PREMISES ENVIRONMENTAL COVERAGE

Environmental Liability and Remediation Expense Coverage

CERTAIN SECTIONS OF THIS POLICY INCLUDE CLAIMS MADE AND REPORTED COVERAGE. CLAIMS-MADE AND REPORTED COVERAGE REQUIRES CLAIMS TO BE FIRST MADE AGAINST THE INSURED AND REPORTED TO THE COMPANY DURING THE POLICY PERIOD OR ANY APPLICABLE EXTENDED REPORTING PERIOD.

OTHER SECTIONS OF THIS POLICY PROVIDE COVERAGE FOR CONTAMINATION THAT IS DISCOVERED BY THE INSURED DURING THE POLICY PERIOD AND REPORTED TO THE COMPANY DURING THE POLICY PERIOD.

DEFENSE EXPENSE REDUCES THE LIMITS OF INSURANCE AND IS WITHIN THE DEDUCTIBLE. READ THE ENTIRE POLICY CAREFULLY TO DETERMINE YOUR RIGHTS, DUTIES, AND WHAT IS OR IS NOT COVERED.

Throughout this policy, the words "you" and "your" refer to the named insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance. Other words and phrases that appear in bold have special meaning. Refer to Section II. DEFINITIONS.

In consideration of the premium paid and in reliance upon the statements that you provided to us in the application and any other supplemental information provided in connection with the application, all of which are incorporated and made a part of this policy, we agree to provide coverage as shown in the Declarations and described as follows:

PREMISES ENVIRONMENTAL COVERAGE INSURANCE

I. INSURING AGREEMENTS

A. Remediation Expense and Liability Coverage - On-Site Contamination

We will pay on behalf of the insured for remediation expense in excess of the deductible that the insured becomes legally obligated to pay as a result of contamination that is on, at or under the legal boundaries of your insured location, but only if:

a. The insured discovers the contamination during the policy period and reports such contamination to us during the policy period or as expressly provided for in the extended reporting period, if applicable; or

b. A claim for remediation expense is first made against the insured and reported to us during the policy period, or within the extended reporting period, if applicable.

Provided that the contamination first commences: (i) on or after any Retroactive Date shown in ITEM 9.a. in the Declarations; or (ii) on or before any Retrospective Date, shown in ITEM 9.b. in the Declarations. This coverage part does not apply to any contamination that is beyond the legal boundaries of your insured location.

B. Remediation Expense and Liability Coverage - Off-Site Contamination
We will pay on behalf of the **insured** for **remediation expense** in excess of the deductible that the **insured** becomes legally obligated to pay as a result of **contamination** migrating beyond the legal boundaries of **your insured location**, but only if:

a. The **insured** discovers the **contamination** during the **policy period** and reports such **contamination** to us during the **policy period** or as expressly provided for in the **extended reporting period**, if applicable; or

b. A **claim** for **remediation expense** is first made against the **insured** and reported to us during the **policy period**, or as expressly provided for in the **extended reporting period**, if applicable.

Provided that the **contamination** first commences: (i) on or after any **Retroactive Date** shown in ITEM 9.a. in the Declarations; or (ii) on or before any Retroactive Date shown in ITEM 9.b. in the Declarations. This coverage part does not apply to any **contamination** that is on, at or under the legal boundaries of **your insured location**.

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C. **Claims for Bodily Injury and Property Damage Resulting from Contamination**

We will pay on behalf of the **insured** for **loss** in excess of the deductible that the **insured** becomes legally obligated to pay as a result of a **claim for bodily injury** or **property damage** arising out of **contamination** on, at, under or migrating beyond the legal boundaries of **your insured location**, but only if:

a. The **claim** is first made against the **insured** and reported to us during the **policy period**, or as expressly provided for in the **extended reporting period**, if applicable; and

b. The **contamination** first commences: (i) on or after the **Retroactive date** shown in ITEM 9.a. in the Declarations; or (ii) on or before the Retrospective Date shown in ITEM 9.b. in the Declarations.

D. **Image Restoration Coverage**

We will reimburse you for **image restoration expenses** incurred because of **contamination** reported to us during the **policy period** or as expressly provided for in the **extended reporting period**, if applicable, and that result in **bodily injury**, **property damage**, or **remediation expense** covered under Insuring Agreements I. A., B., or C., as applicable. Reimbursement is limited to the costs of restoring your reputation and consumer confidence through image consulting, is subject to the deductible for the applicable coverage part, and will in no event exceed the amount shown in ITEM 5.D. in the Declarations.

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II. **DEFINITIONS**

A. **Additional insured** means any individual, organization or entity scheduled to this policy as an **additional insured** by an endorsement, but solely for their vicarious liability arising out of their ownership, use, operation or financing of **your insured location**, and subject to any terms, limitations or restrictions set forth in such endorsement.

B. **Bodily injury** means:

1. Physical injury, sickness or disease including associated medical or environmental monitoring; and
2. Mental anguish, emotional distress or shock sustained by any person;
including death resulting there from.

C. Claim means a written demand, notice, or assertion of a legal right seeking a remedy or
alleging liability or responsibility on the part of you or any insured as a result of contamination. Such demand, notice, or assertion of a legal right includes, but is not
limited to legal actions, orders, petitions or governmental or regulatory actions, filed
against you or any insured.

D. Contaminant means any solid, liquid, gaseous or thermal irritant or pollutant, including
but not limited to smoke, vapor, odors, soot, fumes, acids, alkalis, toxic chemicals,
hazardous substances, petroleum hydrocarbons, legionella, mold, electromagnetic fields,
and waste materials including but not limited to municipal, industrial, medical,
pathological, and low level radioactive waste and materials.

