

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re:

STAGE STORES, INC., *et al.*,

Debtors.

Chapter 11

Case No. 20-32564-DRJ
(Jointly Administered)

STEVEN BALASIANO, AS PLAN
ADMINISTRATOR OF STAGE STORES,
INC., *et al.*,

Plaintiff,

v.

CERTAIN UNDERWRITERS AT LLOYD'S
LONDON – BRIT SYNDICATE 2987 AND
BRIT SYNDICATE 2988, EVEREST
INDEMNITY INSURANCE COMPANY,
and QBE SPECIALTY INSURANCE
COMPANY

Defendants.

ADV. PRO. NO. 22-03142

**ORIGINAL ANSWER, AFFIRMATIVE DEFENSES, AND COUNTERCLAIMS OF
DEFENDANTS AND COUNTER-PLAINTIFFS THOSE CERTAIN UNDERWRITERS
AT LLOYD'S, LONDON – BRIT SYNDICATES 2987 AND 2988, EVEREST
INDEMNITY INSURANCE COMPANY, AND QBE SPECIALTY INSURANCE
COMPANY**

TO THE HONORABLE JUDGE OF THE UNITED STATES BANKRUPTCY COURT:

COME NOW Those Certain Underwriters at Lloyd's, London subscribing to Policy
Number PD-10921-00 – Brit Syndicate 2987 and Brit Syndicate 2988 (“Brit”), Everest Indemnity
Insurance Company (“Everest”), and QBE Specialty Insurance Company (“QBE”) (collectively
referred to as “Defendant Insurers”), Defendants and Counter-Plaintiffs in the above-styled and



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numbered adversary proceeding, and file this Original Answer, Affirmative Defenses, and Counterclaims to Plaintiff's Adversary Complaint (the "Complaint") and would respectfully show the Court as follows:

I. ORIGINAL ANSWER

Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure and Rule 7008 of the Federal Rules of Bankruptcy Procedure, Defendant Insurers plead as follows concerning the averments in Plaintiff's Complaint:

1. Defendant Insurers deny the allegations in Paragraph 1 of Plaintiff's Complaint that they wrongfully denied and refused to pay a portion of the insurance claim made the subject of this adversary proceeding. Otherwise, Defendant Insurers admit the remaining allegations in Paragraph 1 solely as they pertain to Defendant Insurers. Insofar as Plaintiff makes any allegation generally against the "Carriers", Defendant Insurers are without knowledge or information sufficient to admit or deny allegations pertaining to Aspen Specialty Insurance Company ("Aspen") and Interstate Fire & Casualty Company ("Interstate"), therefore, any such allegations are denied as they pertain to Aspen and Interstate.

2. Defendant Insurers deny the allegations in Paragraph 2 of Plaintiff's Complaint that they wrongfully applied a downward adjustment of Stage Stores, Inc.'s (the "Debtor") claim made the basis of this adversary proceeding based on the "PoS Discount Amount." Defendant Insurers admit that Debtor's claim for an additional \$2,968,149.80 for PoS Discounts was denied. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

3. Defendant Insurers deny the allegations in Paragraph 3 of Plaintiff's Complaint. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

4. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 4 of Plaintiff's Complaint, therefore, they are denied.

5. Defendant Insurers are without knowledge or information sufficient to admit or deny the actions of Aspen and Interstate as alleged in Paragraph 5 of Plaintiff's Complaint, therefore, they are denied, except to admit that Aspen and Interstate paid Debtor \$539,629.80 under their respective excess policies. Defendant Insurers admit the last sentence of Paragraph 5 of Plaintiff's Complaint.

6. Defendant Insurers deny the allegations in Paragraph 6 of Plaintiff's Complaint.

7. Defendant Insurers deny the allegations and the relief asserted in Paragraph 7 of Plaintiff's Complaint.

8. Defendant Insurers deny the allegations and relief asserted in Paragraph 8 of Plaintiff's Complaint.

9. Paragraph 9 contains conclusions of law to which no response is required. Otherwise, Defendant Insurers do not consent to this Court entering a final judgment on the merits of this case and intend to move this Court to determine this matter is non-core and to move the United States District Court for the Southern District of Texas to withdraw the reference pursuant to BANK.R.P. 5011.

10. Paragraph 10 contains conclusions of law to which no response is required. Otherwise, Defendant Insurers deny that this matter constitutes a core proceeding. Defendant Insurers do not consent to this Court entering a final judgment on the merits of this case and intend

to move this Court to determine this matter is non-core and to move the United States District Court for the Southern District of Texas to withdraw the reference pursuant to BANK.R.P. 5011.

