surrendered:
- (A) as a ransom payment by or on behalf of the Insured as the result of the actual or alleged **Kidnapping** of any **Insured Person(s)**;
 - (B) as an extortion payment by or on behalf of the Insured as the result of any other **Extortion Threat** to do bodily harm to or to wrongfully abduct or detain any **Insured Person(s)**; or
 - (C) as an extortion payment by the Insured as the result of an **Extortion Threat** made specifically against the Insured or any **Insured Property** to damage, destroy or **Contaminate** such **Insured Property**.

DELIVERY COVERAGE INSURING CLAUSE 2

- 1.2 The Company shall be liable for loss caused by the actual destruction, disappearance, confiscation or wrongful abstraction of property or other consideration intended as a ransom or extortion payment covered under Insuring Clause 1 while being held or conveyed by any person(s) duly authorized by the Insured to have custody thereof.

EXPENSE COVERAGE INSURING CLAUSE 3

- 1.3 The Company shall be liable for the following expenses incurred by the Insured solely and directly as the result of a ransom or extortion demand the payment of which would constitute a loss under Insuring Clause 1:
- (A) reasonable fees and expenses of any independent negotiators or consultants retained by the Insured with the prior approval of the Company;
 - (B) interest costs for any loan taken by the Insured to pay that part of a ransom or extortion payment recoverable under Insuring Clause 1;
 - (C) reasonable travel and accommodation expenses incurred by the Insured;
 - (D) the reward paid by the Insured to an **Informant** for information not otherwise available which leads to the arrest and conviction of persons responsible for such demand, provided that the amount of such reward is agreed upon in advance by the Company;
 - (E) the **Salary** which the Insured continues to pay to an **Employee** designated in Item 3 of the Declarations while such **Employee** is being held for ransom as the result of a **Kidnapping**, provided that coverage hereunder shall apply (1) only if such **Employee** is held for more than 30 days, (2) only at the **Salary** level in effect immediately prior to the **Kidnapping** and (3) only for a period commencing upon the abduction of such **Employee** and ending: at the time such **Employee** is released or discovered to be dead, 90 days after the last positive evidence following the abduction that such **Employee** is alive, or 36 months after the abduction, whichever is earliest;
 - (F) sums which the Insured shall become legally obligated to pay on account of judgements resulting from any suit for damages, and reasonable defense costs incurred by the Insured in defending such suit, brought by an **Insured Person** (or the estate, heirs or legal representatives of such **Insured Person**) alleging negligence or incompetence in hostage retrieval operations or negotiations following the **Kidnapping** of such **Insured Person** or negligence in not preventing the **Kidnapping** of such **Insured Person**; provided that the Insured agrees as a condition precedent to coverage hereunder to cooperate with the Company in conducting the defense or in negotiating the settlement of such suit; and
 - (G) any other reasonable expenses incurred by the Insured with the approval of the Company.

POLICY EXCLUSIONS

- 2.1 Coverage under this policy does not apply to:
- (A) loss resulting from an **Extortion Threat** against any person or property located at the time of the threat outside the Territory specified in Item 5 of the Declarations;
 - (B) loss due to any fraudulent, dishonest or criminal act by an identifiable **Employee**, director, trustee, authorized representative or messenger of the Insured whether acting alone or in collusion with others, unless the loss is in excess of the amount recovered or received by the Insured under any other bond, insurance or indemnity which would cover the loss in whole or in part, in which case this policy shall cover only such excess; or
 - (C) loss resulting from fraud or collusion by the person allegedly the subject of an **Extortion Threat** if the person authorizing the ransom or extortion payment had not, prior to the payment, made every reasonable effort under the circumstances to determine that the **Extortion Threat** was genuine.
- 2.2 Coverage under Insuring Clause 1 does not apply to loss of property and other consideration:
- (A) surrendered away from the **Premises** in any face to face encounter involving the use or threat of force or violence unless surrendered by a person in possession of such property or other consideration at the time of such surrender for the sole purpose of conveying it to pay a previously communicated ransom or extortion demand and unless actually surrendered to those responsible for such demand or their designee(s); or
 - (B) surrendered on the **Premises** unless brought onto the **Premises** after receipt of the ransom or extortion demand for the purpose of paying such demand.
- 2.3 Coverage under Insuring Clauses 2 and 3 does not apply to loss of property and other consideration actually surrendered as a ransom or extortion payment covered under Insuring Clause 1.