E. Contamination means:

1. The discharge, dispersal, release or escape of any contaminant into or upon land, or
any structure on land, the atmosphere or any watercourse or body of water, including
groundwater, provided such conditions are not naturally present in the environment in
the amounts or concentrations discovered; or

2. The presence of contaminants that have been disposed of or abandoned at your
insured location in violation of applicable law by parties other than an insured
provided that prior to the inception date, no insured or additional insured knew or
reasonably should have known of such presence, disposal or abandonment; or

3. The presence of legionella or mold in any structure at your insured location.

F. Defense expense means reasonable and necessary legal fees and expenses incurred:
in the defense, investigation or adjustment: (i) of any claim to which this insurance
applies; or (ii) of any loss or remediation expense that directly results from your
discovery of any contamination to which this insurance applies. Defense expense does
not include salaries, wages, overhead or benefit expenses incurred by the insured,
including but not limited to employees or supervisory or monitoring counsel, or legal fees
or expenses incurred in connection with any dispute, disagreement or controversy arising
out of the formation, interpretation, alleged breach, termination, or invalidity of this policy,
or as to any other issue regarding the respective duties and responsibilities of us or any
insured regarding this policy.

G. Emergency expense means reasonable and necessary expenses incurred to contain,
control, abate or mitigate contamination covered under this insurance and that is an
imminent and substantial endangerment to:

1. Public health, safety or welfare; or

2. The environment;

Provided that: (i) the insured discovers such contamination within seventy-two (72)
hours of the contamination first commencing; and (ii) incurs such emergency expense
within seven (7) days after the contamination first commenced; and (iii) the emergency expense
are incurred pursuant to laws that require an immediate response to contamination.
H. Employee includes temporary and leased staff working on behalf of and under direct supervision and control by you, but only while acting within the scope of their employment or authority as such.

I. Environmental professional means an individual chosen by us, in consultation with the insured, who possesses at least certain minimal levels of education, training and experience, holds valid and applicable licensing, certifications and qualifications to properly assess and remediate the contamination, and who maintains certain minimal levels of applicable insurance.

J. Extended Reporting Period means either:

1. Automatic extended reporting period as described in Section IX. EXTENDED REPORTING PROVISIONS, Paragraph A; or

2. Supplemental extended reporting period, as described in Section IX. EXTENDED REPORTING PROVISIONS, Paragraph B;

Whichever is applicable, following termination of coverage, as described in Section IX. EXTENDED REPORTING PROVISIONS, in which to report a claim.

K. Image restoration expenses means reasonable and necessary expenses incurred for services rendered by an image restoration firm, exclusive of any salaries, wages, overhead or benefit expenses incurred by an insured, or any expenses that are covered under any other insurance, including any applicable deductibles or self-insured retention amounts of such other insurance.

L. Inception date means: (i) the first date shown in ITEM 4. in the Declarations; or (ii) with respect to any endorsement the Company issues after the first date shown in ITEM 4. in the Declarations, the effective date listed in such endorsement.

M. Insured means

1. The named insured;

2. Additional insured and

3. Any past or present director, officer, partner, member, or employee of the insured, but only while acting within the scope of his or her employment or authority as such.

N. Law means any federal, state, provincial or local statutes, rules, regulations, ordinances, Voluntary Clean Up or Risk Based Corrective Action Standards, and judicial or administrative orders and directives and all amendments thereto that apply to the insured's liability or responsibility for contamination.

O. Loss means monetary awards or settlements, previously agreed to in writing by us, of compensatory damages and, where allowable by law, punitive, exemplary, or multiplied damages, civil fines, penalties and assessments for bodily injury or property damage; together with related defense expense to which this policy applies. Loss does not include any non-pecuniary or injunctive relief, the return or withholding of fees or charges for services rendered by or on behalf of the insured, costs to correct, re-perform or complete any work, or any insured's or additional insured's overhead, profit or mark up.
P. **Low level radioactive waste and materials** means: (i) waste as defined in 10 CFR § 61.2; and/or (ii) material regulated by the U.S. Nuclear Regulatory Commission or an Agreement State under a Type A, B or C Specific License of Broad Scope as defined in 10 CFR § 33.11.

Q. **Mold** means mold, mildew or any type or form of fungus including mycotoxins, spores, microbial volatile organic compounds or any other by-products produced by or released by fungi.

R. **Named insured** means the individual or entity shown in ITEM 1. in the Declarations and responsible for acting on behalf of all other insureds, if any, under this policy as described in Section X. GENERAL CONDITIONS, L. Sole Agent.

S. **Natural resource damage** means physical injury to or destruction of, including the resulting loss of value of and assessment of such physical injury to or destruction of: land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other such resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the United States (including the resources of the fishery conservation zone established by the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. §1801a et seq.), any state or local government, any foreign government, any Indian tribe, or, if such resources are subject to a trust restriction on alienation, any member of an Indian tribe.

T. **Policy period** means the period shown in ITEM 4. in the Declarations, or any shorter period arising as a result of:

1. Cancellation of this policy; or
2. With respect to any of your insured location(s), the deletion of any such location(s) from this policy by us at your written request.

U. **Property damage** means:

1. Physical injury to or destruction of tangible property of parties other than the insured including the resulting loss of use and diminution in value thereof;
2. Loss of use, and diminution in value of tangible property of parties other than the insured that has not been physically injured or destroyed; and
3. Natural resource damage.

Property damage does not include remediation expense.

