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SECTION 1 - FINANCIAL INSTITUTIONS BOND

INDEMNITY

The Insurer will indemnify the Insured in respect of a direct financial loss sustained by the Insured:-

1.1 EMPLOYEE DISHONESTY

by reason of and solely and directly caused by dishonest or fraudulent acts of any Employee, wherever committed and whether committed alone or in collusion with others, which acts have been committed by said Employee with the intention either to cause the Insured to sustain such loss or to obtain an improper personal financial gain to said Employee.

SPECIAL CONDITIONS

1. Notwithstanding the foregoing, it is agreed that concerning loans or trading this Sub-Section covers only such direct financial loss that results from dishonest or fraudulent acts committed by an Employee whereby an improper personal financial gain is obtained by such Employee.
2. Salary, fees, commissions, bonuses, salary increases, promotions, profit sharing and other emoluments or benefits including business entertainment do not constitute improper personal financial gain.

1.2 PREMISES

by reason of

- a) Property within the Premises being lost through:
 - i) Theft committed by persons present on the Premises; or
 - ii) a mysterious unexplainable disappearance; or
 - iii) being damaged, destroyed or misplaced;while such Property is within the Premises; or
- b) Property in the possession of any customer of the Insured, or of any representative of such customer, being lost through Theft while such customer or representative is within the Premises of the Insured, subject always to Specific Condition 5, but excluding in any event loss caused by such customer or representative of such customer.

1.3 TRANSIT

by reason of:

- a) Property being lost or damaged from any cause while in transit anywhere in the custody of any Employee or while in transit anywhere in the custody of any Security Company during the transporting of said Property in an armoured motor vehicle on behalf of the Insured, or
- b) any non-negotiable instruments being lost or damaged from any cause while in transit anywhere in the custody of any Security Company.

SPECIAL CONDITION

Transit shall be deemed to commence from the time the transporting person receives such items from or on behalf of the Insured and shall be deemed to end immediately upon delivery to the designated recipient or its agent.

1.4 FORGED CHEQUES

by reason of:

- a) the Forged Signature on or Fraudulent Alteration of any Cheques, Bills of Exchange, Bankers Drafts, Bankers Acceptances or Certificates of Deposit issued by the Insured; or
- b) the Forged Signature on or Fraudulent Alteration of any Withdrawal Receipts or Promissory Notes payable at and paid by the Insured.

SPECIAL CONDITION

The foregoing instruments must be in written characters and of a nature with which the Employee acting thereupon is conversant. The Insured must have relied upon the Forged Signature or the Fraudulent Alteration either of which shall have been material and shall have caused the loss.

1.5 FORGED SECURITIES

by reason of the Insured having in good faith and in the ordinary course of business acted upon Securities or Similar Written Instruments that:

- i) bear a Forged Signature; or
- ii) bear a Fraudulent Alteration; or
- iii) are Counterfeit; or
- iv) are lost or stolen.

SPECIAL CONDITIONS

1. Actual physical possession of Securities or Similar Written Instruments by the Insured or, with respect to Loans in which the Insured participates, by the Insured's correspondent bank, at the time the Insured acts upon said items is a condition precedent to recovery under this Sub-Section. Concerning Loans, such physical possession must be continuous, up to and including the time that any loss by reason of such Securities or Similar Written Instruments is discovered.
2. Securities or Similar Written Instruments which are either lodged or deposited with another Banking Institution or recognised Depository for safekeeping purposes by the Insured (or its correspondent bank), or are placed in the custody of a transfer or registration agent by the Insured (or its correspondent bank) for the purpose of exchange, conversion, registration or transfer in the usual course of business, shall be deemed to be in continuous physical possession.
3. The foregoing Securities or Similar Written Instruments must be in written characters and of a nature with which the Employee acting thereupon is conversant. The Insured must have relied upon the Forged Signature or the Fraudulent Alteration either of which shall have been material and shall have caused the loss.

SPECIAL DEFINITIONS

"Securities or Similar Written Instruments" as used herein means only the original or what purport to be the original items set forth below:

- a) Share certificates, bearer stock, certificates of stock, warrants or rights to subscribe, allotment letters, bonds, debentures or coupons issued by limited companies or corporation; or
- b) Bonds similar in form to corporate bonds issued by partnerships, which bonds are secured by mortgages, deed of trust or collateral trust agreements; or
- c) Government or Government Guaranteed and Local Authority stocks, certificates of indebtedness, bonds, coupons or warrants issued by the Government of any Country or by any of its respective Agencies, States, Provinces, Counties, Cities, Towns or Municipalities; or
- d) Deeds of trust, mortgages upon real property and upon interests in real property and assignments of such mortgages; or
- e) Promissory Notes except:
 - i) those issued or purporting to have been issued for use as currency; or
 - ii) those secured or purporting to be secured directly or indirectly by assigned accounts or what purport to be assigned accounts; or
 - iii) when payable at and paid by the Insured; or
- f) Certificates of Deposit when pledged to the Insured as security for a Loan except Certificates of Deposit issued by the Insured; or
- g) Letters of Credit.

"Counterfeit", as used in this Sub-Section, means the reproduction of an authentic Security or Similar Written Instrument, as set forth above, such that the Insured is deceived on the basis of the quality of the imitation so as to

believe that said item is the authentic original instrument. Fictitious instruments which merely contain fraudulent misrepresentations of fact are not counterfeit.

1.6 **COUNTERFEIT CURRENCY**

by reason of the receipt by the Insured in good faith and in the ordinary course of business of any counterfeit paper currency or coin issued or purporting to have been issued as legal tender in any Country.

1.7 **OFFICES AND CONTENTS**

by reason of:

- a) loss through damage to Premises of the Insured, directly caused by Theft, or attempt there at, or to the interior of such Premises by vandalism or malicious mischief; or
- b) loss through damage to Contents within the Premises of the Insured, directly caused by Theft, or attempt there at, or by vandalism or malicious mischief.

SPECIAL DEFINITION

“Contents” as used in this Sub-Section means furnishings, fixtures, equipment, stationery or safes and vaults, either owned by the Insured or for which the Insured is liable in the event of such loss, but DOES NOT include computers, computer programmes, computer tapes, disks and other media, computer data and any other computer or computer related equipment.

SPECIAL EXCLUSIONS

This Indemnity Clause of this Policy DOES NOT cover loss caused by fire, howsoever arising.

1.8 **EXTORTION**

loss of Property surrendered away from an office of the Insured as a result of a threat communicated to the Insured:-

- 1.8.1 to do bodily harm to a director, trustee, partner, or Employee of the Insured or to the proprietor (if the Insured be a sole proprietorship) or a relative or guest of any of the foregoing who is, or allegedly is, being held captive, provided, however, that the captivity takes place within the Republic of South Africa or any country of domicile of the Insured.
- 1.8.2 to do damage to the Premises or Property of the Insured within the Republic of South Africa or any country of domicile of the Insured.

Provided that prior to the surrender of such Property:-

- a) the person receiving the threat has made a reasonable effort to report the extortionist's demand to an associate; and
- b) a reasonable effort has been made to report the extortionist's demand to the Police.

1.9 **LOSS OF SUBSCRIPTION RIGHTS**

by reason of loss of subscription, conversion, redemption or deposit privileges through the misplacement or loss of Property while such Property is:

- a) in or upon any premises wherever situated; or
- b) in transit anywhere in the custody of any person or persons acting as messenger

except while in the mail or with a courier for hire other than an armoured motor vehicle company for the purpose of transportation. The amount of such loss shall be the value of said privileges immediately preceding the expiration thereof or, in the event of difference, as ascertained by arbitration or agreement.

1.10 **SAFE DEPOSIT BOX**

all claims, damages and demands, including any costs and expenses incurred in connection therewith arising from all such losses which are during the Period of Insurance sustained or discovered for which the Insured is legally liable to have been sustained by reason of damage, destruction or loss by any cause of any securities, bonds, certificates, bills of exchange, jewellery or any other property or articles of intrinsic value, the property of customers and/or depositors or property entrusted by others to such customers, contained in safe deposit boxes

lodged in the safe deposit vaults of the Insured's Premises or any of their present or future branches wherever situate including boxes leased to customers or not leased, and while such property or articles or boxes are in the said Premises but temporarily outside the Safe Deposit Vaults.

- 1.10.1 the coverage provided above is extended to include damage to the Premises and all furnishings, fixtures, fittings, equipment, safes and vaults therein caused by burglary or robbery or attempt there at or by vandalism or malicious mischief, provided the Insured is the owner thereof or is legally liable for such damage.
- 1.10.2 the Insurer shall investigate all claims and at the request of the Insured defend in the Insured's name any suits or other proceedings which may be brought against the Insured to enforce such claims and such expenses shall be included in the amount of this Insurance.
- 1.10.3 the Insured's own property is expressly excluded from this Insurance except as covered under 1.10.1 above, but it is understood and agreed that this Insurance covers the interest of the Insured and/or its customers and/or others owning or interested in the abovementioned articles and property, and any loss or losses relating thereto shall be paid to the Insured irrespective of the ownership thereof.

SPECIAL EXCLUSION

This Insurance does not cover loss by reason of any dishonest or fraudulent act of any of the Insured's officers, clerks, servants, guest students and other Employees while employed by the Insured wherever committed and whether committed directly or in collusion with others including loss of property through any such act of any of the Insured's officers, clerks, servants, guest students and other Employees.

SPECIFIC DEFINITIONS APPLICABLE TO SECTION 1

1. "Bankers Acceptance" means a Bill of Exchange upon which is signified by the drawee his assent to the order of the Bank drawer.
2. "Bankers Draft" means a draft payable on demand drawn by or on behalf of a bank upon itself whether payable at the head office or other office of the Insured.
3. "Bill of Exchange" means an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand or at a fixed or determinable future time a sum certain in money to or to the order of a specified person, or to bearer.
4. "Certificate of Deposit" means a written acknowledgement by a bank of a deposit of funds with promise to pay the depositor to his order, or to some other person or to his order said deposit with interest on a specified date.
5. "Cheque" means a Bill of Exchange, drawn on a bank directing it to pay the sum specified on demand.
6. "Employee" or "Employees" means:-
 - (a) the Insured's officers and other full and part-time staff compensated by salary or wages and whom the Insured has the right to govern and direct in the performance of their duties (including a Director of the Insured who is employed as a salaried officer or employee) while acting in the course of their employment by the Insured at or from the Premises of the Insured,
 - (b) a Director of the Insured (other than one who is employed as a salaried officer or employee) but only while performing acts coming within the scope of the usual duties of an employee by resolution of the Board of Directors of the Insured while acting at or from the Premises of the Insured,
 - (c) guest students while pursuing studies or duties at any of the Premises of the Insured,
 - (d) a person provided by an employment agency to perform employee duties for the Insured under the Insured's supervision, at or from any of the Premises of the Insured, excluding, however, any person employed as or to perform the duties of a data processor, programmer, software contractor or person performing similar duties.
7. "Forged Signature" means the handwritten signing or endorsing of the name of another genuine person without authority and with intent to deceive; it does not include the signing or endorsing in whole or in part of one's own name, with or without authority, in any capacity, for any purpose.
8. "Fraudulent Alteration" means a material alteration to an instrument for a fraudulent purpose by a person other than the person who prepared the instrument.
9. "Insured" means the Insured first named in the Schedule and any wholly owned companies engaged in the financial services stated in the Proposal form and that are named in the Proposal Form and Schedule. It does not mean or include any:-

- (a) non-wholly owned financial services Subsidiary company, or
- (b) non- financial services Subsidiary company,

unless such Subsidiary company is named in the Proposal Form and Schedule with its principal business activity and the first named Insured's shareholding interest so indicated.

10. "Letter of Credit" means an engagement in writing by a bank, made at the request of a customer, that the issuer will honour drafts or other demands for payment upon compliance with the conditions specified in the Letter of Credit.
11. "Loan" and "Loans" means:-
 - (a) any loan or transaction in the nature of, or amounting to, a loan or extension of credit, including a lease, made by or obtained by or from the Insured,
 - (b) any note, account, invoice, agreement or other evidence of debt, assigned or sold by or to, or discounted or otherwise acquired by the Insured,
 - (c) any payments made or withdrawals from a customer's account involving an uncollected item and any other similar transaction.
12. "Premises" means the Insured's office at the Principal Address stated in the Schedule and any permanent or temporary office occupied by the Insured, from which the Insured conducts its business and which are included in the Proposal Form, the office of another Banking Institution or recognised Depository having custody of Property for safekeeping purposes or the office of a transfer or registration agent having custody of Property for the purpose of exchange, conversion, registration or transfer in the usual course of business.
13. "Promissory Note" means an unconditional promise in writing made by one person to another signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a sum certain in money to or to the order of, a specified person or to bearer.
14. "Property" means only the following tangible items:-

paper currency, coins, bullion, precious metals of all kinds and in any tangible form and articles made therefrom, gems (including uncut gemstones), precious and semi-precious stones, stamps, insurance policies, travellers cheques, Cheques, certificates of stock, bonds, coupons, and all other types of securities, bills of lading, warehouse receipts, trust receipts, Bills of Exchange, Bankers Acceptances, Bankers Drafts, Certificates of Deposit, Letters of Credit, Promissory Notes, money orders, orders upon public treasuries, title deeds, certificates of title and all other negotiable and non-negotiable instruments or contracts representing money or other property (real or personal) or representing interests in money or other property (real or personal) and other valuable papers, including books of accounts and other written records used by the Insured in the conduct of its business in which the Insured has an interest, or which are held by the Insured for any purpose or in any capacity and whether so held gratuitously or otherwise and whether legally liable therefore or not.