GENERAL CONDITIONS

JOINT INSURED

- 3.1 Only the first named Insured shall have any right to claim, adjust, receive or enforce payment of any loss and shall be deemed to be the sole agent of the others for such purposes and for the giving or receiving of any notice or proof required to be given by the terms hereof and for the purposes of effecting or accepting any amendments to or termination of this policy. Each and every other Insured and any **Insured Person** protected hereunder shall be conclusively deemed to have consented and agreed that none of them shall have any direct beneficiary interest herein or any right of action hereunder whatsoever and that this policy or any right of action hereon shall not be assignable; but knowledge possessed or discovery made by any Insured or by any partner or officer of any Insured shall constitute knowledge possessed or discovery made by all of the Insureds for the purposes of this policy. All losses and other payments, if any, payable by the Company shall be payable to the first named Insured, without regard to its obligations to others; and the Company shall not be responsible for the proper application of any payment made. The Company shall not be liable for loss sustained by one Insured to the advantage of any other Insured. If the Company shall agree to and shall make payment to any Insured other than the first named or to any **Insured Person(s)**, such payment shall be treated as though made to the first named Insured.

PERSONAL ASSETS

- 3.2 In the event of a ransom or extortion demand directed against any **Insured Person(s)** rather than against the Insured, property or other consideration surrendered or intended to be surrendered by or on behalf of such **Insured Person(s)** and expenses described in (A), (B), (C), (D) and (G) of Insuring Clause 3 incurred by or on behalf of such **Insured Person** shall, at the option of the Insured, be considered property or other consideration surrendered or intended to be surrendered on behalf of the Insured and expenses incurred by the Insured.

OTHER INSURANCE

- 3.3 If the Insured, any **Insured Person(s)** or any other party at interest in any loss covered by this policy has any insurance which would cover such loss in whole or in part in the absence of this policy, then this policy shall be null and void to the extent of the amount of such other insurance; but shall cover such loss, subject to its limitations, conditions, provisions and other terms, only to the extent of the amount of such loss in excess of the amount of such other insurance whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the limits provided in this policy.

The Company's liability under this policy for any loss of personal assets under Section 3.2, other than a loss sustained by an **Employee** designated in Item 3 of the Declarations, shall be reduced by any amount paid or payable on account of such loss under such other insurance issued by any member company of the Chubb Group of Insurance Companies.

LIABILITY FOR PRIOR LOSSES

- 3.4 The liability of the Company for loss arising from an **Extortion Threat** which occurred or was communicated to the Insured, directly or indirectly, prior to (1) the effective date of this policy or (2) the effective date additional Insureds or coverages are subsequently added, is subject to the following:

- the Insured or some predecessor in interest of the Insured carried some other policy which, at the time of the **Extortion Threat**, afforded the Insured some or all of the coverage of the Insuring Clause of this policy applicable to the loss;
- such prior coverage and the right of claim thereunder continued under the same or some superseding policy without interruption from the time of the **Extortion Threat** until the date specified in (1) or (2) above; and
- the **Extortion Threat** shall have been discovered by the Insured after the expiration of the time allowed for discovery under the last such policy.

The liability of the Company with respect to such loss shall not exceed the lesser of the following:

- the amount which would have been recoverable under the coverage in force at the time of the **Extortion Threat**, or
- the amount which would have been recoverable under this policy had it been in effect at the time of the **Extortion Threat**.

ALTERATION

- 3.5 No change in or modification of this policy shall be effective except when made by written endorsement signed by an authorized representative of the Company.