V. **Remediation expense** means:

1. Reasonable and necessary expenses, incurred for investigation, removal, abatement, disposal, treatment, clean-up or neutralization, including associated monitoring, of contaminants:
   a. To the extent required by law or, in the absence of applicable law, to the extent recommended by an environmental professional taking into account the applicable zoning, land use, geographic conditions, risk or health based
standards, regulatory guidance and use restrictions, if any, of the location where the contamination occurred; or

b. That have been actually incurred by any government department or agency in accordance with applicable law;

2. Monetary awards or settlements, previously agreed to in writing by us, of compensatory damages that the insured is legally obligated to pay for investigation, removal, abatement, disposal, treatment, clean-up or neutralization, including associated monitoring, of contaminants;

3. Where allowable by law, punitive, exemplary, or multiplied damages, civil fines, penalties and assessments for contamination to which this policy applies;

4. Restoration expense and emergency expense; and

5. Related defense expense to which this policy applies.

However, remediation expense does not include property damage, or any non-pecuniary or injunctive relief, the return or withholding of fees or charges for services rendered by or on behalf of the insured, costs to correct, re-perform or complete any work, or any insured's or additional insured's overhead, profit or mark up.

W. Responsible individual means:

1. Any officer, director, partner or project manager of the insured; or

2. The manager or supervisor of the insured who is responsible for environmental or health and safety affairs or compliance; or

3. Any manager or supervisor of the insured who is responsible for risk management, loss control, procurement or maintenance of insurance, or the tendering or reporting of losses or liabilities to insurers or other third-parties; or

4. Any manager of your covered location or operations.

X. Restoration expense means reasonable and necessary costs incurred to repair, replace or restore real or personal property to substantially the same general condition it was in prior to being physically damaged, provided that:

1. Such real or personal property is not owned by an insured; and

2. Such physical damage was directly caused by work performed in responding to contamination to which this insurance applies.

However, restoration expense does not include any costs associated with betterments or improvements to, or depreciation of, such real or personal property.

Y. Underground storage tank means any tank (including underground pipes connected thereto) that has at least ten percent (10%) of its volume below ground and includes any ancillary and connected pumps, sumps and equipment.
Z. **Voluntary Clean Up or Risk Based Corrective Action Standards** means those minimum standards adopted by the federal, state, provincial or local regulatory agency (the “Regulatory Authority”) having jurisdiction over the contamination and applied in consideration of the applicable zoning, land use, geographic conditions, and use restrictions, if any, of the location where the contamination occurred for purposes of obtaining a no further action letter, closure or similar approval from the Regulatory Authority.

AA. **Your insured location** means any property or location approved by us and shown in ITEM 3. in the Declarations or in Your Insured Location Schedule endorsed to this policy.

III. **LIMITS OF INSURANCE AND DEDUCTIBLE**

The Limits of Insurance shown in ITEMS 5. and 6. in the Declarations and the deductible shown in ITEM 7. and the rules below fix the most we will pay regardless of the number of your insured locations, insureds, contamination incidents, claims or claimants:

A. The Total Policy Aggregate Limit shown in ITEM 6. in the Declarations is the most we will pay for the sum of all loss, remediation expense or other coverage afforded under this policy.

B. Subject to the Total Policy Aggregate Limit, the most we will pay for the sum of all loss, remediation expense or other coverage afforded under this policy, arising from any single contamination incident under any one Insuring Agreement or endorsement is the applicable Limit of Insurance shown in ITEM 5. in the Declarations, or in the applicable endorsement for such Insuring Agreement. If no Limit of Insurance is shown for a particular Insuring Agreement in the Declarations, then no coverage is provided under that particular Insuring Agreement.

C. The same, related, similar or continuous contamination shall be deemed to be a single contamination incident.

D. Two or more claims arising out of or resulting from the same, related, similar or continuous contamination will be deemed to: (i) be a single claim; (ii) have been first made at the time the first such claim was made; and (iii) be subject to only one Limit of Insurance shown in ITEM 5. in the Declarations or applicable endorsement subject to Paragraph III. E., below if applicable. The same, related, similar or continuous contamination is contamination that is based upon, arises out of, or is the result of the same, similar or related facts, circumstances, or situations.

E. If we or an arbitration panel determine that more than one Insuring Agreement applies to any single claim, the following conditions will apply:

1. Only one Limit of Insurance shown in ITEM 5. in the Declarations or applicable endorsement, together with the corresponding deductible, will apply to such claim.

2. If one of the applicable Limits of Insurance shown in ITEM 5. in the Declarations or applicable endorsement exceed the amount of any of the other applicable Limits of Insurance, then only the highest such Limit of Insurance and corresponding deductible will apply to such contamination incident.

3. In no event will more than one Limit of Insurance shown in ITEM 5. in the Declarations, or applicable endorsement, apply to any single claim or contamination incident.
F. We will not pay for loss, remediation expense, defense expense or other coverage afforded under this policy unless the amount of loss, remediation expense, defense expense or other coverage afforded under this policy exceeds the applicable Deductible. In the event that we advance any portion of the Deductible, the insured must reimburse us for those amounts promptly and as soon as possible.

G. If we or an affiliated company have issued multiple Premises Environmental Coverage policies or policies providing coverage similar thereto to you, in no event will more than one such policy apply to any loss, remediation expense or defense expense that arises out of the same, related, similar or continuous contamination. In that event, only the policy in effect when the claim arising from such loss, remediation expense or defense expense is first made against you and reported to us, or when the insured discovers such contamination and reports it to us, as applicable, shall apply.

IV. EXCLUSIONS

This policy does not apply to claims, loss, remediation expense, defense expense or any other coverage afforded under this policy:

A. Asbestos/Lead Paint - Based upon or arising out of asbestos, asbestos-containing materials or products, or lead-based paint, any of which are or were present in or on any building or structure of any type, including any improvements or fixtures thereto. However, this exclusion does not apply to a claim for remediation expense incurred solely with respect to soil or groundwater on, under, or at your insured location provided that prior to the inception date, no responsible individual knew or reasonably should have known about the presence of such materials or products.

B. Bankruptcy - Based upon or arising out of bankruptcy or insolvency of an insured or of any other individual, firm or organization.

C. Communicable Diseases – Based upon or arising out of exposure to communicable diseases whether or not as a result of exposure to individuals or animals. However, this exclusion does not apply to exposure to medical waste.