"Property" does not mean any electronically recorded data in any form or debits and credits to accounts.
15. "Single Loss" shall mean the total amount of all direct financial loss, losses or series of losses covered by Section 1 of this Policy, caused by all acts or omissions of any person or acts or omissions in which such person is concerned or implicated (and treating all such losses as one loss), or any one originating cause or event or common fraud.
16. "Security Company" means a company licensed by a governmental authority to transport valuable goods as a security company.
17. "Subsidiary" means any company which the Company or a Subsidiary controls through :-
 - (a) Holding a majority of the voting rights; or
 - (b) The right to appoint or remove a majority of its board of directors; or
 - (c) Controlling alone, or pursuant to a written agreement with other shareholders or members, a majority of the voting rights therein;
18. "Theft" means burglary, robbery, hold-up and the dishonest physical taking and carrying away of Property with the intention of permanently depriving the Insured of the Property.
19. "Trading" means any dealings in securities, derivatives, metals, commodities, futures, options, funds, currencies, foreign exchange and the like.
20. "Withdrawal Receipt" means a written form provided to depositors by the Insured for the purpose of acknowledging receipt of funds from a deposit account maintained with the Insured by a depositor.

WHENEVER ANY OF THE ABOVE TERMS 1 TO 18 INCLUSIVE APPEAR IN THIS SECTION, THE WORDS "AS DEFINED" SHALL BE DEEMED TO BE INCORPORATED IN THE TEXT IMMEDIATELY FOLLOWING EACH OF THE SAID TERMS

SPECIFIC CONDITIONS APPLICABLE TO SECTION 1

1. TERMINATION PROVISIONS

This Section shall terminate with or without the tender of unearned premium:-

- (a) immediately upon:-
 - (i) the happening of any of the events relating to a change in control of the Insured as set forth in the Conditions applicable to Section 1.
 - (ii) the failure by the Insured to notify a change of assets or share ownership or otherwise comply with the terms as set forth in the Conditions applicable to Section 1.
 - (iii) refusal by the Insurer to continue coverage following a change in ownership or control as set forth in the Conditions applicable to Section 1.
- (b) immediately as to any Subsidiary of the Insured upon the happening of any event with regard to such Subsidiary relating to a change in control or ownership of such Subsidiary as set forth in the Conditions applicable to Section 1.
- (c) immediately as to any Director or Employee of the Insured, as soon as any Director or officer of the Insured not in collusion with said person shall first learn of any dishonest or fraudulent act on the part of the Director or Employee whenever committed, whether or not such act is of a type covered by Sub-Section 1.1 hereof, but in any event without prejudice to the loss of Property in Transit in the custody of such person at the time the Director or officer of the Insured shall so learn of such dishonesty or fraud.
- (d) immediately upon expiration of the Period of Insurance.

The Insurer shall refund any unearned premium computed at short-rate of the Annual Premium if terminated pursuant to paragraph (a) of this Specific Condition.

This Section shall also terminate immediately upon exhaustion of the Aggregate Limit of Indemnity by one or more payments of loss hereunder, in which event the premium is fully earned.

2. LIMIT OF INDEMNITY

- (a) The total liability of the Insurer for all loss or losses discovered during the Period of Insurance and including legal fees and legal expenses is limited to the Aggregate Limit of Indemnity stated in the Schedule of this Policy irrespective of the total amount of such loss or losses. The Sub-Limit of any applicable Sub-Section is part of and not in addition to the Aggregate Limit of Indemnity and the total liability of the Section for all losses, including legal fees and legal expenses, concerning any such Section with a Sub-Limit is limited to the amount of the Sub-Limit, irrespective of the total amount of such loss or losses.

The Aggregate Limit of Indemnity shall be reduced by the amount of any payment made under this Section. Upon exhaustion of the Aggregate Limit of Indemnity by such payments the Insurer shall have no further liability:-

- (i) to indemnify the Insured under any Sub-Section(s) of this Section for any loss or losses, and
 - (ii) to indemnify the Insured for any legal fees and legal expenses, and
 - (iii) to continue the defence of the Insured in the event that the Insurer elected to conduct the defence of any suit or legal proceedings. Upon notice by the Insurer to the Insured that the Aggregate Limit of Indemnity has been exhausted, the Insured shall assume all responsibility for its defence at its own cost.
- (b) In addition to the Aggregate Limit of Indemnity being reduced, the Sub-Limit of any applicable Section(s) stated in the Schedule shall be reduced by the amount of any payment made in connection with said Section(s). Upon exhaustion of the Sub-Limit applicable to said Section (s) by such payments the Insurer shall have no further liability:-
 - (i) to indemnify the Insured under said Sub-Section(s) of this Section for any loss or losses, and

- (ii) to indemnify the Insured for any legal fees and legal expenses incurred in connection with said loss or losses or in connection with said Sub-Section(s) of this Section, and
- (iii) to continue the defence of the Insured in the event of the Insurer's election to conduct the defence of any suit or legal proceeding in connection with said loss or losses. Upon notice by the Insurer to the Insured that the Sub-Limit has been exhausted, the Insured shall assume all responsibility for its defence at its own cost.

If by reason of payments made under this Section the Aggregate Limit of Indemnity is reduced to an amount less than the amount stated for any Sub-Limit in the Schedule of this Policy, then the amount of any such Sub-Limit shall be reduced accordingly so that the total amount available under any Sub-Limit for any loss or losses, including legal fees and legal expenses, does not exceed the reduced amount remaining available under the Aggregate Limit of Indemnity.

The Aggregate Limit of Indemnity and any Sub-Limit shall not be reinstated in whole or in part by any recovery effected subsequent to any payment made under this Section, unless such recovery is actually received by the Insurer during the Period of Insurance or within twelve (12) calendar months thereafter.

If a loss is covered under more than one Sub-Section the maximum amount payable with respect to such loss shall not exceed the largest amount remaining available under any one applicable Sub-Section.

The Insurers may at any time pay to the Insured in connection with any claim or series of claims notified hereunder the amount of the Limit of Indemnity as shown in the Schedule (after deduction of any sum or sums already paid by the Insurers whether as costs and expenses or as compensation) or any lesser amount for which such claim or claims can be settled and upon such payment being made the Insurers shall be under no further liability in connection therewith and shall (except with respect to any subrogation action) relinquish the conduct and control of such claim or claims.

(c) **Lost Securities**

In the event that a loss of a Security is settled through the use of a lost securities bond or indemnity agreement pursuant to Specific Condition 5, such loss, to the extent that during the Period of Insurance the Insurer are not called upon to pay under said lost securities bond or indemnity agreement, shall not reduce the Aggregate Limit of Indemnity or any Sub-Limit remaining for the payment of any loss or losses. However, any payment by the Insurer of such loss or under such lost securities bond or indemnity agreement shall be deemed to be a payment under this Section.

The exhaustion or reduction of the Aggregate Limit of Indemnity or any Sub-Limit shall not affect the Insurer's obligations in connection with any lost securities bond or indemnity agreement issued prior to the exhaustion or reduction of the Aggregate Limit of Indemnity or any applicable Sub-Limit.

3. **PROOF OF LOSS**

Within six months of discovery of loss, the Insured shall furnish affirmative proof of loss to the Insurer, in writing, duly sworn to by the chief financial officer or equivalent of the Insured together with full particulars. The onus of proof is upon the Insured in preparing its proof of loss with respect to:

- (a) a loss for which claim is made under Sub-Section 1.1 to identify the person responsible for the loss; to identify the specific dishonest or fraudulent acts involved in each transaction or item constituting such loss; to identify the improper personal financial gain obtained for each loan or trading transaction; and to establish that the resultant loss was directly caused by such dishonest or fraudulent acts, or
- (b) a loss for which claim is made under Sub-Sections 1.4 or 1.5, involving an item which bears a Forged Signature, is Counterfeit or bears a Fraudulent Alteration, to establish that if such item were genuine and did not bear a Forged Signature, or were not Counterfeit or did not bear a Fraudulent Alteration, the Insured would not have sustained the loss claimed, or
- (c) a loss for which claim is made under any Sub-Section, to establish that such loss directly resulted from the insured peril and not from economic conditions or other contributing causes.

4. **BASIS OF VALUATION**

- (a) In determining the amount collectible under this Section for any loss, all money received from any source whatsoever in connection with any matter from which a claimed loss has arisen, including payments and receipts of principal, interest, dividends, commissions and the like, whenever received, shall be deducted from the amount actually paid out, advanced, taken or otherwise lost. The value of all Property received from any source whatsoever in connection with any matter from which a claimed loss has arisen, whenever received, shall likewise be deducted from the Insured's claimed loss.

- (b) The value of any Securities, foreign funds, currencies or precious metals for the loss of which a claim shall be made, shall be determined by their closing market value on the last business day prior to the date of discovery of the loss.

If there is no market price or value for the same on such day, then the value shall be as agreed between the Insured and the Insurer or in default thereof by arbitration. If, however, such Securities, foreign funds, currencies or precious metals are replaceable, then the Insured, subject to Specific Condition 5, may replace said items with the approval of the Insurer and the value shall be the actual cost of replacement.

If this Section is subject to a Deductible, or the Limit of Indemnity for the relevant Sub-Section remaining for the payment of any loss or losses is not sufficient in amount to indemnify the Insured in full for the loss of Securities for which claim is made hereunder, the liability of the Insurer under this Section is limited to the payment for, or the duplication of, so much of such Securities as has a value equal to the amount collectible under the applicable Sub-Section of this Section.

- (c) In the case of loss of or damage to property consisting of books of accounts or other records used by the Insured in the conduct of its business, the Insurer shall be liable under this Section only if such books or records are actually reproduced and then for not more than the cost of blank books, blank pages, or other materials plus the cost of labour for the actual transcription or copying of data which shall have been furnished by the Insured in order to reproduce such books and other records.

5. **LOST SECURITIES**

In the event of a claim in respect of a loss covered under this Section of Securities, the Insured shall, subject to the conditions stated below, first attempt to replace the lost Securities by use of a letter of indemnity issued by it. In the event that it is unable to replace the lost Securities by a letter of indemnity, the Insured shall, subject to the Insurer's prior consent, secure a lost securities bond for the purpose of obtaining the issuance of duplicate Securities.

It is further agreed that the Insurer will indemnify the Insured for such sum or sums, in excess of the applicable Deductible as stated in the Schedule, not exceeding the amount of the Aggregate Limit of Indemnity stated in the Schedule, or any applicable Sub-Limit thereof with respect to such loss remaining available for the payment of any loss at the time of the execution by the Insured of a letter of indemnity or the securing of the lost securities bond, which the Insured may be required to pay either during the Period of Insurance or any time thereafter by reason of any indemnifying agreement executed by the Insured or delivered by the Insured to the Company issuing the lost securities bond.

It is further agreed that the Insured shall bear for its own account the cost of obtaining such indemnity agreement or lost securities bond for that portion of the loss which falls within the applicable Deductible as stated in the Schedule or which is in excess of the Aggregate Limit of Indemnity remaining available for the payment of said loss or in excess of any applicable Sub-Limit remaining available for the payment of said loss.

The Insurer shall bear for their own account the cost of obtaining such indemnity agreement or lost securities bond for that loss which would be covered under the Sub-Sections of this Section and which exceeds the Deductible and is within the Aggregate Limit of Indemnity or Sub-Limit remaining available for the payment of any loss.