11. Paragraph 11 contains conclusions of law to which no response is required.

12. Paragraph 12 contains conclusions of law to which no response is required.

13. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 13 of Plaintiff's Complaint, therefore, they are denied.

14. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 14 of Plaintiff's Complaint, therefore, they are denied.

15. Defendant Insurers deny the allegations of Paragraph 15 of Plaintiff's Complaint. Answering further, Defendant Insurers admit Those Certain Underwriters at Lloyd's, London subscribing to Policy Number PD-10921-00 – Brit Syndicate 2987 and Brit Syndicate 2988 issued a policy to Stage Stores Inc, wherein Defendant Insurers agree to accept service of process upon Mendes & Mount, 750 Seventh Avenue, New York, N.Y. 10019-6829.

16. Defendant Insurers deny the allegations in Paragraph 16 of Plaintiff's Complaint that Everest's principal place of business is in Liberty Corner, New Jersey. Defendant Insurers admit all other allegations of Paragraph 16 of Plaintiff's Complaint.

17. Defendant Insurers admit QBE is a North Dakota Corporation as alleged in Paragraph 17 of Plaintiff's Complaint. Defendant Insurers deny QBE's principal place of business is in Sun Prairie, Wisconsin.

18. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 18 of Plaintiff's Complaint, therefore, they are denied.

19. Defendant Insurers admit the allegations in Paragraph 19 of Plaintiff's Complaint.

20. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 20 of Plaintiff's Complaint, therefore, they are denied.

21. Defendant Insurers admit the allegations in Paragraph 21 that the Court entered an order confirming Debtor's Plan. Defendant Insurers are without knowledge or information sufficient to admit or deny any allegations relating to the content of said Plan, therefore, to the extent a response in this regard is required, the allegations in Paragraph 21 are denied.

22. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 22 of Plaintiff's Complaint, therefore, they are denied.

23. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 23 of Plaintiff's Complaint, therefore, they are denied.

24. Paragraph 24 of Plaintiff's Complaint contains conclusions of law to which no response is required.

25. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 25 of Plaintiff's Complaint, therefore, they are denied.

26. Defendant Insurers admit the allegations in Paragraph 26 of Plaintiff's Complaint.

27. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 27 of Plaintiff's Complaint pertaining to Aspen and Interstate, therefore, they are denied.

28. Defendant Insurers deny the allegations in Paragraph 28, except to admit that Defendant Insurers issued to Debtor the following policies of insurance for the policy period May 1, 2017 to May 1, 2018: Policy Number PD-10921-00 subscribed to by Certain Underwriters at Lloyd's -Brit Syndicate 2987 and Brit Syndicate 2988, Everest Policy No. CA3X001135171, and QBE Policy No. CFE3968001 (the "Policies").. The Policies are the best evidence of their terms,

conditions, provisions, limitations, exclusions and endorsements. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 28 of Plaintiff's Complaint pertaining to Aspen and Interstate and the primary limit, therefore, they are denied.

29. Defendant Insurers deny the allegations in Paragraph 29 of Plaintiff's Complaint, except to admit that Defendant Insurers issued the Policies to Debtor. The Policies are the best evidence of their terms, conditions, provisions, limitations, exclusions and endorsements.

30. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 30 of Plaintiff's Complaint, except to admit that Defendant Insurers issued the Policies to Debtor. The Policies and the Statement of Values are the best evidence of the terms, conditions, provisions, limitations, exclusions and endorsements of the Policies, and the Statement of Values in effect on the date of loss is the best evidence of the locations insured under the Policy.

31. Defendant Insurers admit the allegations in Paragraph 31 of Plaintiff's Complaint.

32. Defendant Insurers admit the allegations in Paragraph 32 of Plaintiff's Complaint only as such allegations pertain to Defendant Insurers. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

33. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 33 of Plaintiff's Complaint, therefore, they are denied.

34. Defendant Insurers admit the allegations in Paragraph 34 of Plaintiff's Complaint.

35. Defendant Insurers admit the allegations in Paragraph 35 of Plaintiff's Complaint.

36. Defendant Insurers admit the allegations in Paragraph 36 of Plaintiff's Complaint that the value of inventory reported was not reduced by Point of Sale discounts. Defendant Insurers

lack knowledge or information sufficient to admit or deny the remaining allegations of Paragraph 36, therefore, they are denied.

37. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 37 of Plaintiff's Complaint, therefore, they are denied.

38. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 38 of Plaintiff's Complaint, therefore, they are denied.