D. Contractual Liability – Based upon or arising out of liability of others assumed by the insured under any contract or agreement, unless the insured would have been liable in the absence of such contract or agreement. This exclusion does not apply to any contract submitted to and approved by us and listed in an Insured Contract Schedule that is made a part of this policy by endorsement but only to the extent that this insurance applies to such liability assumed by the insured.

E. Criminal Fines and Penalties – Based upon or arising out of any criminal fines, penalties or assessments.

F. Damage to Insured’s Property – Based upon or arising out of physical injury to or destruction of tangible property, including the resulting loss of use and diminution in value, to any property owned, leased, rented by or loaned to an insured including property in the insured's care, custody and control. This exclusion applies solely with respect to claims for property damage.

G. Divested Property Limitation – Based upon or arising out of contamination that first commences after your insured location has been divested, sold, abandoned, given away, taken by eminent domain or condemned, or after operational control or management of your insured location has been transferred to an entity that is not an insured.
H. Employer Liability – Based upon or arising out of bodily injury to any employee, partner or member of any insured, or by anyone who has a right to make a claim against any insured because of any employment, blood, marital or any other relationship with such employee, partner or member. This exclusion applies:

1. Whether the insured may be responsible as an employer or in any other capacity; or

2. To any obligation to share damages with or repay someone else who must pay damages because of claims.

I. Hostile Acts – Based upon or arising out of any consequence, whether direct or indirect, of war, invasion, act of a foreign enemy, hostilities whether declared or not, civil war, rebellion, revolution, insurrection, military or usurped power, or any covert military action.

J. Insurance and Suretyship - Based upon or arising out of the requiring, obtaining, procuring, purchasing, maintaining, advising as to, or the failure to require, obtain, procure, purchase, maintain or advise as to any form of insurance, suretyship or bond, either with respect to any insured or any other individual or organization.

K. Insured’s Costs of Goods or Services – Arising out of your own costs, charges or expenses for goods or services provided by an insured including a parent or affiliate of such insured, unless such costs, charges or expenses are:

1. Emergency expense; or

2. Such costs are approved, in our sole discretion, by us.

L. Insured versus insured – Based upon or arising out of a claim by any insured against any other insured under this policy.

M. Material Change – Based upon or arising out of any material change in the use or operations at your insured location from the use or operations described by you in the application or information submitted to us in connection with the application for this policy.

N. Non-Disclosed Known Contamination – Based upon or arising out of any contamination, including any subsequent dispersal, movement or migration of such contamination, that was in existence prior to the applicable inception date if any responsible individual knew of or reasonably should have known about the existence of the contamination, but prior to the date we issued a binder of insurance for this policy, such responsible individual did not disclose such contamination to us in writing in the application or related materials for this policy or any previous policy for which this policy is a renewal thereof. For purposes of this exclusion, known contamination that is disclosed to us subsequent to the date of binding but prior to date we issue the policy to you is deemed to be Non-Disclosed Known Contamination.

With respect to contamination expressly disclosed to us and listed in a Schedule of Disclosed Known Contamination made a part of this policy, and not otherwise excluded under this policy we will deem the date that the insured discovers such contamination as the inception date.

O. Nuclear Liability – Based upon or arising out of radioactive, toxic, or explosive properties of Source Materials, Special Nuclear Material or By-Product Material, as defined in the Atomic Energy Act, and for which the United States Department of Energy or any other governmental
authority or agency has indemnified the insured, or for which the Price Anderson Act provides protection for the insured.

P. Prior Claims - Based upon or arising from claims, loss, remediation expense, defense expense or other circumstances reported by you or required to be reported by you under any policy that was in effect prior to the inception date.

Q. Personal Injury - Based upon or arising out of the false arrest, humiliation, harassment, detention, imprisonment, wrongful entry or eviction or other invasion of private occupancy, malicious prosecution, abuse of process, libel, slander, or other defamatory or disparaging material, or a publication or an utterance in violation of an individual's right of privacy.

S. Product Liability – Based upon or arising out of goods or products manufactured, sold, handled or distributed by the insured or others trading under the insured's name, after possession of such goods or products has been relinquished by the insured or others trading under their name.

T. Process Improvements – Based upon or arising out of any costs or expenses incurred to install, upgrade, modify or improve any processes, operations, equipment, machinery, or real or personal property at your insured location, however, this exclusion will not apply to any loss or remediation expense that is directly caused by such installation, upgrade, modification or improvement activities at your insured location.

U. Underground Storage Tank – Based upon or arising out of contamination resulting directly or indirectly from an underground storage tank which is known by or which reasonably should have been known by a responsible individual and located on your insured location, unless such underground storage tank is scheduled on the policy by endorsement.

This exclusion does not apply to any underground storage tank that is:

1. A process or septic tank located partially in the ground; or

2. Located on or above the floor of structures built below the ground surface such as vaults or subsurface floors of buildings;

3. Prior to the inception date, deemed closed or removed by the regulatory body having jurisdiction over the underground storage tank and where such regulatory body has made a determination that no further action or remediation for such underground storage tank is required in accordance with applicable law.

V. Vehicles - Based upon or arising out of the ownership, use, maintenance or operation of an automobile, aircraft, or watercraft. This exclusion shall not apply to: (i) the ownership, use, maintenance or operation of an automobile, aircraft, or watercraft at your insured location; or (ii) to the extent of coverage afforded under any contingent transportation endorsement made part of this policy.

W. Willful Non-Compliance and Dishonest Acts – Based upon or arising out of any contamination based upon or attributable to:

1. A responsible individual's intentional, willful or deliberate noncompliance with or intentional disregard of any statute, regulation, ordinance, administrative complaint, notice of violation, notice letter, executive order, or instruction of any governmental agency or body; or
2. Actual or alleged fraudulent, dishonest, knowingly wrongful or malicious conduct by or at the direction of the **responsible individual**.