SPECIFIC EXCLUSIONS APPLICABLE TO SECTION 1

This Section shall not indemnify the Insured in respect of:-

1. any loss resulting wholly or partially from any act or omission of any Director of the Insured except to the extent that the Director is deemed to be an Employee within the meaning of this Section's Specific Definition No. 6(a) or (b).
2. any loss resulting directly or indirectly from any one or more dishonest or fraudulent acts of any of the Employee except to the extent that such loss is covered by Sub-Section No. 1.1.
3. any loss resulting wholly or partially from the complete or partial non-payment of or default upon any Loan, whether authorised or unauthorised, actual or fictitious and whether procured in good faith or through trick, artifice, false pretences or any other fraud, except to the extent that such loss is covered by Sub-Sections 1.1, 1.4 or 1.5.
4. any loss resulting wholly or partially from payments or withdrawals involving items received by the Insured which are not finally paid for any reason including but not limited to forgery, trick, artifice, false pretences or any other fraud, except to the extent that such loss is covered by Sub-Sections 1.1 or 1.5.
5. any loss resulting from payments or withdrawals involving funds which have been transferred, paid, delivered or otherwise credited to or by the Insured due to error, except to the extent that such loss is covered by Sub-Section 1.1.

6. any loss of or damage to any item (including Property)
 - (a) contained in customers' safe deposit boxes, or
 - (b) held by the Insured in safe custody on behalf of customers other than identifiable Securities actually held by the Insured for said customers,

except to the extent that such loss or damage is covered by Sub-Sections 1.1 or 1.10.
7. any loss through the surrender of Property as a result of a threat to do bodily harm to any person or to do damage to any Property whatsoever of the Insured or otherwise except when:
 - (a) such threat is perpetrated by an Employee with the intention to obtain an improper personal financial gain to such Employee and such loss is covered by Sub-Section 1.1, or
 - (b) surrender of Property occurs within the Premises as a direct result of a threat by a person within the Premises to do bodily harm to a person physically present within the Premises and such loss is covered by Sub-Section 1.2, or
 - (c) surrender of Property occurs during Transit as a direct result of a threat to do bodily harm to the transporting person or persons PROVIDED THAT when the transit was initiated, there was no knowledge by the Insured of any such threat and such loss is covered by Sub-Section 1.3.

or to the extent covered under Sub-Section 1.9.
8. any loss resulting directly or indirectly from forgery, counterfeiting or alteration except to the extent that such loss is covered by Sub-Section 1.1
9. any loss resulting directly or indirectly from forgery, counterfeiting or alteration of any travellers cheques, or travellers letters of credit, except to the extent that such loss is covered by Sub-Section 1.1
10. any loss of unsold travellers cheques placed in the custody of the Insured with authority to sell except to the extent that such loss is covered by Sub-Sections 1.1, 1.2 or 1.3 and provided also that such cheques are later paid or honoured by the Issuer thereof and the Insured is legally liable for such loss.
11. any loss of Property while in the custody of any governmental postal service except when covered under Sub-Section No. 1.1.
12. any loss resulting directly or indirectly from any items which are or purport to be bills of lading, shipping documents, warehouse receipts, trust receipts, accounts receivable, or any other bills, documents or receipts similar in nature or effect or serving a similar purpose, except to the extent that such loss is covered by Sub-Section 1.1, or except for the physical loss of any such item to the extent that such physical loss is covered by Sub-Sections 1.2 or 1.3.
13. any loss resulting from the use or purported use of any credit, debit, charge, access, convenience, identification or other cards, whether such cards were issued, or purport to have been issued, by the Insured or by anyone other than the Insured, except to the extent that such loss is covered by Sub-Section 1.1.
14. any loss or deprivation of income or profits, including but not limited to loss or deprivation of interest, dividends, fees, commissions and the like.
15. any loss resulting wholly or partially from the failure of a financial or depository institution (or its receiver or liquidator)
 - (a) to pay, return or deliver funds or property held by it in any capacity, or
 - (b) to reimburse the Insured for any loss for which the financial or depository institution or its employees are liable,

except to the extent that such loss is covered by Sub-Section 1.1.
16. any and all damages of any description (whether fines, penalties, punitive, exemplary or other) for which the Insured is legally liable, other than direct compensatory damages (but not multiples thereof) awarded to a third party to reimburse said party for funds or property actually lost which represent direct financial loss covered by this Section.
17. indirect or consequential loss of any nature.
18. costs, fees and other expenses incurred by the Insured in establishing, or attempting to establish, the existence of or amount of loss covered by this Section, except to the extent that such loss is covered by General Condition 5.

19. costs, fees or other expenses incurred by the Insured in defending any claim except legal fees and legal expenses of outside counsel to the extent recoverable as indicated in Conditions applicable to Sections 1 and 2 No. 1.
20. any loss resulting directly or indirectly from Trading, except to the extent that such loss is covered by Sub-Sections 1.1, 1.4 or 1.5.
21. any loss of or damage to any Property whatsoever by reason of wear, tear, gradual deterioration, moth or vermin.
22. any loss of or damage to any Property whatsoever resulting directly or indirectly from typhoon, hurricane, cyclone, volcanic eruption, earthquake, subterranean fire or other convulsion of nature and contemporaneous or ensuing loss or damage by fire, flood or looting.
23. any loss resulting from the input, modification or destruction of electronic data, including programs, except to the extent that such loss is covered under Sub-Section 1.1.
24. any loss resulting from instructions or messages sent to the Insured and received by or input by the Insured into its computer systems or into any teletype terminal, teleprinter, video display terminal or the like except to the extent that such loss is covered under Sub-Section 1.1.
25. any loss resulting directly or indirectly by reason of the Insured having arranged (or having failed to arrange) any item which is or purports to be a policy, contract or binder of insurance or reinsurance or any liability arising out of the Insured's involvement whether as agent or principal with respect to insurance or reinsurance of any kind, including having issued (or failed to issue) any item which is, or purports to be, a policy, certificate, cover note, contract or binder of insurance or reinsurance policy, annuity or endorsement or agreement or treaty of insurance, reinsurance or suretyship, EXCEPT, however, that this Exclusion shall not apply to loss of premium payments or the proceeds of claims payments when such loss is directly caused by the embezzlement of such payments by an Employee when covered under Sub-Section 1.1.
26. Loss involving automated mechanical devices which, on behalf of the Insured, disburse money, accept deposits, cash cheques, Drafts or similar written instruments or make credit card loans, unless such automated mechanical devices are situated within an office of the Insured which is permanently staffed by an Employee whose duties are those usually assigned to a bank teller, even though public access is from outside the confines of such office, but in no event shall the Insurer be liable for loss (including loss of Property):
 - 26.1. as a result of damage to such automated mechanical devices from vandalism or malicious mischief perpetrated from outside such office; or
 - 26.2. as a result of failure of such automated mechanical devices to function properly; or
 - 26.3. through misplacement or mysterious unexplainable disappearance while such Property is located within any such automated mechanical devices;

except when covered under Section No. 1.1.
27. any loss:
 - (a) sustained prior to the Retroactive Date or any loss involving any act, transaction, or event which occurred or commenced prior to the Retroactive Date, or
 - (b) discovered prior to the inception date of the Period of Insurance stated in the Schedule, or
 - (c) discovered subsequent to the termination of this Policy, or
 - (d) notified to a prior insurer.

SECTION 2 - ELECTRONIC AND COMPUTER CRIME

INDEMNITY

The Insurer will indemnify the Insured in respect of a direct financial loss sustained by or resulting from:-

2.1 COMPUTER SYSTEMS

the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of

- (a) the fraudulent input of Electronic Data directly into:
 - (i) the Insured's Computer System, or

- (ii) a Service Bureau's Computer System, or
 - (iii) any Electronic Funds Transfer System, or
 - (iv) a Customer Communication System; or
- (b) the fraudulent modification or the fraudulent destruction of Electronic Data stored within or being run within any of the above systems or during Electronic Transmission to the Insured's Computer System or a Service Bureau's Computer System; or
- (c) the fraudulent input of Electronic Data through a Telephone Banking System directly into the Insured's Computer System

which fraudulent acts were instructed by or committed by a person who intended to cause the Insured to sustain a loss or to obtain financial gain for himself or any other person.

2.2 **ELECTRONIC COMPUTER PROGRAMS**

the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of the fraudulent preparation or the fraudulent modification of Electronic Computer Programs which fraudulent acts were instructed by or committed by a person who intended to cause the Insured to sustain a loss or to obtain financial gain for himself or any other person.

2.3 **ELECTRONIC DATA AND MEDIA**

- (a) malicious alteration or destruction or attempt thereof of Electronic Data by any person while the Electronic Data are stored within the Insured's Computer System or a Service Bureau's Computer System or while recorded upon Electronic Data Processing Media within the offices or premises of the Insured or in the custody of a person designated by the Insured to act as its messenger (or a person acting as messenger or custodian during an emergency arising from the incapacity of such designated messenger) while the Electronic Data Processing Media upon which such Electronic Data are recorded is in transit anywhere, such transit to begin immediately upon receipt of such Electronic Data Processing Media by said messenger and to end immediately upon delivery to the designated recipient or its agent, provided that the Insured is the owner of such Electronic Data or Electronic Data Processing Media or is legally liable for such loss or damage;
- (b) Electronic Data Processing Media being lost, damaged or destroyed as the direct result of robbery, burglary, larceny, theft, misplacement, mysterious unexplainable disappearance or malicious act while the Electronic Data Processing Media is lodged or deposited within offices or premises located anywhere, or in the custody of a person designated by the Insured to act as its messenger (or a person acting as a messenger or custodian during an emergency arising from the incapacity of such designated messenger) while the Electronic Data Processing Media is in transit anywhere, such transit to begin immediately upon receipt of such Electronic Data Processing Media by said messenger and to end immediately upon delivery to the designated recipient or its agent, provided that the Insured is the owner of such Electronic Data Processing Media or is legally liable for such loss or damage; and
- (c) malicious alteration or destruction of Electronic Computer Programs while stored within the Insured's Computer System, provided that the Insured is the owner of such Electronic Computer Programs or is legally liable for such loss or damage.

2.4 **COMPUTER VIRUS**

- (a) the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value as the direct result of the destruction or attempt thereof of the Insured's Electronic Data due to a Computer Virus caused by any person while such Electronic Data are stored within the Insured's Computer System or a Service Bureau's Computer System; and
- (b) the destruction or attempt thereof of the Insured's Electronic Data as the result of a Computer Virus caused by any person while such Electronic Data are stored within the Insured's Computer System or a Service Bureau's Computer System.

2.5 **ELECTRONIC AND TELEFACSIMILE COMMUNICATIONS**

the Insured having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value on the faith of any electronic communications directed to the Insured authorising or acknowledging the transfer, payment, delivery or receipt of funds or property which communications were transmitted or appear to have been transmitted

- (a) through an Electronic Communication System, or
- (b) by Telefacsimile, telex, TWX or similar means of communication

directly into the Insured's Computer System or to the Insured's Communications Terminal and fraudulently purport to have been sent by a customer, Automated Clearing House, an office of the Insured, or another financial institution but which communications were either not sent by said customer, Automated Clearing House, an office of the Insured, or another financial institution or were fraudulently modified during physical transit of Electronic Data Processing Media to the Insured or during Electronic Transmission to the Insured's Computer System or to the Insured's Communications Terminal.

SPECIAL CONDITION

All Telefacsimile, telex, TWX or similar means of communication referred to above must be Tested or subject to a call-back to an authorised person other than the individual initiating the transfer request and any such Telefacsimile must also bear a Forged Signature or Fraudulent Alteration.

2.6 ELECTRONIC TRANSMISSIONS

a customer of the Insured, an Automated Clearing House or another financial institution having transferred, paid or delivered any funds or property, established any credit, debited any account or given any value

- (a) on the faith of any electronic communications purporting to have been directed by the Insured to its customer, an Automated Clearing House or a financial institution authorising or acknowledging the transfer, payment, delivery or receipt of funds or property which communications were transmitted or appear to have been transmitted through an Electronic Communication System, or by Tested Telefacsimile, Tested telex, Tested TWX or similar means of Tested communications directly into a Computer System or a Communications Terminal of said customer, Automated Clearing House or financial institution and fraudulently purport to have been sent by the Insured or were the direct result of the fraudulent modification of Electronic Data during physical transit of Electronic Data Processing Media from the Insured or during Electronic Transmission from the Insured's Computer System or the Insured's Communications Terminal; or
- (b) as the direct result of the fraudulent input, the fraudulent modification or the fraudulent destruction of Electronic Data stored within or being run within the Insured's Computer System or during Electronic Transmission from the Insured's Computer System into the customer's Computer System while the Insured is acting as a Service Bureau for the said customer; and

for which loss the Insured is legally liable to the customer, the Automated Clearing House or the financial institution.