PROVISIONS AFFECTING LOSS SETTLEMENT

LIMITS OF LIABILITY

- 4.1 The payment of any loss under this policy shall not reduce the liability of the Company for other losses; provided, however, that the maximum liability of the Company shall not exceed the dollar amount set forth in Item 1 of the Declarations, Limits of Liability:

- applicable to Insuring Clause 1, Extortion Coverage, for all loss of property and other consideration actually surrendered as ransom and extortion payments arising from one **Extortion Threat** or a series of related **Extortion Threats**;
- applicable to Insuring Clause 2, Delivery Coverage, for all losses thereunder of property and other consideration intended as ransom and extortion payments arising from one **Extortion Threat** or a series of related **Extortion Threats**; or
- applicable to Insuring Clause 3, Expense Coverage, for all expenses arising from one **Extortion Threat** or a series of related **Extortion Threats**.

MULTIPLE EXTORTION THREATS

- 4.2 Any **Extortion Threats** made by the same person(s), group or collaborating groups with the apparent purpose of creating a cumulative or continuing coercive effect upon the Insured and/or any **Insured Person(s)** shall be considered related **Extortion Threats**, whether the ransom or extortion demands are for a single payment or for separate payments.

NON-ACCUMULATION OF LIABILITY

- 4.3 Regardless of the number of years this policy shall continue in force, and the number of premiums which shall be payable or paid or any other circumstances whatsoever, the liability of the Company under this policy with respect to any loss or losses shall not be cumulative from year to year or from period to period. When there is more than one Insured, the aggregate liability of the Company for loss or losses sustained by any or all of them shall not exceed the amount for which the Company would be liable if all losses were sustained by any one of them.

DEDUCTIBLE

- 4.4 From all losses sustained by the Insured arising from any one **Extortion Threat** or series of related **Extortion Threats**, after deducting all recoveries (except insurance or suretyship held by the Insured or the Company for their benefit) on account thereof made prior to payment, shall be deducted the amount specified in Item 2 of the Declarations. The Deductible shall not apply to expenses covered under Insuring Clause 3.

VALUATION AND FOREIGN CURRENCY

- 4.5 In no event shall the Company be liable for more than:
- the actual market value of lost, damaged or destroyed securities at the close of business on the business day immediately preceding the day on which the loss occurs or for more than the actual cost of replacing the securities, whichever is less;
 - the United States dollar value of any foreign currency involved in a loss recoverable under this policy based on a free currency rate of exchange in effect the day on which the loss occurs;
 - the actual cash value at the time of loss of any other property or consideration or for more than the actual cost of repairing or replacing such property or consideration with property or consideration of similar quality and value, whichever is less.

A loss shall be deemed to have been sustained:

- under Insuring Clause 1 at the time of the surrender of the ransom or extortion payment,
- under Insuring Clause 2 at the time of the actual destruction, disappearance, confiscation or wrongful abstraction of the property or other consideration, and
- under Insuring Clause 3 at the time of the payment of incurred expenses by the Insured.

RECOVERIES

- 4.6 If the Insured shall sustain any loss covered by this policy, all recoveries (except from suretyship, insurance, reinsurance or indemnity taken by or for the benefit of the Company) on account of loss, less the actual cost of recovery, shall be distributed as follows: the Insured shall be reimbursed for any loss which exceeds the amount of coverage provided by this policy less the deductible amount, the balance applied to reimbursement of the Company to the extent of its loss and any remainder paid to the Insured.

SUBROGATION

- 4.7 It is agreed that the Company may make any reasonable investigation it considers necessary into the circumstances of any loss under this policy. In the event of any payment under this policy, the Company shall be subrogated, to the extent of its loss, to all the Insured's rights of recovery therefore against any person(s) or group responsible for the loss.

DISCOVERY PERIOD

- 4.8 This policy does not cover any loss arising from any **Extortion Threat** unless such **Extortion Threat** occurs or is communicated directly or indirectly to the Insured or an **Insured Person** prior to the effective date of termination of coverage hereunder and is discovered by the Insured and communicated to the Company in writing prior to one year after the effective date of the termination of this policy in its entirety.