X. Workers Compensation - Based upon or arising out of:

The Merchant Marine Act of 1920 (Jones Act) or any workers compensation, unemployment compensation, disability, employee benefits, profit sharing, ERISA law or similar or related laws; or

Y. Employment Practices - Based upon or arising out of:

Any type of employment relationship, terms of conditions of employment, or law relating to the employment of any person, including but not limited to: (i) termination of employment; (ii) refusal to employ; or (iii) any employment-related practices, policies, procedures, acts or omissions.

Z. Waste Disposal, Transfer, Treatment or Recycling Facility - Based upon or arising out of any contaminants, wastes, products or materials that have been delivered to a location beyond the legal boundaries of your insured location. This exclusion will not apply to any location or site that is shown in any schedule of **non-owned** locations that is made part of this policy through endorsement.

V. Policy Territory

This policy is applicable only in the United States, its territories or possessions or Canada, but only if your responsibility is determined in:

A. A proceeding on the merits conducted in the United States or its territories or possessions; or

B. A settlement agreed to by us.

All premiums, limits, deductibles, **loss** and other amounts under this policy are expressed and payable in the currency of the United States of America. If judgment is rendered, settlement is denominated or another element of **loss** under this policy is stated in a currency other than United States dollars, payment under this policy shall be made in United States dollars at the rate of exchange published in *The Wall Street Journal* on the date the final judgment is reached, the amount of the settlement is agreed upon, or the other element of **loss** is due, respectively.

This policy shall not apply in any situation that would be in violation of the laws of the United States of America or Canada, as applicable, including but not limited to, United States of America economic or trade sanction laws or export controls laws administered by the United States Treasury's Office of Foreign Assets Control.

VI. Defense and Settlement

A. We shall have the right and duty to defend any **insured** against any **claim** to which this insurance applies, even if such **claim** is groundless, false or fraudulent. For any **claim** we defend or for any **loss** or **remediation expense** to which this insurance applies, we will pay **defense expense** in excess of the deductible: (i) for the investigation or defense of such **claim**; or (ii) incurred in connection with the payment of such **loss** or **remediation expense**, as applicable. **Defense expense** is included within and will erode the Limits of Insurance and is included within the Deductible shown in **ITEM 7**. in the Declarations, or

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applicable endorsement. Our duty to defend and to pay defense expense ends once the applicable Limit of Insurance is exhausted or tendered into a court of valid jurisdiction or once the insured refuses a settlement offer as provided in Paragraph IV. D. below. We shall have no duty to defend any claim, or to pay defense expense for any loss or remediation expense, to which this insurance does not apply.

B. We shall have the right to select counsel for the investigation, adjustment and defense of claims to which this insurance applies. The insured shall have the right to propose such counsel and we will consult with the insured on the selection. If more than one insured is involved in a claim to which this insurance applies, we may, in our sole discretion, appoint separate counsel for one or more of such insureds if there is a material (actual or potential) conflict of interest among any such insureds.

C. In the event that by mutual agreement or by applicable law the insured is entitled to select independent counsel to defend a claim to which this insurance applies, the defense expense we must pay to such counsel is limited to the rates we would actually pay to counsel that we retain in the ordinary course of business in the defense of similar claims in the venue where the claim arose or is being defended. We have the right to require that such counsel have certain minimum qualifications with respect to competency, including experience in defending claims similar to the one pending against the insured, and to require that such counsel have acceptable limits of errors and omissions insurance coverage. The insured agrees that such counsel will timely respond to our requests for information regarding any claim. Notwithstanding the foregoing, the insured may at any time, by its written consent, freely and fully waive any right to select independent counsel.

D. We reserve the right, but not the duty, to at any time, with the insured's consent, settle any claim to which this insurance applies as we deem expedient. If with respect to any claim to which this insurance applies, the insured refuses to consent to the first settlement acceptable to the claimant which we recommend to the insured in writing, and elects to further contest the claim, then our total liability for such claim shall not exceed the amount for which such claim could have been settled, including defense expense incurred, up to the date of such refusal, plus fifty percent (50%) of covered loss, remediation expense or other coverage afforded under this policy in excess of such first settlement amount. It being a condition precedent of this insurance that the remaining fifty percent (50%) of such loss, remediation expense or other coverage afforded under this policy in excess of the first settlement amount in uninsured and shall be borne by the insured at the insured's own risk. Notwithstanding the foregoing, this paragraph shall not apply until the settlement amount exceeds the deductible amount shown in ITEM 7. in the Declarations or applicable endorsement.

In addition, if we recommend a first settlement of a claim to which this insurance applies within the policy's applicable Limit of Insurance that is acceptable to the claimant, and the insured consents to such settlement, then the insured's applicable deductible for such claim shall be retroactively reduced by ten percent (10%). It shall be a condition precedent to such reduction that you must consent to the first settlement amount within thirty (30) days after the date we recommend to the insured such first settlement amount, or in the case of a first settlement amount which arises from a first settlement offer by the claimant, then within the time permitted by the claimant to accept such first settlement offer, but in all events no later than thirty (30) days after we recommend to the insured such first settlement offer. If the insured does not consent to the first settlement within the time prescribed above, the applicable deductible amount shall remain the respective amount shown in ITEM 7. in the Declarations or applicable endorsement, even if consent is given to a subsequent settlement.
VII. Notice and Claim Reporting Provisions

A. Notice as required under this policy must be given by you, or on your behalf:

1. In writing to us at:

   One Bala Plaza, Suite 100
   Bala Cynwyd, PA 19004 – 0950
   ATTN: Claims – Environmental

2. By fax at: 1 (800) 685-9238; or

3. By telephone at: 1 (800) 765-9749.

4. By email at: claimsreport@phly.com

As a condition precedent to our obligations under this policy, the insured shall give written notice to us as soon as practicable during the policy period or extended reporting period, if applicable, of any claim made against the insured for loss, remediation expense or other coverage afforded under the policy. Oral notification must be followed with a written notice to us as soon as practicable during the policy period or extended reporting period, if applicable.