2.7 ELECTRONIC SECURITIES

a Central Depository having transferred, paid or delivered any funds or property or debited any account of the Insured on the faith of any electronic communications purporting to have been directed by the Insured to the Central Depository authorising the transfer, payment or delivery of said funds or property or the debiting of the Insured's account in connection with the purchase, sale, transfer or pledge of an Electronic Security which communications were transmitted or appear to have been transmitted

- (a) through an Electronic Communication System, or
- (b) by Tested Telefacsimile, Tested Telex, Tested TWX or similar means of Tested communication

directly into a Computer System or a Communications Terminal of said Central Depository and fraudulently purport to have been sent by the Insured to the Central Depository but which communications were either not sent by the Insured to the Central Depository or were fraudulently modified during physical transit of Electronic Data Processing Media from the Insured or during Electronic Transmission from the Insured's Computer System or the Insured's Communications Terminal to the Central Depository and for which loss the Insured is legally liable to the Central Depository.

2.8 VOICE INITIATED INSTRUCTIONS

- (a) the Insured having transferred any funds or delivered any property on the faith of any voice initiated instructions directed to the Insured authorising the transfer of funds or delivery of any property in a Customer's account to other banks for the credit to persons allegedly designated by the Customer and which instructions were made over the telephone to those employees of the Insured specifically authorised to receive said instructions at the Insured's offices and fraudulently purport to have been made by a person authorised and appointed by a Customer to request by telephone the transfer of such funds or delivery of such property but which instructions were not made by said Customer or by any officer, director, partner or employee of said Customer or were fraudulently made by an officer, director, partner or employee of said Customer whose duty, responsibility or authority did not permit him to make, initiate, authorise, validate or authenticate Customer voice initiated instructions, which fraudulent acts were committed by said person who intended to cause the Insured or the Customer to sustain a loss or to obtain financial gain for himself or any other person;

- (b) the Insured having transferred any funds or delivered any property on the faith of any voice initiated instructions purportedly communicated between the Insured's offices authorising the transfer of funds or delivery of any property in a customer's account between the Insured's offices for the credit to persons allegedly designated by the Customer and which instructions were purportedly made over the telephone between the Insured's offices to those employees of the Insured specifically authorised to receive said inter-office instructions by telephone, and fraudulently purport to have been made by an employee of the Insured authorised to request by telephone such transfer of funds or delivery of property but which fraudulent acts were committed by a person, other than an employee of the Insured, who intended to cause the Insured or the Customer to sustain a loss or to obtain financial gain for himself or any other person.

SPECIAL DEFINITION

"Customer" as used in this Sub-Section means any corporate, partnership or trust customer or similar business entity which has a written agreement with the Insured for customer voice initiated funds transfers, which agreement shall be in the form of a corporate resolution containing a list of individuals authorised to initiate and authenticate voice initiated funds transfers, which list must specify the telephone numbers as well as monetary limits for all initiators/authenticators. Such written agreement shall also outline the terms and conditions under which the service is provided including a limitation of liability accepted by the Insured.

SPECIAL CONDITION

All voice initiated instructions purportedly received from a customer for the transfer of funds or property must be Tested or subject to a call-back to an authorised person other than the individual initiating the transfer request.

SPECIFIC DEFINITIONS APPLICABLE TO SECTION 2

1. "Automated Clearing House" means any corporation or association which operates an electronic clearing and transfer mechanism for the transfer of preauthorised recurring debits and credits between financial institutions on behalf of the financial institutions' customers.
2. "Insured" means the Insured first named in the Schedule and any wholly owned companies engaged in financial services that are named in the Proposal Form and Schedule. It does not mean or include any
 - (a) non-wholly owned financial services Subsidiary company, or
 - (b) non-financial services Subsidiary company,unless such Subsidiary company is named in the Proposal Form and Schedule with its principal business activity and the first named Insured's shareholding interest so indicated.
3. "Central Depository" means any clearing corporation, including any Federal Reserve Bank of the United States, where as the direct result of an electronic clearing and transfer mechanism entries are made on the books reducing the account of the transferor, pledgor or pledgee and increasing the account of the transferee, pledgee or pledgor by the amount of the obligation or the number of shares or rights transferred, pledged or released, which clearing corporation is declared in the Proposal Form.
4. "Communications Terminal" means any teletype, teleprinter, video display terminal, or telefacsimile machine or similar device capable of sending and/or receiving information electronically, whether or not equipped with a keyboard or mouse.
5. "Computer System" means a computer suitable for multi-use applications that is capable of directing hardware, software and data resources according to Electronic Computer Programs formulated and introduced to the computer's operating system by the user. All input, output, processing, storage and communication facilities including related communication or open systems networks which are physically connected to such a device, as well as the device's off-line media libraries, are deemed to be part of said computer system. It does not include those computers suitable solely for single use applications.
6. "Computer Virus" means a set of unauthorised instructions, programmatic or otherwise, that propagate themselves through the Insured's Computer System and/or networks which instructions were maliciously introduced by a person other than by an identifiable employee.
7. "Customer Communication System" means those communications systems which provide customers of the Insured with direct access to the Insured's Computer System.
8. "Electronic Communication System" means electronic communication operations by Fedwire, Clearing House Interbank Payment System (CHIPS), Society for Worldwide Interbank Financial Telecommunication (SWIFT), Clearing House Automated Payment System (CHAPS), the funds transfer system for the transfer of preauthorised recurring debits and credits of an Automated Clearing House Association which is a member of the National Automated Clearing House Association and similar automated communication.

9. "Electronic Computer Programs" means computer programs, i.e., facts or statements converted to a form usable in a Computer System to act upon Electronic Data.
10. "Electronic Data" means facts or information converted to a form usable in a Computer System and which is stored on Electronic Data Processing Media for use by computer programs.
11. "Electronic Data Processing Media" means tapes or discs or other bulk media, whether magnetic or optical, on which Electronic Data are recorded.
12. "Electronic Funds Transfer Systems" means those systems which operate automated teller machines or point of sale terminals and include any shared networks or facilities for said system in which the Insured participates.
13. "Electronic Security" means a share, participation or other interest in property of or an enterprise of the issuer or an obligation of the issuer which
 - (a) is a type commonly dealt in upon securities exchanges or markets; and
 - (b) is either one of a class or series or by its terms is divisible into a class or series of shares, participations, interests or obligations; and
 - (c)
 - (i) is not represented by an instrument, or
 - (ii) is part of a master or global certificate; or
 - (iii) represents a paper certificate that has been surrendered by a financial institution and which paper certificate has been combined into a master depository note and the paper certificates are immobilised

and such security is shown as an electronic entry on the account of the transferor, pledgor or pledgee on the books of a Central Depository.
14. "Electronic Transmission" means the transmission of Electronic Data through data communication lines including by satellite links, radio frequency, infrared links or similar means used for the transmission of Electronic Data.
15. "Evidences of Debt" means instruments executed by a customer of the Insured and held by the Insured which in the regular course of business are treated as evidencing the customer's debt to the Insured including records of charges and accounts receivable.
16. "Forged Signature" means the handwritten signing of the name of another genuine person or a copy of said person's signature without authority and with intent to deceive; it does not include the signing in whole or in part of one's own name, with or without authority, in any capacity, for any purpose.
17. "Fraudulent Alteration" means the material alteration to a Telefacsimile for a fraudulent purpose by a person other than the person who signed and prepared the instrument.
18. "Insured's Computer System" means those Computer Systems operated by the Insured and which are either owned by or leased to the Insured.
19. "Service Bureau" means a natural person, partnership or corporation authorised by written agreement to perform data processing services using Computer Systems.
20. "Service Bureau's Computer System" means those Computer Systems operated by a Service Bureau and which are either owned by or leased to a Service Bureau.
21. "Single Loss" shall mean the total amount of all direct financial loss, losses or series of losses covered by Section 2 of this Policy, caused by all acts or omissions of any person or acts or omissions in which such person is concerned or implicated (and treating all such losses as one loss), or any one originating cause or event or common fraud.
22. "Subsidiary" means any company which the Company or a Subsidiary controls through:-
 - (a) holding a majority of the voting rights; or
 - (b) the right to appoint or remove a majority of its board of directors; or
 - (c) controlling alone, or pursuant to a written agreement with other shareholders or members, a majority of the voting rights therein;
23. "Telefacsimile" means a system for transmitting written documents by means of electronic signals over telephone lines to equipment maintained by the Insured within a specially secured area for the purpose of reproducing a copy of said document.
24. "Telephone Banking System" means a telephone banking communications system which provides customers of the Insured with direct access to the Insured's Computer System via an automated touch tone telephone service

and which requires the use of a Tested code in order to effect any banking transactions but does not mean a private branch exchange, voice mail processor, automated call attendant or a computer system with a similar capacity used for the direction or routing of telephone calls in a voice communications network.

25. "Tested" means a method of authenticating the contents of a communication by affixing thereto a valid test key which has been exchanged between the Insured and a customer, Automated Clearing House, Central Depository, another financial institution or between the offices of the Insured for the purpose of protecting the integrity of the communication in the ordinary course of business.

WHENEVER ANY OF THE ABOVE TERMS 1 TO 23 INCLUSIVE APPEAR IN THIS SECTION, THE WORDS "AS DEFINED" SHALL BE DEEMED TO BE INCORPORATED IN THE TEXT IMMEDIATELY FOLLOWING EACH OF THE SAID TERMS.

SPECIFIC CONDITIONS APPLICABLE TO SECTION 2

1. COMPANION POLICY

This Section is designed to be a companion Section to Section 1 hereof and is intended to provide coverage for computer related crime as defined in this Section which is not covered under the Section 1. Since the Insurer who is underwriting the this Section may also be underwriting the Section 1 and since it is their intention not to increase or double up their coverage to the Insured it is agreed that this Section will not be deemed to be excess or co-insuring coverage.

2. LIMIT OF INDEMNITY

- (a) The total liability of the Insurer for all loss or losses discovered during the Period of Insurance set forth in the Schedule of this Policy and including Legal Fees and Legal Expenses is limited to the Aggregate Limit of Indemnity stated in of the Schedule of this Policy irrespective of the total amount of such loss or losses. The Sub-Limit of any applicable Section is part of and not in addition to the Aggregate Limit of Indemnity and the total liability of the Insurer for all losses, including Legal Fees and Legal Expenses, concerning any such Sub-Section with a Sub-Limit is limited to the amount of the Sub-Limit, irrespective of the total amount of such loss or losses. The Aggregate Limit of Indemnity shall be reduced by the amount of any payment made under this Section. Upon exhaustion of the Aggregate Limit of Indemnity by such payments the Insurer shall have no further liability:
- (i) to indemnify the Insured under any Sub-Section(s) of this Section for any loss or losses, and
 - (ii) to indemnify the Insured for any Legal Fees and Legal Expenses, and
 - (iii) to continue the defence of the Insured in the event that the Insurer elects to conduct the defence of any suit or legal proceedings. Upon notice by the Insurer to the Insured that the Aggregate Limit of Indemnity has been exhausted, the Insured shall assume all responsibility for its defence at its own cost.
- (b) In addition to the Aggregate Limit of Indemnity being reduced, the Sub-Limit of any applicable Sub-Section(s) stated in the Schedule shall be reduced by the amount of any payment made in connection with said Sub-Section(s). Upon exhaustion of the Sub-Limit applicable to said Sub-Section(s) by such payments the Insurer shall have no further liability:
- (i) to indemnify the Insured under said Sub-Section(s) of this Section for any loss or losses, and
 - (ii) to indemnify the Insured for any legal fees and legal expenses incurred in connection with said loss or losses or in connection with said Sub-Section(s),
 - (iii) to continue the defence of the Insured in the event of the Insurer's election to conduct the defence of any suit or legal proceeding in connection with said loss or losses. Upon such notice by the Insurer to the Insured that the Sub-Limit has been exhausted, the Insured shall assume all responsibility for its defence at its own cost.

If by reason of payments made under this Section the Aggregate Limit of Indemnity is reduced to an amount less than the amount stated for any Sub-Limit in the Schedule of this Policy, then the amount of any such Sub-Limit shall be reduced accordingly so that the total amount available under any Sub-Limit for any loss or losses, including legal fees and legal expenses, does not exceed the reduced amount remaining available under the Aggregate Limit of Indemnity.

The Aggregate Limit of Indemnity and any Sub-Limit shall not be reinstated in whole or in part by any recovery effected subsequent to any payment made under this Section, unless such recovery is actually received by the Insurer during the Period of Insurance stated in the Schedule or within twelve (12) calendar months thereafter.

If a loss is covered under more than one Sub-Section the maximum amount payable with respect to such loss shall not exceed the largest amount remaining available under any one applicable Sub-Section.

(c) **Lost Securities:**

In the event that a loss of a Security is settled through the use of a lost securities bond or indemnity agreement pursuant to Specific Condition 5 (d), such loss, to the extent that during the Period of Insurance the Insurer is not called upon to pay under said lost securities bond or indemnity agreement, shall not reduce the Aggregate Limit of Indemnity or any Sub-Limit remaining for the payment of any loss or losses. However, any payment by the Insurer of such loss or under such lost securities bond or indemnity agreement shall be deemed to be a payment under this Section.