39. Defendant Insurers deny the allegations in Paragraph 39 of Plaintiff's Complaint.

40. Defendant Insurers admit the allegations in Paragraph 40 of Plaintiff's Complaint.

41. Defendant Insurers admit the allegations in Paragraph 41 of Plaintiff's Complaint.

42. Paragraph 42 of Plaintiff's Complaint contains no factual averments or allegations to which a response is required, but paraphrases in Plaintiff's words the Valuation Clause alleged above in Paragraph 40 of Plaintiff's Complaint. To the extent a response is required, Defendant Insurers deny the allegations in Paragraph 42 and refer Plaintiff and the Court to the Policies. The Policies are the best evidence of their terms, conditions, provisions, limitations, exclusions and endorsements.

43. Defendant Insurers deny the allegations in Paragraph 43 of Plaintiff's Complaint.

44. Defendant Insurers deny the allegations in Paragraph 44 of Plaintiff's Complaint.

45. Defendant Insurers admit the allegations in Paragraph 45 of Plaintiff's Complaint.

46. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 46 of Plaintiff's Complaint, therefore, they are denied.

47. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 47 of Plaintiff's Complaint, therefore, they are denied.

48. Defendant Insurers are without knowledge or information sufficient to admit or deny the allegations in Paragraph 48, except to admit that the Debtor sustained a loss from physical damaged caused by Hurricane Harvey. Whether coverage exists for all the claimed damages at issue in this lawsuit exists is contested.

49. Defendant Insurers deny the allegations in Paragraph 49 of Plaintiff's Complaint. Defendant Insurers do not dispute the calculation of the additional amount claimed by Plaintiff in its Complaint, but rather whether the monies are owed at all pursuant to the terms, conditions, limitations, and exclusions of the Policies.

50. Defendant Insurers admit the allegations in Paragraph 50 of Plaintiff's Complaint as to Defendant Insurers only. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

51. Defendant Insurers admit the allegations in Paragraph 51 of Plaintiff's Complaint as to Defendant Insurers only. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

52. Defendant Insurers deny the allegations in Paragraph 52 of Plaintiff's Complaint as to Defendant Insurers only. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

53. Defendant Insurers deny the allegation in Paragraph 53 that the PoS Discount Amount was calculated solely by Defendant Insurers' forensic accountant. Defendant Insurers

admit the amount of the PoS Discount Amount as set forth in the calculation in Paragraph 53 of Plaintiff's Complaint was agreed upon by the parties' respective forensic accountants.

54. Defendant Insurers admit Debtor disputed Defendant Insurers' position that Debtor was not entitled to the PoS Discount Amount with respect to its claim for damage to its inventory. Defendant Insurers deny that Plaintiff is entitled to the PoS Discount Amount based on the "plain language of the Policies." The Policies themselves are the best evidence of their terms, conditions, provisions, limitations, exclusions and endorsements. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied.

55. Paragraph 55 contains conclusions of law to which no response is required. To the extent a response is deemed required, Exhibit F to Plaintiff's Complaint is the best evidence of its terms, conditions, provisions, limitations, exclusions and endorsements.

56. Paragraph 56 contains conclusions of law to which no response is required. To the extent a response is deemed required, Exhibit G to Plaintiff's Complaint is the best evidence of its terms, conditions, provisions, limitations, exclusions and endorsements.

57. Defendant Insurers are without knowledge or information sufficient to admit or deny allegations made by Plaintiff as they pertain to Aspen and Interstate, therefore, any such allegations are denied, except to admit Aspen and Interstate paid Debtor \$593,629.80 under their respective excess policies.

58. Defendant Insurers deny that they are required under the terms and conditions of the Policies to pay the amounts set forth in Paragraph 58 of Plaintiff's Complaint, except to admit that the percentages and amounts set forth in Paragraph 58 are accurate based on the respective

policy shares of Defendant Insurers and the Parties' forensic accountants' calculation of PoS Discounts.

59. Defendant Insurers admit the allegations in Paragraph 59 of Plaintiff's Complaint.

60. Defendant Insurers admit the allegations in Paragraph 60 of Plaintiff's Complaint.

61. Defendant Insurers deny the allegations in Paragraph 61 of Plaintiff's Complaint.

62. Defendant Insurers deny the allegations in Paragraph 62 of Plaintiff's Complaint.

63. Defendant Insurers deny the allegations in Paragraph 63 of Plaintiff's Complaint.

64. Defendant Insurers deny the allegations in Paragraph 64 of Plaintiff's Complaint.

65. Defendant Insurers deny the allegations in Paragraph 65 of Plaintiff's Complaint.

66. Defendant Insurers adopt and incorporate their responses to Paragraphs 1–65 in response to Paragraph 66 of Plaintiff's Complaint.