B. If during the policy period, the insured first becomes aware of any contamination or incurs emergency expense which could reasonably be expected to give rise to a claim, remediation expense, loss or other coverage under this policy, the insured must give written notice to us regarding all particulars of such incident. Notice must be provided to us as soon as practicable after the insured discovers such contamination, or incurs such emergency expense, but in no event later than the expiration of the policy period. Oral notification must be followed with a written notice to us as soon as practicable, but in no event later than the expiration of the policy period. Such notice of any contamination or emergency expense must include:

   1. The particulars of the specific contamination or emergency expense;
   2. The circumstances by which the insured first became aware of such contamination or emergency expense; and
   3. The claim, loss, remediation expense or other coverage afforded under this policy which has or may result from such contamination or emergency expense.

C. In the event that the named insured continuously maintains Premises Environmental Coverage with the Company and in the event we determine that the insured has fully complied with the notice provision set forth in Paragraph VII. B., then for a period not to exceed five (5) years from the expiration of this policy, any claim, remediation expense, loss or other coverage afforded under this policy that subsequently arises out of such contamination will be considered to have been first made under the policy in effect at the time the insured discovers such contamination.

VIII. Duties in the Event of a Claim or Remediation Expense or Discovery of Contamination

A. The Insured’s Duties
As a condition precedent to our obligations under this policy, in the event of a claim, loss, remediation expense, other coverage afforded under this policy or the discovery of contamination and pursuant to VII. Notice and Claim Reporting Provisions above, the insured must:

1. Give notice containing particulars sufficient to identify the insured, time, place and underlying circumstances to us;

2. Immediately forward to us every demand, notice, summons, or other process received by the insured or the insured’s representatives;

3. Take reasonable measures to protect your interests. We will not be liable for loss or remediation expense, defense expense, or any other coverage afforded under this policy admitted by the insured without our prior written consent;

4. Admit no liability, make no payments, assume no obligation and incur no expense without our prior written consent, except in the case of emergency expense;

5. Fully cooperate with us and, upon our request, assist in investigations, making settlements and in the conduct and defense of claims. The insured shall, at the insured’s cost, attend inquiries, interviews, hearings, trials and depositions and shall assist in securing and giving evidence and in obtaining the attendance of witnesses and employees; and

6. Not demand or agree to arbitration of any claim or any part of your responsibilities for remediation expense, loss, or other coverage afforded or contamination without our prior written consent. Such consent shall not be unreasonably withheld.

B. Rights and Duties Concerning Contamination

1. The insured shall have the right and duty to retain an environmental professional, subject to our consent, to associate with the insured's investigation or remediation of contamination covered by this insurance after the insured discovers and notifies us of the existence of such contamination. We have the right, but not the duty, to review and approve all aspects of any such investigation or remediation.

2. In the event of emergency expense, the insured may select an environmental professional without our prior consent. Except for emergency expense, any costs incurred without our consent will not be covered under this policy or credited against the Deductible. As a condition precedent for coverage of emergency expense under this policy, the insured must notify us as soon as practicable, but in no event after expiration of the policy period, of such emergency expense.

a. In the event that the insured, subject to our prior consent, retains a remediation contractor to investigate and remediate contamination to which this policy applies, the remediation expense we must pay to such remediation contractor is limited to the unit rates and material costs we would actually pay to remediation contractors that we retain in the ordinary course of business in the investigation or remediation of similar contamination in the location where the contamination took place. We have the right to require that such remediation contractors have certain minimum qualifications with respect to competency, including experience in investigation and remediation contamination similar to the contamination at issue, and to require that such remediation contractors have acceptable limits of errors and omissions insurance coverage. The insured

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warrants that such remediation contractors will timely respond to our requests for information regarding any contamination.

b. In the event that the insured, subject to our prior consent, directly undertakes the investigation and remediation of contamination to which this policy applies, the remediation expense we must pay to such insured is limited to the unit rates and material costs we would actually pay to remediation contractors that we retain in the ordinary course of business in the investigation or remediation of similar contamination in the location where the contamination took place, but in no event will we be obligated to pay the insured for any element of overhead or profit with respect to any remediation expense it incurs under this subparagraph.

3. In addition, we shall retain the right but not the duty to investigate or remediate contamination on behalf of the insured after receipt of notice of such contamination. Any expenses incurred in such investigation or remediation shall be deemed to be incurred by the insured and applied against the Limits of Insurance and credited against the Deductible.

IX. Extended Reporting Provisions

A. Automatic Extended Reporting Period

1. If you cancel or refuse to renew this policy or, if we cancel or refuse to renew this policy for reasons other than non-payment of premium or fraud or material misrepresentation on your part, we will provide to you a ninety (90) day automatic extended reporting period, at no additional charge.

2. The automatic extended reporting period will apply to any claim first made against you and reported to us in writing during the ninety (90) day extension period, but only with respect to:

a. Contamination that the named insured discovers during the policy period and reports to us in writing during the policy period; or

b. Solely with respect to contamination that the named insured discovers within twenty-four (24) hours prior to the termination of the policy and reports to us in writing during the five (5) days immediately following the termination of the policy;

Provided that such contamination is otherwise covered by this policy.

3. If you purchase replacement coverage for this policy or a supplemental extended reporting period under B. below, the ninety (90) day automatic extension period will end on the effective date of the replacement coverage or on the effective date of the supplemental extended reporting period, whichever is earliest.