The exhaustion or reduction of the Aggregate Limit of Indemnity or any Sub-Limit shall not affect the Insurer's obligations in connection with any lost securities bond or indemnity agreement issued prior to the exhaustion or reduction of the Aggregate Limit of Indemnity or any applicable Sub-Limit.

The Insurers may at any time pay to the Insured in connection with any claim or series of claims notified hereunder the amount of the Limit of Indemnity as shown in the Schedule (after deduction of any sum or sums already paid by the Insurers whether as costs and expenses or as compensation) or any lesser amount for which such claim or claims can be settled and upon such payment being made the Insurers shall be under no further liability in connection therewith and shall (except with respect to any subrogation action) relinquish the conduct and control of such claim or claims.

3. **PROOF OF LOSS**

Within six months of discovery of loss, the Insured shall furnish affirmative proof of loss to the Insurer, in writing, duly sworn to by the chief financial officer or equivalent of the Insured together with full particulars. The onus of proof is upon the Insured in preparing its proof of loss with respect to a loss for which claim is made under any Sub-Section to establish that such loss directly resulted from the insured peril and not from economic conditions or other contributing causes.

4. **BASIS OF VALUATION**

(a) **Computation**

In determining the amount collectible under this Section for any loss, all money received from any source whatsoever in connection with any matter from which a claimed loss has arisen, including payments and receipts of principal, interest, dividends, commissions and the like, whenever received, shall be deducted from the amount actually paid out, advanced, taken or otherwise lost. The value of all Property received from any source whatsoever in connection with any matter from which a claimed loss has arisen, whenever received, shall likewise be deducted from the Insured's claimed loss.

(b) **Funds**

The value of any foreign funds or currencies for the loss of which a claim shall be made, shall be determined by their closing market value on the last business day prior to the date of discovery of the loss. If there is no market price or value for the same on such day, then the value shall be as agreed between the Insured and the Insurer or in default thereof by arbitration.

(c) **Deductible**

If this Section is subject to a Deductible, or the aggregate Limit of Indemnity in the Schedule remaining for the payment of any loss or losses is not sufficient in amount to indemnify the Insured in full for the loss of securities for which claim is made hereunder, the liability of the Insurer under this Section is limited to the payment for, or the duplication of, so much of such securities as has a value equal to the amount collectible under the applicable Sub-Section of this Section.

(d) **Lost Securities**

In the event of a claim in respect of a loss covered under this Section of Securities, the Insured shall, subject to the conditions stated elsewhere herein, first attempt to replace the lost Securities by use of a letter of indemnity issued by it. In the event that it is unable to replace the lost Securities by a letter of indemnity, the Insured shall, subject to the Insurer's prior consent, secure a lost securities bond for the purpose of obtaining the issuance of duplicate Securities.

(e) **Electronic Data Processing Media**

In case of loss of, or damage to, Electronic Data Processing Media used by the Insured in its business, the Insurer shall be liable under this Section only if such items are actually reproduced by other Electronic

Data Processing Media of the same kind or quality and then for not more than the cost of the blank media plus the cost of labour for the actual transcription or copying of data which shall have been furnished by the Insured in order to reproduce such Electronic Data Processing Media, subject, of course, to the applicable Limit of Indemnity.

(f) Other Property

In case of loss of, or damage to, any property other than foreign funds or currencies, securities or Electronic Data Processing Media, the Insurer shall not be liable for more than the actual cash value of such property. The Insurer may, at their election, pay the actual cash value of, replace or repair such property. Disagreement between the Insurer and the Insured as to the cash value or as to the adequacy of repair or replacement shall be resolved by arbitration.

(g) Electronic Data/Electronic Computer Programs

In case of loss of Electronic Data or Electronic Computer Programs, the Insurer shall be liable under this Section only if such Electronic Data or Electronic Computer Programs are actually reproduced by other Electronic Data or Electronic Computer Programs of the same kind or quality and then for not more than the cost of labour for the actual transcription or copying of data or programs which shall have been furnished by the Insured in order to reproduce such Electronic Data or Electronic Computer Programs subject, of course, to the applicable Limit of Indemnity.

However, if such Electronic Data cannot be reproduced and said Electronic Data represents securities, or financial instruments having a value, including Evidences of Debt, then the loss will be valued as indicated in the Securities and Other Property paragraphs of this Section.

5. **OWNERSHIP**

This Section shall apply to loss of property and loss of Electronic Data Processing Media and Electronic Data owned by the Insured, held by the Insured in any capacity or for which the Insured is legally liable. This Section shall be for the sole use and benefit of the Insured named in the Schedule.

6. **TERMINATION PROVISIONS**

This Section shall terminate with or without the tender of unearned premium

(a) immediately upon

- (i) the happening of any of the events relating to a change in control of the Insured as set forth in Conditions applicable to Section 2 No. 7(a),
- (ii) the failure by the Insured to notify a change of assets or share ownership or otherwise comply with the terms as set forth in Conditions applicable to Section 2 No. 7 (b).
- (iii) refusal by the Insurer to continue coverage following a change in ownership or control as set forth in Conditions applicable to Section 2 No. 7 (b).

b) immediately as to any Subsidiary of the Insured upon the happening of any event with regard to such Subsidiary relating to a change in control or ownership of such Subsidiary as set forth in Conditions applicable to Section 1 and Section 2.

c) at noon local standard time at the Principal Address on the expiration date stated in the Schedule.

The Insurer shall refund any unearned premium computed at short-rate of the Annual Premium if terminated pursuant to paragraph (a) of this Specific Condition.

This Section shall terminate immediately upon exhaustion of the Aggregate Limit of Indemnity by one or more payments of loss hereunder, in which event the premium is fully earned.

This Section shall be terminated as to any Service Bureau as soon as any Insured, or any director or officer not in collusion with such person, shall learn of any dishonest or fraudulent act committed by any partner, director, officer or employee of any such Service Bureau at any time against the Insured or any other person or entity, without prejudice to the loss of any property then in transit in the custody of such person.

Termination of this Section as to any Insured terminates liability for any loss sustained by such Insured which is discovered after the effective date of such termination.

7. **ACTION AGAINST SERVICE BUREAU OR CUSTOMER**

This Section does not afford coverage in favour of any Service Bureau or customer as aforesaid, and upon payment to the Insured by the Insurer on account of any loss through fraudulent or dishonest acts committed by

any of the partners, directors, officers or employees of such Service Bureau or customer whether acting alone or in collusion with others, an assignment of such of the Insured's rights and causes of action as they may have against such Service Bureau or customer by reason of such acts so committed shall, to the extent of such payment, be given by the Insured to the Insurer, and the Insured shall execute all papers necessary to secure to the Insurer the rights herein provided for.

SPECIFIC EXCLUSIONS APPLICABLE TO SECTION 2

This Section shall not indemnify the Insured in respect of:

1. Loss resulting from any of the perils covered by Section 1 of this Insurance.
2. Loss caused by an identifiable director or employee of the Insured or by a person or persons in collusion with said director or employee of the Insured.

Prior knowledge by any employee that a fraudulent act by a person or persons, not in the employ of the Insured, has been or will be perpetrated, shall for the intent and purpose of this Section be deemed to be collusion should said employee wilfully or deliberately withhold this knowledge from the Insured. The withholding of knowledge from the Insured by an employee because of a threat to do bodily harm to any person or to do damage to the premises or property of the Insured shall not be deemed to be or to constitute collusion.
3. Loss of potential income, including but not limited to interest and dividends.
4. Indirect or consequential loss of any nature
5. Liability assumed by the Insured by agreement under any contract unless such liability would have attached to the Insured even in the absence of such agreement.
6. All fees, costs and expenses incurred by the Insured
 - (a) in establishing the existence of or amount of loss covered under this Section except to the extent covered by General Condition 5; or
 - (b) as a party to any legal proceeding except as provided by Specific Condition 5.
7. Loss as a result of a threat
 - (a) to do bodily harm to any person, except loss of Electronic Data Processing Media or Electronic Data in transit in the custody of any person acting as messenger provided that when such transit was initiated there was no knowledge by the Insured of any such threat, or
 - (b) to do damage to the premises or property of the Insured.
8. Loss of Electronic Data Processing Media or Electronic Data while in the mail or with a carrier for hire other than an armoured motor vehicle company.
9. Loss of Electronic Data, Electronic Data Processing Media or Electronic Computer Programs except as valued under Specific Condition 9.
10. Loss resulting directly or indirectly from:
 - 10.1 written instructions or advices; or
 - 10.2 telegraphic or cable instructions or advices; or
 - 10.3 instructions or advices by voice over telephone, unless such instructions are covered under Sub-Section 2.8; or
 - 10.4 Telefacsimile instructions or advices unless said Telefacsimile instructions or advices are covered under Sub-Sections 2.2, 2.6, or 2.7.
11. Loss resulting directly or indirectly from forged, altered or fraudulent negotiable instruments, securities, documents or written instruments used as source documentation in the preparation of Electronic Data Processing Media or manually keyed in a data terminal.
12. Loss of negotiable instruments, securities, documents or written instruments except as converted to Electronic Data and then only in that converted form.
13. Loss resulting directly or indirectly from the accessing of any confidential information including but not limited to trade secret information, computer programs or customer information.

14. Loss resulting from mechanical failure, faulty construction, error in design, latent defect, wear or tear, gradual deterioration, electrical disturbance, Electronic Data Processing Media failure or breakdown or any malfunction or error in programming or errors or omissions in processing.
15. Loss resulting directly or indirectly from the fraudulent preparation, fraudulent modification, alteration or destruction of Electronic Computer Programs unless covered under Sub-Sections 2.2, 2.3 or 2.4.
16. Loss by reason of the input of Electronic Data at an authorised electronic terminal of an Electronic Funds Transfer System or a Customer Communication system by a customer or other person who had authorised access to the customer's authentication mechanism.
17. Loss resulting directly or indirectly from any Computer Virus unless covered under Sub-Section 2.4.
18. Loss resulting directly or indirectly from a Telephone Banking System or from or arising out of the authorised or unauthorised use of a private branch exchange, voice mail processor, automated call attendant or a computer system with a similar capacity used for the direction or routing of telephone calls in a voice communications network or a cellular phone system, unless covered under Sub-Section 2. 1(c).
19. any loss:
 - (a) sustained prior to the Retroactive Date or any loss involving any act, transaction, or event which occurred or commenced prior to the Retroactive Date, or
 - (b) discovered prior to the inception date of the Policy Period stated in the Schedule, or
 - (c) discovered subsequent to the termination of this Policy, or
 - (d) notified to a prior insurer.

CONDITIONS APPLICABLE TO SECTIONS 1 AND 2

1. LEGAL FEES AND LEGAL EXPENSES

The Insurer shall indemnify the Insured against reasonable legal fees and legal expenses incurred and paid by the Insured with the prior approval of the Insurer in the defence of any suit or legal proceeding brought against the Insured, with respect to which the Insured establishes that the act or acts which have been committed, or the events which have occurred, would entitle the Insured to recover under these Sections. Legal fees and legal expenses paid by the Insurer in defending any suit or legal proceeding shall be applied, subject to Specific Condition No. 2 of each Section, to the reduction of the Aggregate Limit of Indemnity and the Sub-Limit for the applicable Sub-Section.

The Insured shall promptly give notice to the Insurer of the institution of any suit or legal proceeding referred to above and at the request of the Insurer shall furnish them with copies of all pleadings and other papers therein.

If multiple causes of action are alleged in any such suit or legal proceeding some of which causes of action, if established against the Insured, would not constitute a collectible loss under these Sections, including without limitation claims for punitive, consequential or other non-compensatory damages then the Insured shall bear for its own expense the legal fees and legal expenses incurred in the defence of such alleged causes of action.

If the amount of the Insured's loss is greater than the amount recoverable under these Sections, or if a Deductible is applicable, or both, the liability of the Insurer under the first paragraph of this Condition is limited to the proportion of the legal fees and legal expenses incurred and paid by the Insured or by the Insurer that the amount recoverable under the relevant Sub-Section bears to the total of such amount plus the amount which is not so recoverable. Such pro-rated amount shall be applied in reduction of the Aggregate Limit of Indemnity and the Sub-Limit for the applicable Sub-Section.

The Insurer shall not be liable to indemnify the Insured for legal fees and legal expenses until after final judgement or settlement of any suit or legal proceeding.

The Insurer may but are not obligated to conduct the defence of such suit or legal proceeding referred to in the first paragraph of this Condition. At the Insurer's election the Insured shall permit the Insurer to conduct the defence of such suit or legal proceeding, in the Insured's name, through legal representatives of the Insurer's selection. The Insured shall give all reasonable information and assistance that the Insurer shall deem necessary to the defence of such suit or legal proceeding.