67. Paragraph 67 contains statements of law to which no response is required. Otherwise, they are denied.

68. Defendant Insurers deny that Plaintiff is entitled to the relief requested by Plaintiff in Paragraph 68 of Plaintiff's Complaint.

69. Defendant Insurers deny the allegations set forth in Paragraph 69 of Plaintiff's Complaint.

70. Defendant Insurers adopt and incorporate their responses to Paragraphs 1–65 in response to Paragraph 70 of Plaintiff's Complaint.

71. Defendant Insurers admit the allegations in the first sentence of Paragraph 71 of Plaintiff's Complaint solely to the extent Debtor paid premium due on the Policies. Defendant Insurers deny the remaining allegations in Paragraph 71 of Plaintiff's Complaint.

72. Defendant Insurers deny the allegations in Paragraph 72 of Plaintiff's Complaint.

73. Defendant Insurers deny all the allegations of Paragraph 73 of Plaintiff's Complaint, including any subparts.

74. Defendant Insurers adopt and incorporate their responses to Paragraphs 1–65 in response to Paragraph 74 of Plaintiff's Complaint.

75. Paragraph 75 of Plaintiff's Complaint contains statements of law to which no response is required. Otherwise, Defendant Insurers deny the allegations in Paragraph 75.

76. Defendant Insurers deny the allegations in Paragraph 76 of Plaintiff's Complaint.

77. Defendant Insurers deny the allegations and relief asserted in Paragraph 77 of Plaintiff's Complaint.

78. Defendant Insurers deny that Plaintiff is entitled to any of the relief asserted and requested in its Prayer in Plaintiff's Complaint.

II. STATEMENT OF NON-CONSENT

79. Pursuant to FED. R.BANKR. P. 7012(b), Defendant Insurers do not consent to entry of final order or judgment by the bankruptcy court.

III. AFFIRMATIVE DEFENSES

FIRST AFFIRMATIVE DEFENSE

80. Pursuant to Federal Rule of Civil Procedure 12(b)(6) and FED. R. BANKR. P. 7012, Plaintiff's claims and causes of action are barred, in whole or in part, because Plaintiff's Complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

81. Plaintiff's claims are barred or limited, in whole or in part, by the terms, conditions, exclusions and limitations in Defendant Insurers' Policies, which are attached hereto as Exhibit A–C, and incorporated in this pleading as if fully set forth herein verbatim. Defendant Insurers'

policies are the best evidence of their terms, conditions, limitations and exclusions, and are incorporated herein verbatim for all purposes.

THIRD AFFIRMATIVE DEFENSE

82. Plaintiff's claims are barred, in whole or in part, by the doctrines of waiver and estoppel.

FOURTH AFFIRMATIVE DEFENSE

83. Plaintiff's claims are barred, in whole or in part, because to permit Plaintiff to recover the Point of Sale Discount Amount from Defendant Insurers would constitute a windfall.

FIFTH AFFIRMATIVE DEFENSE

84. Plaintiff's claims are barred, in whole or in part, to the extent Plaintiff claims the Policies are ambiguous, by the doctrine of *contra proferentem* as the policies were not drafted by Defendant Insurers but were required by Debtor to be used by Debtor's property insurers. Therefore, any ambiguity should be construed against Debtor and not against Defendant Insurers.

SIXTH AFFIRMATIVE DEFENSE

85. Plaintiff's claims are barred, in whole or in part, to the extent Plaintiff seeks actual damages exceeding the PoS Discount Amount¹ minus payments made to it for the PoS Discount Amount claimed by Aspen and Interstate, because the PoS Discount amount was calculated and agreed upon by the parties' forensic accountants.

SEVENTH AFFIRMATIVE DEFENSE

86. Plaintiff's claims are barred, in whole or in part, by Defendant Insurers' proper application of the Valuation provision in the Policies, which states:

III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

¹ The PoS Discount Amount is set forth in Paragraph 2 of Plaintiff's Complaint as \$2,968,149.80.

8. VALUATION

At time of loss, the basis of adjustment shall be as follows:

F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

EIGHTH AFFIRMATIVE DEFENSE

87. Plaintiff's claims are barred, in whole or in part, because even if Plaintiff's interpretation of the Valuation provision is accepted, PoS Discounts, based on historical sales data of Debtor, certainly would have been taken and thus Defendant Insurers would be permitted to adjust the amount of Debtor's claim for damaged inventory by the PoS Discount Amount.