B. Supplemental Extended Reporting Period

1. If you cancel or refuse to renew this policy or, if we cancel or refuse to renew this policy for reasons other than non-payment of premium or fraud or material misrepresentation on your part, you shall have the right to purchase a supplemental extended reporting period of three (3) years for a premium of not more than two hundred and fifty percent (250%) of the expiring policy premium.
2. The supplemental extended reporting period will apply to any claim first made against you and reported to us in writing during the supplemental extended reporting period but only with respect to:

   a. Contamination that the named insured discovers during the policy period and reports to us in writing during the policy period; or

   b. Solely with respect to contamination that the named insured discovers within twenty-four (24) hours prior to the termination of the policy and reports to us in writing during the five (5) days immediately following the termination of the policy;

Provided that such contamination is otherwise covered by this policy.

3. You must apply for this extension in writing, accompanied by payment of premium, prior to the expiration of the ninety (90) day automatic extended reporting period under paragraph A. of Section IX., above.

C. Extended Reporting Periods

   The extended reporting periods are subject to the following conditions, as applicable:

   1. All premium paid with respect to a supplemental extended reporting period shall be deemed to be fully earned as of the first day of the extension period.

   2. The supplemental extended reporting period described herein shall commence upon the day that the automatic extended reporting period terminates.

   3. For the purpose of any extended reporting period, any change in premium, deductible, Limits of Insurance or other terms or conditions at renewal is not a refusal to renew.

   4. Limits of Insurance available during any extended reporting period shall not exceed the balance of the Limits of Insurance in effect at the time the policy terminated.

   5. In the event similar insurance is in force covering any claims first made during the automatic extended reporting period, there is no coverage under this policy.

   6. In the event similar insurance is in force covering any claims first made during the supplemental extended reporting period, coverage provided by this policy shall be excess over any such other insurance, including any applicable deductible or self-insured retention amounts of such other insurance. For purposes of this provision, other insurance includes all types of self-insurance, indemnification or other funding arrangement or program that is available to compensate an insured for liability.

   7. Any extended reporting period does not extend the policy period. Any claim first made against you during an extended reporting period will be deemed to have been first made during the last day of the policy period.

X. General Conditions

   A. Subrogation

   If we pay any amount under this policy, we shall be subrogated to the insured's rights of recovery against any individual, firm or organization. The insured shall execute and deliver instruments and papers and do whatever is necessary to secure such rights. The
insured shall not waive or prejudice such rights subsequent to when a claim is first made or when the insured discovers contamination.

Any recovery as a result of a subrogation proceeding arising out of payment of a loss or remediation expense covered under this insurance shall accrue first to you to the extent of any payments in excess of the Limits of Insurance; then to us to the extent of our payment under the policy; and then to you to the extent of your deductible. Expenses incurred in such subrogation proceedings will be apportioned among the interested parties in the recovery, in the proportion that each interested party’s share in the recovery bears to the total recovery.

Notwithstanding the foregoing, we hereby waive our right of subrogation against your client where required by written contract provided that such contract is fully executed prior to the first commencement of contamination to which this insurance applies.

B. Changes

Notwithstanding anything to the contrary, no provision of this policy may be amended, waived or otherwise changed except by endorsement issued by us to form part of this policy.

C. Action Against Us

No person or organization has a right under this insurance:

1. To join us as a party or otherwise bring us into a claim; or
2. To sue us under this insurance unless all of its terms have been fully complied with.

A person or organization may sue us to recover on a fully executed settlement agreement or on a final judgment against the insured obtained after an actual trial; but we will not be liable for loss, remediation expense, or defense expense that is not payable under the terms of this insurance or that is in excess of the applicable Limits of Insurance.

D. Bankruptcy

Your bankruptcy or insolvency, or that of your successors in interest, shall not relieve us of our obligations under this policy.

E. Cancellation or Non-Renewal

You may cancel this policy by surrendering it to us or to one of our authorized agents or by mailing written notice to us and providing to us a future date when cancellation shall be effective. If you cancel this policy, we shall retain the customary short-rate portion of the premium less the minimum earned premium, if applicable.

We may cancel the policy by mailing to you at the address stated in the Declarations written notice stating when, not less than ninety (90) days thereafter; or ten (10) days in the case of cancellation for non-payment of premium or deductible, such cancellation shall become effective. If we cancel the policy, earned premium shall be computed pro-rata. The mailing of Notice of Cancellation as aforementioned shall be sufficient proof of notice of cancellation. The effective date of cancellation specified in the notice shall terminate this policy period.
This policy may only be cancelled by us for:

1. Non-payment of premium or deductible;

2. Fraud or material misrepresentation by you; or

3. Your failure to comply with terms and conditions or your contractual obligations under this policy. You shall have a right of sixty (60) days from the date of notice of cancellation to remedy such non-compliance. If the remedy is satisfactory to us, we shall rescind such notice in writing and the policy shall remain in force. Notwithstanding the foregoing, if the policy is cancelled due to non-payment of premium, at the Company’s option, upon receipt of all outstanding premium payments, the policy may be reinstated, but only from the date we receive such outstanding premium payments.

F. Assignment

Assignment of interest under this policy shall not bind us and such assignment is void unless our consent is endorsed hereon.

G. Authorization Clause

By acceptance of this policy, you agree that:

1. The statements in the Declarations, your application, and any other supplemental information thereto are complete and accurate;

2. The statements in your application and any other supplementary information thereto are your representations and that those representations are material;

3. This policy is issued in reliance upon the truth and accuracy of such agreements and representations, and

4. The statements in your application and any other supplemental information thereto are incorporated into this policy. This policy embodies all existing agreements between you and us relating to this insurance.