Legal fees and legal expenses paid by the Insurer in defending any suit or legal proceeding shall be applied to the reduction of the Aggregate Limit of Indemnity and the Sub-Limit for the applicable Sub-Section.

If having elected to defend the Insurer pay legal fees and legal expenses in excess of their proportionate share of such fees and expenses the Insured shall promptly reimburse the Insurer for such excess.

The Insured shall not unreasonably withhold consent to a settlement by the Insurer of any suit or legal proceeding.

2. **ADDITIONAL OFFICES, CONSOLIDATION, MERGER OR PURCHASE BY THE INSURED OF ANOTHER BUSINESS**

If the Insured shall, during the Period of Insurance, establish any new branch offices, other than by merger or consolidation with, or purchase or other acquisition of the assets of another business, such branch offices shall be automatically covered hereunder from the dates of their establishment, without the requirement of notice to the Insurer or the payment of additional premium for the remainder of Period of Insurance.

In the event that the Insured shall during the Period of Insurance merge or consolidate with, or purchase, or otherwise acquire, the assets of another business, these Sections shall not afford any coverage of any kind for loss which either:-

- (a) has occurred or may subsequently occur in any offices or premises; or
- (b) has been caused or may be caused by a director or employee of such business; or
- (c) has arisen or may arise out of the assets or liabilities or other exposures acquired by the Insured, as the result of such merger, consolidation, purchase or acquisition, unless the Insured shall:-
 - (i) give written notice to the Insurer, prior to the effective date, of such merger, consolidation, purchase or acquisition, and
 - (ii) promptly provide the Insurer with all such further information as the Insurer may require, and
 - (iii) obtain the written consent of the Insurer to extend the coverage provided by these Sections in respect of such merger, consolidation, purchase or acquisition, and
 - (iv) give written notice to the Insurer of its agreement to the terms and conditions of coverage which are required by the Insurer consequent upon such merger, consolidation, purchase or acquisition, and
 - (v) pay to the Insurer any additional premium.

Failure to give notice to the Insurer in accordance with paragraph (i) above or failure of the Insured to notify the Insurer of its agreement in accordance with paragraph (iv) above shall be an election by the Insured not to continue coverage.

Notification to the Insurer, as herein required, shall not have been accomplished unless provided by the Insured in writing and acknowledged in writing by the Insurer.

3. **NOTIFICATION AND DISCOVERY OF LOSS**

As a condition precedent to its right to be indemnified under these Sections, the Insured shall, as soon as possible and in any event within thirty (30) days after discovery by the Insured of any loss hereunder, give written notice thereof to the Insurer.

For the purposes of these Sections, discovery is deemed to occur at the time when the Insured first becomes aware of facts which would cause a reasonable person to believe that a loss of the kind covered by these Sections has been or will be incurred, regardless of when the acts, transactions or events causing or contributing to such loss occurred, and regardless of whether the Insured's knowledge is sufficient at such time to prove that such loss meets the terms and conditions of these Sections, and even though the amount or details of loss may not then be known.

Discovery is also deemed to occur when the Insured receives notice of an actual or potential claim in which it is alleged that the Insured is liable to a third party under circumstances which, if true, might constitute a loss of a type covered by these Sections, even though the amount or details of loss may not then be known.

All loss or losses discovered by the Insured which are attributable to the acts or omissions of one person, whether or not an Employee, or in which such person is concerned or implicated, shall be deemed to be one loss.

4. **CO-OPERATION**

As a condition precedent to its right to be indemnified under these Sections, the Insured shall co-operate fully with the Insurer and their appointed representatives in all matters pertaining to any loss notified hereunder. The Insured shall, upon request and at times and places designated by the Insurer, provide for examination all pertinent records including audit records of its accountants and provide for interview any of its Employees or other persons, to the best of its ability and power. The Insured agrees to execute all papers and render all assistance to secure all rights, title, interest and causes of action as it may have against any person or entity in connection with any loss notified hereunder, and to do nothing to prejudice such rights or causes of action.

5. **DEDUCTIBLE AMOUNT/NOTICE OF LOSS WITHIN DEDUCTIBLE**

The Insurer shall be liable only in excess of the Deductible stated in the Schedule. The Deductible shall apply to each and every loss, irrespective of the number of such losses during the Period of Insurance.

The Insured shall, in the time and in the manner prescribed in these Sections, give the Insurer notice of any loss of the kind covered by the terms of these Sections, whether or not the Insurer is liable therefore.

6. **SUBROGATION, SALVAGE AND RECOVERY**

It is agreed that the Insurer upon payment of any loss hereunder shall become subrogated to all rights, title, interest and causes of action of the Insured in respect of such loss.

In the case of recovery after payment of any loss hereunder, the amount recovered, after deducting the actual cost of obtaining or making such recovery but excluding the Insured's own labour or establishment costs, shall be applied in the following order:

- (a) to reimburse the Insured in full for the part, if any, of such loss which exceeds the amount of loss paid under these Sections (disregarding the amount of any Deductible applicable),
- (b) the balance, if any, or the entire net recovery if no part of such loss exceeds the amount of loss paid under these Sections, to the reimbursement of the Insurer,
- (c) finally, to that part of such loss sustained by the Insured by reason of the Deductible specified in the Schedule and/or to that part of such loss covered by any policy (ies) of Insurance of which the Section is/these Sections are in excess.

7. **CHANGE OF CONTROL OF THE INSURED**

- (a) Liquidation, etc.

In the event of the liquidation of the Insured, either voluntary or compulsory, or the appointment of a Receiver or Manager, or the entering into of any Scheme of Arrangement or composition with creditors, or the control of the Insured being taken over by any Government or by officials appointed by any Government or Governmental Authority or Agency, then these Sections shall immediately cease to afford any coverage of any kind for loss subsequently discovered and notified to the Insurer.

In the event of the liquidation, etc., as aforesaid, of any Subsidiary of the Insured named in the Proposal Form and the Schedule, then these Sections shall immediately cease to afford any coverage of any kind for loss subsequently discovered and notified to the Insurer which arose in any manner from such Subsidiary.

- (b) Change of Assets or Share Ownership

The Insured shall immediately advise the Insurer of any consolidation or merger with another business entity or any purchase, assignment, transfer, pledge or sale of assets or shares occasioning any change in ownership or control. As used in this Condition, control means the power to determine the management or policy of a controlling holding company of the Insured by virtue of voting share ownership. A change in ownership of voting shares which results in direct or indirect ownership by a shareholder or an affiliated group of shareholders of ten percent (10%) or more of such shares shall be presumed to result in a change of control for the purposes of the required notice.

As a condition to continuation of these Sections, the Insured shall:

- (i) give written notice to the Insurer within thirty (30) days of the event, and
- (ii) promptly provide the Insurer with all such further information as the Insurer may require, and
- (iii) obtain the written consent of the Insurer to continue some or all of the coverage provided by this policy, and give written notice within ten (10) days to the Insurer of its agreement to the terms and conditions which are required by the Insurer consequent upon such change, and
- (v) pay to the Insurer any additional premium.

Failure to give notice to the Insurer in accordance with paragraph (b)(i) above or failure of the Insured to notify the Insurer of its agreement in accordance with paragraph (b)(iv) above shall be an election by the Insured not to continue coverage.

Notification to the Insurer, as herein required, shall not have been accomplished unless provided by the Insured in writing and acknowledged in writing by the Insurer.

SECTION 3 - PROFESSIONAL INDEMNITY

INDEMNITY

The Insurer will indemnify the Insured in respect of the Insured's legal liability to third parties for any third party claim which meets the following requirements:

Any third party claim must:

- (i) be for compensatory damages, such indemnity to include claimant costs and the Insured's approved defence costs and expenses; and
- (ii) be first made against the Insured during the Policy Period; and
- (iii) be for financial loss caused by a negligent act, negligent error or negligent omission on the part of an Officer or Employee of the Insured; and
- (iv) arise out of the ordinary course of the provision by the Insured of the financial services described in the Proposal Form; and
- (v) be brought other than wholly or partly within the United States of America and/or Canada; and
- (vi) arise other than from any negligent act, negligent error or negligent omission which was or may have been or is alleged to have been committed or omitted (as the case may be) wholly or partly within the United States of America and/or Canada; and
- (vii) relate other than to a negligent act, negligent error or negligent omission which was or may have been or is alleged to have been committed or omitted (as the case may be) before the Retroactive Date specified in the Schedule hereto.

SPECIFIC CONDITIONS APPLICABLE TO SECTION 3

1. LIMIT OF INDEMNITY

- (a) The total liability (inclusive of claimant costs and the Insured's approved defence expenses and regardless of the total number or amount of third party claims made against the Insured) of the Insurer shall not exceed the Limit of Indemnity stated in the Schedule, in the aggregate, for all third party claims made against the Insured during the Period of Insurance.
- (b) The Insurer may at any time pay to the Insured in connection with any third party claim or series of third party claims notified hereunder the amount of the Limit of Indemnity as shown in the Schedule (after deduction of any sum or sums already paid by the Insurer whether as costs and expenses or as compensation) or any lesser amount for which such claim or claims can be settled and upon such payment being made the Insurer shall be under no further liability in connection therewith and shall (except with respect to any subrogation action) relinquish the conduct and control of such claim or claims.
- (d) Regardless of the number of years this Insurance has been in force or may continue to be in force and of the premiums paid or payable in respect thereof the liability of the Insurer shall not be cumulative in amount from year to year or from period to period and in no case shall exceed the Limit of Indemnity in the Schedule.

The Insurers may at any time pay to the Insured in connection with any claim or series of claims notified hereunder the amount of the Limit of Indemnity as shown in the Schedule (after deduction of any sum or sums already paid by the Insurers whether as costs and expenses or as compensation) or any lesser amount for which such claim or claims can be settled and upon such payment being made the Insurers shall be under no further liability in connection therewith and shall (except with respect to any subrogation action) relinquish the conduct and control of such claim or claims.

2. DEDUCTIBLE

Subject to the Limit of Indemnity, the Insurer shall be liable only for that part of each and every third party claim during the Period of Insurance, including third party claimant costs and the Insured's approved defence expenses, which exceeds the Deductible stated in the Schedule.

The Deductible shall apply to each and every third party claim and shall be subject to no aggregate limitation.

If a series of third party claims shall result from any single negligent act, negligent error or negligent omission (or related series of negligent acts, negligent errors or negligent omissions) then, irrespective of the total number of claims, all such third party claims shall be considered to be a single third party claim for the purposes of the application of the Deductible.

3. **RECOVERIES**

All recoveries from third parties for payments made under this Section shall be applied (after first deducting the costs and expenses incurred in obtaining such recovery but excluding the Insured's own labour or establishment costs), in the following order of priority:-

- (i) the Insured shall first be reimbursed for the amount by which their legal liability exceeds the Limit of Indemnity provided by this Section
- (ii) the Insurer shall then be reimbursed for the amount of their liability under this Section.
- (iii) finally, to that part of such loss sustained by the Insured by reason of the Deductible specified in the Schedule and/or to that part of such loss covered by any policy (ies) of Insurance of which this Policy is excess.

4. **SUBROGATION**

The Insurer agrees to waive any rights of subrogation against any Officer or Employee of the Insured except where such Officer or Employee has the benefit of a separate relevant insurance.

5. **DEFENCE AND DEFENCE COSTS AND EXPENSES**

- (a) The Insurer shall not be liable to pay any defence costs and expenses unless the express written consent of the Insurer is obtained prior to such costs and expenses being incurred, which consent shall not unreasonably be withheld.
- (b) The Insurer shall not be required hereunder to assume the handling or control of the defence or settlement of any third party claim made against the Insured but shall have the right (but not the duty) to take over at any time the control of the defence or settlement or compromise of any third party claim which is or might be the subject of indemnity under this Section if the Insurer in their discretion deem it appropriate to do so.
- (c) Insofar as any third party claim or claims fall within the Limit of Indemnity provided hereunder, then the Insurer shall have discretion to negotiate a settlement thereof including the admission of liability if the Insurer deems it appropriate to do so and the Deductible stated in the Schedule hereto shall apply to any such settlement whether made with the Insured's consent or otherwise provided always that prior to any settlement or admission of liability being made the Insurer shall consult with the Insured who shall not unreasonably withhold their consent to such settlement and/or admission of liability.
- (d) In the event of the Insured and the Insurer being unable to agree as to the proposed settlement and/or admission of liability then (at the election of either party) the dispute shall be referred to a Senior Counsel of the South African Bar to be appointed jointly by the Insurer and the Insured or if not so appointed within 7 days of one party so electing, by a Senior Counsel chosen by the Chairman of the South African Bar Association (or any successor body) which Senior Counsel shall decide the issue of whether the Insured's consent is being unreasonably withheld and his decision shall be binding on the Insurer and the Insured.
- (e) If the Insurer appoints a representative to report to them upon any third party claim then those costs so incurred by the Insurer (as distinguished from defence costs and expenses) shall not form part of the Limit of Indemnity or the Deductible.