NINTH AFFIRMATIVE DEFENSE

88. Plaintiff's claims are barred, in whole or in part, by the affirmative defense of payment.

IV. DEFENDANT INSURERS' COUNTERCLAIMS

89. For their Counterclaims, Defendant Insurers allege as follows:

A. Parties

90. Certain Underwriters at Lloyd's, London subscribing to Policy Number PD-10921-00 – Brit Syndicates 2987 and Brit Syndicate 2988, are unincorporated associations whose principal place of business is London, England.

91. Everest Indemnity Insurance Company is a Delaware Corporation with its principal place of business in Warren, New Jersey.

92. QBE Specialty Insurance Company is a North Dakota corporation with its principal place of business in New York, New York.

93. The foregoing Defendant Insurers have made an appearance herein by the filing of their answer to Plaintiff's Complaint.

94. Plaintiff/Counter-Defendant is Steven Balasiano, the Plan Administrator of Stage Stores, Inc. and Specialty Retailers, Inc., Debtors in the above-referenced and jointly-administered bankruptcy case.

B. Jurisdiction

95. Pursuant to 28 U.S.C. § 1334, jurisdiction properly lies within the United States District Court for the Southern District of Texas as this case is related but does not arise out of title 11. As stated above, Counter-Plaintiff Insurers deny that this is a core proceeding, and that the bankruptcy court has jurisdiction over this matter. Counter-Plaintiff Insurers do not consent to the bankruptcy court entering final judgment on the merits of this case and file contemporaneously herewith a Motion to Determine the Adversary Proceeding Non-Core in advance of moving the District Court to withdraw the reference.

C. Venue

96. Venue is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

D. Factual Background

97. Debtor Stage Stores, Inc. ("Debtor") alleges it is a Houston-based retailer which offered moderately-priced, nationally recognized brand name and private label apparel, accessories, cosmetics and footwear. It operated approximately 850 stores in 40 states. In August

2017, several of its stores and inventory were damaged by the winds and/or flooding associated with Hurricane Harvey. Debtor's property insurers, including Counter-Plaintiff Insurers, which are excess of Debtor's primary insurers, have made payments totaling \$11,979,191.39 on the resulting insurance claims.

98. To facilitate evaluation of Debtor's property loss, forensic accountants were retained on Counter-Plaintiff Insurers' behalf. The Debtor also retained a forensic accountant for this purpose.

99. The forensic accountants retained by Counter-Plaintiff Insurers and Debtor calculated and agreed on a valuation of \$2,864,578.78 in Point of Sale Discounts ("PoS Discounts") applicable to Debtor's damaged inventory. These PoS Discounts, based on the Debtor's historical sales data, would have been taken on sales of Debtor's inventory had no loss occurred.

100. Debtor made a claim for payment of the PoS Discounts calculated by the forensic accountants. On June 6, 2019, Sedgwick advised Debtor that Counter-Plaintiff Insurers did not agree to payment of the PoS Discounts for their respective policy shares. Counter-Plaintiff Insurers thus declined coverage for the PoS Discounts element of Debtor's claim, based on the Policies.

101. The Policies were issued separately by Counter-Plaintiff Insurers to Debtor for the policy period May 1, 2017 to May 1, 2018. The Policies were not drafted or prepared by Counter-Plaintiff Insurers. Instead, Debtor's agent, Aon Risk Services, Inc. ("Aon"), in submitting the risk to Counter-Plaintiff Insurers, required Counter-Plaintiff Insurers to use the policy forms that are made part of the Policies. As such, Counter-Plaintiff Insurers were required by Debtor to use the Valuation provision that is at issue in this adversary proceeding.

102. With respect to the Debtor's inventory valuation, the Debtor reported the selling price of inventory at the retail price less a permanent discount of 20%. For example, if the retail price of an item is \$10.00 and the permanent discount is 20%, the selling price would be \$8.00. This methodology of valuation is consistent with the Total Insured Values ("Statement of Values") that was submitted by Aon in support of the Debtor's May 1, 2017 policy renewal as Item No. 3 of Stage Stores, Inc. Property/Boiler & Machinery Insurance Program submission. A copy of the Statement of Values excerpt is attached hereto as Exhibit D. This Statement of Values states, "Please note, **Stage Stores reports their inventory at selling cost** and does not include Business Interruption values as apart [sic] of their statement of values." (emphasis added).²

103. Based on Counter-Plaintiff Insurer's coverage determination, Debtor's coverage counsel, on January 24, 2020, sent the undersigned a letter setting forth Debtor's coverage position regarding the PoS Discounts. As it has done in this adversary proceeding, Debtor's counsel asserted the position that Counter-Plaintiff Insurers could only discount the value of damaged inventory if the customer "would certainly use" the discount.