H. Other Insurance

If other valid and collectible insurance is available to the insured for coverage granted under this policy, our obligations are limited as follows:

1. This insurance is primary, and our obligations are not affected unless any other insurance is also primary. In that case, we will share with all such other insurance by the method described in paragraph 2. below, or this insurance will be primary and non-contributory when Paragraph 3. below applies;

2. If all of the other insurance permits contribution by equal shares, we will also follow this method. In this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first. If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. In contribution by limits, each insurer’s share is based upon
the ratio of its applicable limit of insurance bears to the total applicable limits of insurance of all insurers;

3. This insurance is primary and non-contributory with other valid and collectible insurance, but only if: (i) the named insured has a written contract or agreement requiring this insurance to be primary and non-contributory; and (ii) such contract or agreement was executed prior to the date that any individual or entity discovered the contamination.

For purposes of this provision, other insurance includes all types of self-insurance, indemnification or other funding arrangement or program that is available to compensate an insured for liability.

I. Headings

The descriptions in the headings of this policy are solely for convenience, and form no part of the terms and conditions of coverage.

J. Consent

Where consent by us or an insured is required under this policy, such consent shall not be unreasonably withheld, delayed, conditioned or denied.

K. Access and Inspection

In connection with underwriting of this insurance or with our defense or adjustment of any claim, loss, remediation expense or any other coverage afforded under this policy, we shall be allowed, but not obligated to, conduct inspections, surveys, audits or reviews of your location, operations or other information deemed pertinent by us. Such inspections, surveys, audits or reviews could involve the taking of samples, interviewing of employees, physical access to locations or access to materials or information concerning your operations, structure or financials of your company.

The insured agrees to cooperate with us, and provide us with access to locations, information, and employees for such inspections, surveys, audits, or reviews, whether or not you deem such location or information relevant to the underwriting of this insurance, or with our defense or adjustment of any claim, loss, remediation expense or any other coverage afforded under this policy.

Neither our right to conduct such inspections, surveys, audits or reviews nor the results or conclusions of such actual inspections, surveys, audits or reviews shall warrant, in any way, that the operations or location are safe, healthful or compliant with or conform to applicable laws, standards or accepted practices. This condition applies to any agents or representatives that we allow to conduct such inspections, surveys, audits or reviews on our behalf.

L. Sole Agent

You shall act on behalf of all other insureds, if any, for the payment or return of any premium, payment of any deductible, receipt and acceptance of any endorsement issued by us to form a part of the policy, giving and receiving notice of cancellation or non-renewal, and the exercise of the rights provided in the extended reporting period.
M. Severability

Except with respect to Limits of Insurance, Deductible, Exclusion L. - Insured verses Insured, Cancellation or Non-Renewal and any rights and duties assigned in this policy to you, this insurance applies as if each insured were the only insured and separately to each insured against to whom a claim is made. Any misrepresentation, act, or omission that is in violation of a term, duty or condition under this policy by one insured shall not prejudice another insured under this policy. This condition shall not apply to an insured who is a parent, subsidiary or affiliate of the insured which committed the misrepresentation, act, or omission referenced above.

N. Shared Limits

You and all other insureds understand, agree and acknowledge that this policy contains an Aggregate Limit that is applicable to and shared by all insureds that are or may become an insured. As such all insureds understand and agree that the limits of this policy may be depleted or exhausted by payments made on behalf of other insureds.

O. Arbitration

Any dispute, disagreement or controversy arising out of the formation, interpretation, alleged breach, termination, or invalidity of this policy, or as to any other issue regarding the respective duties and responsibilities of us or any insured regarding this policy, shall be resolved through binding arbitration. Except with respect to the selection of the arbitration panel, the arbitration will be conducted in accordance with the rules of the American Arbitration Association ("AAA") that are in effect as of the date a party first provides notice of its demand for arbitration to the other party in accordance with the policy's notice provisions. The panel will consist of one arbitrator selected by the insured; one selected by us; and a third independent arbitrator will be selected by the first two arbitrators. If the first two arbitrators cannot agree on the selection of a third independent arbitrator within thirty (30) days of such notice, the third arbitrator will be selected by the AAA.

The arbitration proceeding will take place in the state shown in ITEM 2. in the Declarations or in the domicile of the entity seeking relief from us or from whom we are seeking relief. The arbitrators must give due consideration to the general principles of the law of the state shown in ITEM 2. in the Declarations in construing and interpreting this policy, provided however, that the terms, conditions, provisions and exclusions of this policy are to be construed in an evenhanded fashion as between the parties. Where the language of this policy is alleged to be ambiguous or otherwise unclear, the issue will be resolved in the manner most consistent with the relevant terms, conditions, provision or exclusions of the policy (without regard to the authorship of the language, the doctrine of reasonable expectations of the parties and without any presumption or arbitrary interpretation or construction in favor of either party or parties, and in accordance with the intent of the parties).

The written decision of the arbitrators (the "Underlying Award") will be binding on all parties, must set forth its reasoning and basis in law and fact, and must be provided to all parties simultaneously. The arbitrators’ award shall not include attorney fees or other costs of arbitration. Judgment on the award may be entered in any court of competent jurisdiction. Each party shall bear the costs and expenses of arbitration equally.

Notwithstanding any language to the contrary, the parties hereby agree that: the Underlying Award may be appealed pursuant to the AAA's Optional Appellate Arbitration

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Rules ("Appellate Rules"); and that the Underlying Award shall not be considered final until after the time for filing the notice of appeal pursuant to the Appellate Rules has expired. Appeals must be initiated within thirty (30) days of a party’s receipt of an Underlying Award, as defined by Rule A-3 of the Appellate Rules, by filing a Notice of Appeal with any AAA office and simultaneously serving such Notice on the other party. Following the appeal process the decision rendered by the appeal tribunal may be entered in any court having jurisdiction thereof.

IN WITNESS WHEREOF, WE HAVE CAUSED THIS POLICY TO BE SIGNED BY OUR PRESIDENT AND SECRETARY. THIS POLICY SHALL NOT BE VALID UNLESS SIGNED ON THE DECLARATIONS PAGE BY OUR DULY AUTHORIZED REPRESENTATIVE.