6. **NON-ADMISSION OF LIABILITY**

The Insured shall not admit liability for or settle any third party claim made against the Insured without the prior written consent of the Insurer. Nevertheless, the Insured shall not be required to contest any legal proceedings to trial unless Senior Counsel, to be mutually agreed upon by the Insured and the Insurer (or if not so agreed, as determined in the manner set out in Specific Condition 5 above in relation to the selection of Counsel), shall advise that such proceedings should be contested.

7. **MEANING OF THIRD PARTY CLAIMS MADE AND NOTICE PROVISIONS**

The Insurer will indemnify the Insured only in respect of claims first made against the Insured during the Period of Insurance.

For the purposes of this Section, a claim is considered to be made when the Insured first:

- 7.1 receives a written demand for damages of the type covered by this section, including the service of suit or institution of legal or arbitration proceedings; or
- 7.2 becomes aware of the intention of any person to make such a demand against them; or

- 7.3 becomes aware of any fact, circumstance or event which could reasonably be anticipated to give rise to such a demand at any future time and shall give:-
- 7.3.1. a description of the specific event or circumstance which may give rise to a claim being made against the Insured, and
 - 7.3.2. the identities of the potential claimants, the consequences which have resulted or may result from such specific event or circumstance which may give rise to a claim being made against the Insured, and
 - 7.3.3. the damages which may result from such specific event or circumstance which may give rise to a claim being made against the Insured, and
 - 7.3.4. and the circumstances by which the Insureds first became aware of such specific event or circumstance which may give rise to a claim being made against the Insured

Written notice of any such claims made shall be given by the Insured as soon as reasonably possible, but in any event within thirty (30) days of the expiration date of the Period of Insurance stated in the Schedule.

Such written notice having been given, any subsequent claim to which the notification gives rise which may be made after the expiration of the Period of Insurance shall be deemed by the Insurer to have been made during the currency hereof; provided, however, that the Insurer shall have no liability for any matter of which the Insured provides written notice which does not result in legal proceedings being brought against the Insured within three (3) years of the date of said written notice.

Upon receipt of written notice of any claim (as defined above) the Insurer shall be entitled to appoint a representative to investigate the claim on their behalf and the Insured shall co-operate fully with any Insurer's representative in the conduct of his enquiries, including but not limited to making available to him all necessary information and documentation as he may require together with facilities for the interviewing of all the Insured's personnel whom the representative may consider to be relevant to his enquiries. It is a condition precedent to the Insured's right to indemnity hereunder that such information and assistance shall be made available as soon as practicable and in any event within 14 days of any request being made.

8. **JURISDICTION**

The indemnity provided by this Section shall apply only to final judgments against the Insured anywhere in the World but not to judgments obtained in the United States of America and/or Canada nor to judgments or orders obtained in the said Courts for the enforcement of judgments obtained in the United States of America and/or Canada whether by way of reciprocal agreements or otherwise.

It is agreed between the Insurer and the Insured that the Premium for this Section has been calculated accordingly and no consideration has been paid in respect of liabilities arising under any other law or the jurisdiction of any other Courts.

9. **MATERIAL CHANGES**

a) Change of Control of the Insured

In the event of there being any change in the effective ownership or control of the Insured whether financial or otherwise and whether occurring by operation of law, voluntary act on the part of the Insured or by merger, purchase or sale of assets or shares or in any other way then cover under this Section shall thenceforth cease in respect of all and any third party claim first made thereafter unless the Insurer agrees in writing to the continuation of the Section and then only upon such terms as may be stipulated by the Insurer.

b) Merger, Purchase or Acquisition

In the event that the Insured shall merge with or purchase or otherwise acquire all or any of the undertaking, assets or liabilities of another business this Section shall not afford any coverage of any kind for any third party claim which involves any act, error or omission which arises or occurs directly or indirectly out of or in relation to all and any of such undertaking, assets or liabilities or their acquisition unless and until the Insured shall have obtained the Insurer's agreement in writing to the extension of cover under the Section in relation to the same and then only upon such terms as may be stipulated by the Insurer after full disclosure of all material facts by the Insured.

c) Other material changes

In the event of any other material change in the facts and circumstances disclosed to the Insurer in the Proposal Form and supplementary information which may increase the risk accepted by the Insurer hereunder the Insured shall as soon as practicable give notice to the Insurer of any such change

whereupon the Insurer may elect to terminate this Section or to offer the Insured a continuation of cover on such revised terms and conditions as the Insurer may require.

10. **TERMINATION PROVISIONS**

This Section shall terminate with or without the tender of any unearned premium:

- (a) immediately in the event of the occurrence of any of the events providing for termination set forth in Specific Condition 9 above;
- (b) immediately as to any Subsidiary of the Insured in the event of the occurrence of any of the events set forth in Specific Condition 9 above in relation to such Subsidiary;

unless in any such case the Insurer, after having been furnished with all relevant particulars relating to the event, has offered revised terms and conditions as to the continuation of cover and such terms and conditions have been accepted by the Insured;

The Insurer shall refund any unearned Premium computed at pro rata if terminated on the occurrence of any of the events provided for in Specific Condition 9 above.

This Section shall also terminate immediately upon exhaustion of the Limit of Indemnity by one or more payments made under this Section in which event the Premium is deemed to be fully earned.

SPECIFIC DEFINITIONS

1. "Affiliate" shall mean any entity in which the Insured holds, directly or indirectly, less than 51% but more than 10% of the outstanding shares.
2. The "Insured" shall mean the entity first named in the Schedule and shall include any majority owned and controlled financial services Subsidiary companies which are named and included in the written Proposal Form.
3. The terms "negligent act, negligent error or negligent omission" is deemed to include:-
 - (a) breach of trust or breach of fiduciary duty or breach of professional duty or misrepresentation
 - (b) defamation (including injurious falsehood)
 - (c) any "dishonest or fraudulent act or omission" which term shall mean an act or omission on the part of any officer or Employee of the Insured which was committed with the manifest intent to cause a third party to whom the Insured may be held legally liable, to sustain a loss.
4. "Officers" and "Employees" shall mean:
 - (a) the Insured's officers also any full time and part time employees (including a Director of the Insured who is employed as an officer or other salaried employee) while acting in the ordinary course of their employment by the Insured, and
 - (b) a Director of the Insured (other than one who is employed as an officer or other salaried employee) but only while performing acts coming within the scope of the usual duties of an officer or employee and not while acting in any other capacity,and for the avoidance of doubt shall not include agents or consultants or sub-contractors or independent professional advisers.
5. "Single Claim" shall mean all third party claims or series of claims, including Defence Costs and Expenses, irrespective of the total number of such claims, covered by Section 3 of this Policy and arising out of one originating cause.
6. "Subsidiary" means any company which the Company or a Subsidiary controls through:-
 - a. holding a majority of the voting rights; or
 - b. the right to appoint or remove a majority of its board of directors; or
 - c. controlling alone, or pursuant to a written agreement with other shareholders or members, a majority of the voting rights therein.
7. "United States of America" and/or "Canada" wheresoever the same shall appear in this Section shall include all and any colonies, dependencies, dominions and protectorates of the United States of America and/or Canada.

WHENEVER ANY OF THE ABOVE TERMS 1 TO 6 INCLUSIVE APPEAR IN THIS SECTION, THE WORDS "AS DEFINED" SHALL BE DEEMED TO BE INCORPORATED IN THE TEXT IMMEDIATELY FOLLOWING EACH OF THE SAID TERMS.

SPECIFIC EXCLUSIONS APPLICABLE TO SECTION 3

This Section shall not indemnify the Insured in respect of:-

any legal liability assumed by the Insured

- (a) under the terms, conditions or warranties of any contract or agreement, or
- (b) by virtue of any waiver or release from liability of any third party,

except to the extent that liability would have attached to the Insured in the absence thereof

2. Any legal liability arising from or contributed to by any dishonest, fraudulent, criminal or malicious act or omission of any sub-contractor or agent of the Insured
3. Any legal liability arising from or contributed to by
 - (a) any bodily, mental or emotional injury, sickness or disease, or by death, or
 - (b) any loss of or damage to property,of any third party
4. Any legal liability arising from or contributed to by any loss of or damage to any goods or other property, including securities, documents and written instruments of every kind, whether owned by the Insured, held by the Insured in any capacity or for which the Insured may be liable
5. Any legal liability arising from or contributed to by any deliberate breach of any laws, enactments or regulations relating to all and any of the constitution, operation and conduct of the Insured and/or the business or operations of the Insured in all and any jurisdiction directly or indirectly relevant to any of the same
6. Any legal liability arising from or contributed to by the Insured having refused to provide any financing or refused to fulfil any actual or alleged commitment to make any loan or transaction in the nature of a loan or a lease or an extension of credit, whether such commitment was authorised or unauthorised
7. Any legal liability arising from any fact, circumstance or event wherein any third party claim against the Insured would be compensable under Sections 1 or 2 hereof irrespective of the amount thereof and whether or not such a policy or coverage is actually maintained by the Insured
8. Any claim by or on behalf of or at the behest of the Insured's parent company, or any Subsidiary or Affiliate of the Insured or of the Insured's parent company, or any company or other entity in which the Insured, or Officers or Employees of the Insured, have an executive or controlling interest.
9. Any third party claim arising out of the insolvency of the Insured.
10. Any third party claim involving or arising out of a fact, circumstance or event which occurred prior to the Retroactive Date hereof and/or which was notified to any Insurer(s) or Underwriter(s) prior to the inception of this Policy.
11. Any third party claim involving or arising out of a fact, circumstance or event the awareness of which would cause a reasonable person to believe that it could give rise to a third party claim against the Insured and of which fact, circumstance or event the Insured was actually aware prior to the inception date of this Policy.

For the avoidance of doubt it is declared and agreed that this provision is without prejudice to any rights of the Insurer to treat the said fact, circumstance or event as a non-disclosure or misrepresentation of a material fact entitling the Insurer to elect to treat this Section as void from its inception.

12. Any fines, penalties, punitive or exemplary damages and any multiple damages except for the single compensatory amount of damages prior to such multiplication.
13. Any claim made against the Insured by or on behalf of or at the behest of any federal or state government, governmental body or governmental agency, except when acting solely in the capacity of a client of the Insured.
14. Any suit or legal proceeding brought by or on behalf of or at the behest of a shareholder or shareholders of the Insured in their capacity as such.
15. Any third party claim arising from or contributed to by depreciation (or failure to appreciate) in value of any investments, including securities, commodities, currencies, options and futures transactions, or as a result of any actual or alleged representation, guarantee or warranty provided by or on behalf of the Insured as to the performance of any such investments.

It is agreed however that this Exclusion 15 shall not apply to any loss due solely to negligence on the part of an Officer or Employee of the Insured in failing to effect a specific investment transaction in accordance with the specific prior instructions of a client of the Insured.

16. Any legal liability arising from or contributed to by loss of value, surrender value or cancellation value of any leased product or service as a result of fluctuations in value of such product or service.
17. Any third party claim for the reimbursement of fees, commissions, costs or other charges paid or payable to the Insured or any third party claim based upon allegations against the Insured of excessive fees, commissions, costs or other charges.
18. Any legal liability arising from or contributed to by any failure to provide insurance of any kind, whether such failure concerns the amount, existence or adequacy of such insurance or otherwise.

It is agreed however that this Exclusion 18 shall not apply to any loss due solely to negligence on the part of an Officer or Employee of the Insured in failing to effect or maintain a specific insurance in accordance with the specific prior instructions of a client of the Insured.

19. Any third party claim emanating from any actual or attempted
 - (a) merger, purchase or acquisition of another business by the Insured, or
 - (b) purchase or sale transactions in the shares of the Insured, the Insured's parent company or any subsidiary or Affiliate,except however when the Insured is acting upon the specific instructions of a client of the Insured.
20. Any legal liability arising from or contributed to by any actual or alleged seepage, pollution or contamination of any kind.

EXTENSIONS APPLICABLE TO SECTION 3
(IF STATED IN THE SCHEDULE TO BE APPLICABLE)

1. **NORTH AMERICA – PINA 95**

Notwithstanding Specific Condition 8 to this Section, this Section excludes liability for any Claims made against the Insured arising out of Operations (as defined herein) located in North America.

An Operation located in North America is defined as a legal or physical presence in North America (whether incorporated or not) of the Insured or any of its Subsidiaries.

However, such Operation does not include:

1. Principals and/or employees of the Insured temporarily visiting North America in the course of their business providing the Policy excludes indemnity to any North American entity of the Insured;

and/or
2. the activities of the Insured's office(s) located in North America providing such office(s) does not come under the ownership, control or management of North America incorporated entity and/or partnership and provided the fee income derived from 1 and/or 2 does not exceed ten percent (10%) of the Insured's total fee income.