104. On February 20, 2020, the undersigned responded to Debtor's counsel's letter and advised that Debtor's interpretation of the Policies is unreasonable.

105. The Valuation Clause at issue in the Policies states:

III. **POLICY LOSS ADJUSTMENT AND SETTLEMENT**

8. VALUATION

At time of loss, the basis of adjustment shall be as follows:

- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory

² Exhibit D.

at the time of loss only, and not a percentage applied to the total inventory loss.

106. Debtor's asserted interpretation of this provision, if accepted, would render the portion of the provision regarding payment of the selling price less discounts meaningless. Because Debtor reports the selling price of inventory to already include the permanent 20 % discount, under Debtor's interpretation, no other discount which could conceivably be used by a customer at the customer's discretion could ever be considered for purposes of adjusting the value of inventory after a loss. By attempting to insert the word "certainly" into the Valuation provision, Plaintiff/Debtor is attempting to improperly re-write the Policies which it required Counter-Plaintiff Insurers to use.

107. The contractual interpretation offered by Plaintiff and Counter-Defendant, if applied, will yield an absurd result, contrary to the rules of construction for insurance policies. Plaintiff and Counter-Defendant is not entitled to the Point of Sale Discount Amount.

E. Causes of Action

DECLARATIONS SOUGHT

108. Counter-Plaintiff Insurers incorporate the allegations in paragraphs 97 through 107 above. Defendant Insurers seek the following declarations from the Court:

- a. The Valuation provision of Counter-Plaintiff Insurers' Policies for Finished Stock expressly contemplates adjustment of the selling price for physically damaged inventory and permits Defendant Insurers and Counter-Plaintiffs to discount from the selling price of Debtor's inventory the Point of Sale Discounts.
- b. The Valuation provision of Counter-Plaintiff Insurers policies is not ambiguous because Counter-Plaintiff Insurers interpretation of the Valuation provision for Finished Stock is the only reasonable interpretation.

- c. The Valuation provision language “selling price less discounts to which the goods would have been subject had no loss occurred” includes PoS Discounts.
- d. The Debtor is not entitled to payment of \$2,374,521.00 by Counter-Plaintiff Insurers for PoS Discounts applicable to damaged inventory.
- e. Alternatively, if the Court determines the Valuation provision for Finished Stock is ambiguous, the ambiguity should not be construed against Counter-Plaintiff Insurers because Debtor’s agents prepared the Policies and Counter-Plaintiff Insurers were required to use them to insure Debtor.

These declarations are based upon information currently available to Defendant Insurers and are not necessarily the only declarations which may be necessary as discovery proceeds and the case moves toward trial.

PRAYER FOR RELIEF

FOR THE REASONS STATED, Defendant Insurers pray that the Plaintiff take nothing by its suit. Defendant Insurers further requests that the Court enter judgment in favor of Defendant Insurers and that the Court enter the following declarations:

- a. The Valuation provision of Counter-Plaintiff Insurers’ Policies for Finished Stock expressly contemplates adjustment of the selling price for physically damaged inventory and permits Defendant Insurers and Counter-Plaintiffs to discount from the selling price of Debtor’s inventory the Point of Sale Discounts.
- b. The Valuation provision of Counter-Plaintiff Insurers policies is not ambiguous because Counter-Plaintiff Insurers interpretation of the Valuation provision for Finished Stock is the only reasonable interpretation.
- c. The Valuation provision language “selling price less discounts to which the goods would have been subject had no loss occurred” includes PoS Discounts.
- d. The Debtor is not entitled to payment of \$2,374,521.00 by Counter-Plaintiff Insurers for PoS Discounts applicable to damaged inventory.
- e. Alternatively, if the Court determines the Valuation provision for Finished Stock is ambiguous, the ambiguity should not be construed against Counter-Plaintiff Insurers because Debtor’s agents prepared the Policies and Counter-Plaintiff Insurers were required to use them to insure Debtor.

Defendant Insurers further request that they be awarded their costs and attorneys' fees and for such further relief as justice may require.

Respectfully submitted,

/s/ Carter L. Ferguson

Carter L. Ferguson
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(817) 338 1700
FAX (817) 870 2265

ATTORNEYS FOR DEFENDANT INSURERS

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was sent to all parties and counsel of record, pursuant to the Federal Rules of Civil Procedure and Local Bankruptcy Rules of Procedure via electronic service.

DATED this 17th day of June 2022.