NOTICE PROOF LEGAL PROCEEDINGS

- 4.9 At the earliest practicable moment after the occurrence of any loss hereunder the Insured shall give the Company written notice thereof and shall also within four months after such occurrence furnish to the Company affirmative proof of loss with full particulars. Legal proceedings for recovery of any loss hereunder shall not be brought after the expiration of twenty-four months from the occurrence of such loss. If any limitation embodied herein is prohibited by any law controlling the construction thereof, such limitation shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

TERMINATION

TERMINATION OF POLICY

- 5.1 This policy shall terminate in its entirety:
- thirty days after the receipt by the Insured of a written notice of termination from the Company,
 - upon the receipt by the Company of a written notice of termination from the Insured,
 - at such other time as may be agreed upon by the Company and the first named Insured, or
 - upon the voluntary liquidation or dissolution of the first named Insured.

Any Insuring Clause or coverage for any Insured other than the first named or as to any **Insured Person(s)** or **Insured Property** shall terminate thirty days after the receipt by the Insured of a written notice of such termination from the Company or upon the request of the Insured.

The Company shall refund the unearned premium computed at customary short rates if the policy is terminated in its entirety by the Insured. Under any other circumstances the refund shall be computed pro rata.

TERMINATION OF PRIOR POLICY(IES)

- 5.2 The Insured by the acceptance of this policy gives notice to the Company terminating the Company's liability to the Insured under the policy(ies) specified in Item 8 of the Declarations.

POLICY DEFINITIONS

6. When used in this policy:

Contaminate means to introduce a foreign material or substance in such a way as to render **Insured Property** unfit for use or sale.

Employee means any person in the regular service of any Insured during the Policy Period whom the Insured compensates by salary, wages and/or commissions and has the right to govern in the performance of such service, and any non-compensated officer of the Insured.

Extortion Threat means a threat or threats (including actual or alleged **Kidnapping**), as set forth in Insuring Clause 1, made by a person or group demanding a ransom or extortion payment or a series of such payments as a condition for the mitigation or removal of such threat(s). All such threats (a) related by a common committed, attempted or threatened wrongful act or (b) made contemporaneously against the same Insured(s), **Insured Property** and /or **Insured Person(s)** shall be deemed to constitute a single **Extortion Threat** if made by the same person or group.

Informant means any person providing information solely in return for monetary payment paid or promised by the Insured.

Insured Person means:

- (A) A Designated Person, as specified in Item 3 of the Declarations;
- (B) a **Relative** of a Designated Person;
- (C) a person legally resident in the household of a Designated Person;
- (D) a guest in the home of a Designated Person; and
- (E) a guest or customer of the Insured while on the **Premises** of the Insured.

Insured Property means:

- (A) any **Premises** designated in Item 4 of the Declarations.
- (B) any tangible property owned or held by the Insured or for which the Insured is liable located on such **Premises** or on any land adjacent thereto occupied by the Insured in conducting its business, and
- (C) any other property designated in Item 4 of the Declarations.

Kidnapping means the wrongful abduction and holding under duress or by fraudulent means of any **Insured Person(s)** by any person(s) or group making a ransom demand or series of ransom demands for the release of such **Insured Person(s)**.

Merchandise means the Insured's inventory, raw materials, work in progress and any products manufactured or distributed by the Insured.

Premises means that portion of any building occupied by the Insured in conducting its business.

Relative means a person's spouse, sibling, ancestor, spouse's ancestor, lineal descendant or lineal descendant's spouse. Adopted children and stepchildren shall be deemed to be lineal descendants. Adoptive parents or stepparents shall be deemed to be ancestors.

Salary means the direct compensation which the Insured pays to an **Employee** for personal services rendered, excluding bonuses, commissions and similar incentive payments and the cost of any health, welfare or pension benefits.