Notwithstanding the above, in respect of any Claim(s) made or action(s) instituted within North America upon the Insured, the following conditions shall apply for the purpose of this Section.

The Insurer shall not be liable under this extension for:-

1. any fines or penalties and/or punitive damages and/or exemplary damages and/or aggravated damages and/or any additional damages resulting from the multiplication of compensatory damages and/or any other non-compensating damages of any kind awarded against an Insured;
2. any Claim(s) based upon, caused by, arising out of, relating to, contributed to, in consequence of or in any way involving
 - 2.1 seepage, pollution or contamination of any kind;
 - 2.2 any actual or alleged violation of any responsibilities, obligations or duties imposed by the Employees Retirement Income Security Act of 1974 or any amendment thereof;

- 2.3 any actual or alleged violation of any of the provisions of the Securities Act of 1933, the Securities Exchange Act of 1934 or any similar federal or state law relating thereto;
- 2.4 any actual or alleged violation of the Racketeer Influenced and Corrupt Organisation Act 18 USC Section 1961 et sequelae and any amendments thereto or any rules or regulations promulgated thereunder.
- 2.5 any advice given on North American Law.

2. **COSTS OF MITIGATION**

The Insurer will indemnify the Insured up to 10% of Section 3's Limit of Indemnity stated in the Schedule in respect of reasonable costs incurred by the Insured, with the Insurer's written consent (which shall not be unreasonably withheld), in mitigating the consequences of any act or omission which, in the absence of such mitigation, would be likely to give rise to an indemnifiable claim in terms of this Section. The Limit of Indemnity shown in the Schedule for Section 3 shall not be increased by reason of the indemnity provided in this Extension.

Notwithstanding anything contained in the Policy to the contrary, the Insured may, prior to notifying the Insurer, immediately incur such reasonable costs of mitigation as the Insured may consider to be necessary, and it is agreed that any such incursion will not prejudice the Insured's rights to indemnity in terms of this extension or otherwise in terms of this Section, provided always that the Insurer is notified of such action and the cost thereof as soon as reasonably practicable but in any event not more than fourteen days after the incursion of the costs.

GENERAL CONDITIONS

**(APPLICABLE TO ALL SECTIONS EXCEPT WHERE SPECIFICALLY STATED TO THE CONTRARY
IN ANY SECTION OF THIS POLICY)**

1. **INTERPRETATION**

The construction, interpretation and meaning of the terms, exclusions, limitations and conditions of this Policy shall be determined in accordance with the law(s) of the Republic of South Africa or English law(s) (if the Insured is domiciled elsewhere) and in accordance with the English text as it appears in this Policy.

2. **JOINT INSURED**

- (a) If two or more Insureds are covered under this Policy, the first named Insured shall act for all Insureds. Payment by the Insurer to the first named Insured of loss sustained by any Insured shall fully release the Insurer on account of such loss. If the first named Insured ceases to be covered under this Policy, the Insured next named shall thereafter be considered as the first named Insured.
- (b) Knowledge possessed or discovery made by any Insured shall constitute knowledge or discovery by all Insureds for all purposes of this Policy.
- (c) The liability of the Insurer for a loss or losses sustained by all Insureds shall not exceed the amount for which the Insurer would have been liable had all such loss or losses been sustained by one Insured.
- (d) The Insurer shall not be liable for loss sustained by one Insured to the advantage of any other Insured.

3. **LEGAL PROCEEDINGS FOR RECOVERY OF LOSS**

If the Insurer, after completing their investigation, does not pay a loss for which the Insured believes the terms, conditions and other provisions of this Policy entitle it to recover hereunder, the Insurer at the request of the Insured, shall submit to the jurisdiction of any court of competent jurisdiction of the Republic of South Africa.

Legal proceedings for recovery of loss hereunder shall not be brought until after three months from the Insured furnishing proof of loss, as required in each Section hereof, nor after the expiration of three years from the discovery of such loss.

4. **CO-OPERATION**

As a condition precedent to its right to be indemnified under this Policy, the Insured shall co-operate fully with the Insurer and their appointed representatives in all matters pertaining to any loss or claim notified hereunder. The Insured shall, upon request and at times and places designated by the Insurer, provide for examination all pertinent records including audit records of its accounts and provide for interview any of its Employees or other persons, to the best of its ability and power. The Insured agrees to execute all papers and render all assistance to secure all rights, title, interest and causes of action as it may have against any person or entity in connection with any loss or claim notified hereunder, and to do nothing to prejudice such rights or causes of action herein.

The Insured shall do nothing after discovery of loss or receipt of a claim to prejudice such rights or causes of action.

5. **CLAIMS PREPARATION COSTS**

Notwithstanding anything to the contrary contained in any Section or Sub-section, it is hereby understood and agreed that this Insurance is extended to include costs reasonably incurred by the Insured in producing and certifying any particulars or details required to substantiate the existence and amount of any claim or loss.

The indemnity for such costs and expenses is to be:-

- a) part of and not in addition to, and
- b) not greater than ten percent (10%) of the Total Limit of Indemnity

and limited in total to the Limit of Liability stated in the Schedule.

A Deductible of R50,000 each and every claim/loss shall apply and shall be subject to no aggregate limitation.

6. **WARRANTY**

It is warranted that the statements and particulars in the Proposal Form referred to in the Schedule and any supplementary information pertaining thereto provided by or on behalf of the Insured are the basis of this Policy and shall be deemed incorporated herein.

The Insured agrees, by acceptance of this Policy:

- (a) that the statements and particulars in the Proposal Form, and any supplementary information, are their representations and that this Policy is issued in reliance upon the truth of such representations; and
- (b) that in the event of the Proposal Form, or any supplementary information, containing misrepresentations which materially affect the acceptance of risk hereunder by the Insurer this Policy shall be void in its entirety and of no effect whatsoever.

7. **OTHER INSURANCE OR INDEMNITY**

It is agreed that in the event of loss, this Policy, insofar as it covers loss also covered by other insurance or indemnity, shall only pay claims (not exceeding the Aggregate Limit of Indemnity or any applicable Sub-Limit) for the excess of the amount of such other insurance or indemnity. As excess insurance this Policy shall not apply or contribute to the payment of any loss until the amount of such other insurance or indemnity shall have been exhausted.

8. **EXCLUSIVE POLICY BENEFIT**

It is agreed that the insurance granted hereunder shall be for the exclusive benefit only of the first named Insured in the Schedule, and that in no event shall anyone other than the said Insured have any right of action under this insurance

9. **DEDUCTIBLE**

The Insurer shall be liable only in excess of the Deductible of the applicable Section or Sub-Section stated in the Schedule. In the event that more than one Section or Sub-Section shall be applicable then the largest Deductible relating to any applicable Section or Sub-Section shall apply.

The Deductible shall apply to each and every loss or claims, irrespective of the number of such losses or claims during the Period of Insurance.

10. **NOMINEES**

Loss sustained by any nominee organised by the Insured for the purpose of handling certain of its business transactions and composed exclusively of its officers, clerks or other employees shall, for all the purposes of this Policy, be deemed to be loss sustained by the Insured.

11. **INTERLOCKING**

As the Insured has purchased coverage under this Insurance AND each of the Sections or Sub-sections hereof is subject to a separate Limit of Indemnity specified in the Schedule BUT as the Insurers subscribing to this Insurance are underwriting each of the said Sections or Sub-sections AND since it is their intention not to increase or compound their coverage to the Insured, IT IS therefore agreed as follows:

- 11.1 If the Insured shall sustain any one loss and/or series of losses arising out of one or the same event, for which coverage is afforded under more than one of the Sections or Sub-section of this Insurance, it is agreed that the total aggregate liability of the Insurers under all such Sections combined for such loss and/or series of losses shall not exceed an amount equal to the highest Limit of Indemnity available to the Insured under any one of the Sections, but subject to the highest deductible applicable to any Section of this Insurance.
- 11.2 Should a loss arise which falls within the terms and conditions of paragraph 11.1 above, the individual proportion of such loss (including the Deductible) that shall be allocated to each Section or Sub-section involved shall be mutually agreed between the Insured and Insurers, and shall be taken into account in calculating the aggregate liability of Insurers in respect of each Section.
- 11.3 For the purpose of this agreement Insurers will consider any one loss and/or series of losses to arise out of the same event if any of the persons, transactions, conditions or circumstances concerned therein are (or are believed to be) either common or directly or indirectly related.

IN ANY CLAIM and in any action, suit or proceeding to enforce a claim under this Insurance for loss or damage the BURDEN OF PROVING that such loss or damage does not fall within the provisions of this Clause shall be upon the Insured.

12. **FRAUD**

If the Insured/ the Insured's Risk Manager shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, the applicable relevant Section shall be void and the particular fraudulent claim thereunder shall be forfeited.

13. **FAIS COMPLIANCE**

As a condition precedent to its right to be indemnified under this Policy, the Insured shall notify the Insurer of any investigation or related inspection by the Financial Services Board into the Insured's affairs as soon as reasonably possible. In the event that the Insured's FAIS licence is withdrawn or suspended (for whatever reason), this policy will no longer be valid and is deemed to be cancelled with effect from date of deregistration, withdrawal or suspension of the licence.

GENERAL EXTENSIONS

**(APPLICABLE TO ALL SECTIONS EXCEPT WHERE SPECIFICALLY STATED
TO THE CONTRARY IN ANY SECTION OF THIS POLICY)
(IF STATED IN THE SCHEDULE TO BE APPLICABLE)**

1. **RENEWAL PREMIUM DISCOUNT**

The Insurer will allow 10% (ten percent) discount off the initial premium paid if the Policy is renewed for a further twelve (12) month period with Phoenix Underwriting Managers (Pty) Limited, via the Broker stated in the Schedule, provided that there have been no claims or losses reported or which should have been reported in the prior Period of Insurance.

2. **AUTOMATIC REINSTATEMENT**

In the event of reduction in whole or in part of the Limit of Indemnity specified in the Schedule by reason of payment of Claims or losses including Costs and Expenses the Limit of Indemnity shall be automatically reinstated as to the amount of such reduction. The total liability of the Insurer under this Policy in respect of the Period of Insurance shall be limited to twice the amount stated in the Schedule.

If the Insured has in effect any Insurance or Insurances providing excess coverage for Limits of Indemnity beyond the amounts available under this Insurance, the reinstatement herein provided for shall become effective only AFTER the total exhaustion of the Limits of Indemnity of all such excess coverage by reason of payments thereunder.

GENERAL EXCLUSIONS APPLICABLE TO ALL SECTIONS

(EXCEPT WHERE SPECIFICALLY STATED TO THE CONTRARY IN ANY SECTION OF THIS POLICY)

This Insurance shall not indemnify the Insured in respect of:

1. any loss, damage, cost or expense of whatsoever nature arising at any time during which the Insured's FAIS licence has been withdrawn or suspended (for whatever reason);
2. loss, damage, cost or expense of whatsoever nature directly or indirectly caused by, resulting from or in connection with any of the following regardless of any other cause or event contributing concurrently or in any other sequence to the loss;
 - 1.1 war, invasion, acts of foreign enemies, hostilities or warlike operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, civil commotion assuming the proportions of or amounting to an uprising, military or usurped power; or
 - 1.2 any act of terrorism.

For the purpose of this exclusion an act of terrorism means an act, including but not limited to the use of force or violence, by any means whatsoever, including chemical and/or biochemical means, and/or the threat of such force or violence, by any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organisation(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 exclusion 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 1.1. and/or 1.2 above.

If the Insurer alleges 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 exclusion is found to be invalid or unenforceable, the remainder shall remain in full force and effect.

3. any loss or damage caused directly or indirectly by or through or in consequence of any occurrence for which a fund has been established in terms of the War Damage Insurance and Compensation Act, 1976 (No 85 of 1976) or any similar Act operative in any of the territories to which this Insurance applies;
4. Any loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss, or any legal liability of whatsoever nature directly or indirectly caused by or contributed to by or arising from:
 - 3.1 ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel; or
 - 3.2 the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.
5. any loss based upon, arising out of, directly or indirectly resulting from, in consequence of or in any way involving any employment related wrongful acts;
6. any loss based upon, arising out of, directly or indirectly resulting from, in consequence of or in any way involving any pension, risk, profit sharing or Employee benefit welfare programme or share option, share incentive scheme or trust established in whole or in part for the benefit of any directors, officers or Employees of the Insured.
7. any actual or alleged liability whatsoever for any claim or claims in respect of loss or losses directly or indirectly caused by, arising out of, resulting from, in consequence of, in any way involving, or to the extent contributed to by, the hazardous nature of asbestos in whatever form or quantity.