/s/ Jerrod L. Rinehart

Carter L. Ferguson

Jerrod L. Rinehart

1401024-v10/10810-148000



Lloyd's Certificate

This Insurance is effected with certain Underwriters at Lloyd's, London—Brit Syndicate-2987 and Brit Syndicate 2988

This Certificate is issued in accordance with the limited authorization granted to the Correspondent by certain Underwriters at Lloyd's, London whose syndicate numbers and the proportions underwritten by them can be ascertained from the office of the said Correspondent (such Underwriters being hereinafter called "Underwriters") and in consideration of the premium specified herein, Underwriters hereby bind themselves severally and not jointly, each for his own part and not one for another, their Executors and Administrators.

The Assured is requested to read this Certificate, and if it is not correct, return it immediately to the Correspondent for appropriate alteration.

All inquiries regarding this Certificate should be addressed to the following Correspondent:

Brit Global Specialty USA
161 N. Clark Street, Suite 3200
Chicago, IL 60601

(SLC-3-USA-NMA2868 (PD) 0513)



CERTIFICATE PROVISIONS

1. **Signature Required.** This Certificate shall not be valid unless signed by the Correspondent on the attached Declaration Page.
2. **Correspondent Not Insurer.** The Correspondent is not an Insurer hereunder and neither is nor shall be liable for any loss or claim whatsoever. The Insurers hereunder are those Underwriters at Lloyd's, London whose syndicate numbers can be ascertained as hereinbefore set forth. As used in this Certificate "Underwriters" shall be deemed to include incorporated as well as unincorporated persons or entities that are Underwriters at Lloyd's, London.
3. **Cancellation.** If this Certificate provides for cancellation and this Certificate is cancelled after the inception date, earned premium must be paid for the time the insurance has been in force.
4. **Service of Suit.** It is agreed that in the event of the failure of the Underwriters hereon to pay any amount claimed to be due hereunder, the Underwriters hereon, at the request of the Assured will submit to the jurisdiction of a Court of competent jurisdiction within the United States. Nothing in this Clause constitutes or should be understood to constitute a waiver of Underwriters' rights to commence an action in any Court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another Court as permitted by the laws of the United States or of any State in the United States.

It is further agreed that service of process in such suit may be made upon Mendes & Mount, 750 Seventh Avenue, New York, N.Y. 10019-6829* and/or their nominees and that in any suit instituted against any one of them upon this contract, Underwriters will abide by the final decision of such Court or of any Appellate Court in the event of any appeal.

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

Further, pursuant to any statute of any state, territory or district of the United States which makes provision thereof, Underwriters hereon hereby designate the Superintendent, Commissioner or Director of Insurance or other officer specified for that purpose in the statute, or his successor or successors in office, as their true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Assured or any beneficiary hereunder arising out of this contract of insurance and hereby designate the above-named as the person to whom the said officer is authorised to mail such process or a true copy thereof.
5. **Assignment.** This Certificate shall not be assigned either in whole or in part without the written consent of the Correspondent endorsed hereon.
6. **Attached Conditions Incorporated.** This Certificate is made and accepted subject to all the provisions, conditions and warranties set forth herein, attached or endorsed, all of which are to be considered as incorporated herein.
7. **Short Rate Cancellation.** If the attached provisions provide for cancellation, the table below will be used to calculate the short rate proportion of the premium when applicable under the terms of cancellation.

Short Rate Cancellation Table For Term of One Year.

Days Insurance in Force	Per Cent of one year Premium	Days Insurance in Force	Per Cent of one year Premium	Days Insurance in Force	Per Cent of one year Premium	Days Insurance in Force	Per Cent of one year Premium
1	5%	66 - 69.....	29%	154 - 156.....	53%	256 - 260	77%
2	6	70 - 73.....	30	157 - 160.....	54	261 - 264	78
3 - 4	7	74 - 76.....	31	161 - 164.....	55	265 - 269	79
5 - 6	8	77 - 80.....	32	165 - 167.....	56	270 - 273 (9 mos)	80
7 - 8	9	81 - 83.....	33	168 - 171.....	57	274 - 278	81
9 - 10	10	84 - 87.....	34	172 - 175.....	58	279 - 282	82
11 - 12	11	88 - 91 (3 mos)	35	176 - 178.....	59	283 - 287	83
13 - 14	12	92 - 94.....	36	179 - 182 (6 mos)	60	288 - 291	84
15 - 16	13	95 - 98.....	37	183 - 187.....	61	292 - 296	85
17 - 18	14	99 - 102.....	38	188 - 191.....	62	297 - 301	86
19 - 20	15	103 - 105.....	39	192 - 196.....	63	302 - 305 (10 mos)	87
21 - 22	16	106 - 109.....	40	197 - 200.....	64	306 - 310	88
23 - 25	17	110 - 113.....	41	201 - 205.....	65	311 - 314	89
26 - 29	18	114 - 116.....	42	206 - 209.....	66	315 - 319	90
30 - 32 (1 mos)	19	117 - 120.....	43	210 - 214 (7 mos)	67	320 - 323	91
33 - 36	20	121 - 124 (4 mos)	44	215 - 218.....	68	324 - 328	92
37 - 40	21	125 - 127.....	45	219 - 223.....	69	329 - 332	93
41 - 43	22	128 - 131.....	46	224 - 228.....	70	333 - 337 (11 mos)	94
44 - 47	23	132 - 135.....	47	229 - 232.....	71	338 - 342	95
48 - 51	24	136 - 138.....	48	233 - 237.....	72	343 - 346	96
52 - 54	25	139 - 142.....	49	238 - 241.....	73	347 - 351	97
55 - 58	26	143 - 146.....	50	242 - 246 (8 mos)	74	352 - 355	98
59 - 62 (2 mos)	27	147 - 149.....	51	247 - 250.....	75	356 - 360	99
63 - 65	28	150 - 153 (5 mos)	52	251 - 255.....	76	361 - 365 (12 mos)	100

Rules applicable to insurance with terms less than or more than one year:

- A. If insurance has been in force for one year or less, apply the short rate table for annual insurance to the full annual premium determined as for insurance written for a term of one year.
- B. If insurance has been in force for more than one year:
 1. Determine full annual premium as for insurance written for a term of one year.
 2. Deduct such premium from the full insurance premium, and on the remainder calculate the pro rata earned premium on the basis of the ratio of the length of time beyond one year the insurance has been in force to the length of time beyond one year for which the policy was originally written.
 3. Add premium produced in accordance with items (1) and (2) to obtain earned premium during full period insurance has been in force.

8. Conformity Clause. It is hereby noted and agreed that:

- The words “the Policy” or “this Policy” as they may appear herein shall be deemed to read “this Certificate”.
- The words “Insured” and “Insurance Company” or “Company” as they may appear herein shall be deemed to read “Assured” and “Underwriter” respectively.

**This Declaration Page is attached to and forms part of Certificate provisions
(SLC-3-USA-NMA2868 (PD) 0513)**

Certificate Number: PD-10921-00

Previous Policy Number: N/A

Authority Reference Number: B0356JV134K17A000
B0356JJ520X17A000

1. Assured's Name and address

Stage Stores Inc
2425 West Loop South
Houston, TX 77027

2. Policy Period

Effective Date: 01-MAY-2017 **Expiration Date:** 01-MAY-2018

Both days at 12:01a.m. local standard time

3. Insurance is effective with certain UNDERWRITERS AT LLOYD'S, LONDON – BRIT SYNDICATE 2987.

Percentage: 70.00%

And BRIT SYNDICATE 2988.

Percentage: 30.00%

4. Limits of Liability and Underlying Amount(s) (Deductibles, SIR or Primary Amounts)

Layer 1: \$4,950,000 (33.00%) part of \$15,000,000 excess of \$10,000,000

5. Locations Covered:

As per the most current Statement of Values on file with Brit Global Specialty USA-Property Direct.

6. Joint Assured: If more than one individual, firm, corporation, or other entity is named as an **Assured** in this Policy, the first **Assured** named above shall act for all purposes of this policy.

7. Loss Payable Clause: Loss, if any, to be adjusted only with the Assured and payable to the Assured.

8. Policy Premium (Excluding Terrorism): \$36,300
Terrorism Premium: \$ N/A

Policy Fee: \$ N/A
Catastrophe Modeling Fee: \$0.00
Inspection Fee: \$0.00

Total Due: \$36,300

9. Minimum Earned Premium: 25.00%

This premium is based on: \$1,326,404,593 of total insurable values reported to the **Underwriter** by the **Assured** in the application or request for this insurance as shown in item 5. Locations Covered above.

10. Forms and endorsements attached hereto and special conditions

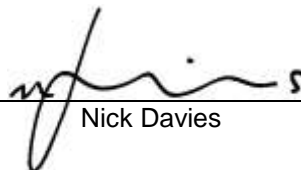
<u>Form</u>	<u>Edition Date</u>	<u>Form / Endorsement Name</u>
NMA2868	0513	Certificate Declarations
LMA5096		Several Liability Clause
800006	06-16	Complaints Procedure
800001	0513	Notice of Claim or Incident Form-A
800005	0513	US Treasury Dept's Office of Foreign Assets Control - OFAC
550016	0513	Electronic Data Endt-Named Perils and All Risk
550022	0513	Electronic Date Recognition Exclusion Endt-All Risk
550021	0513	Nuclear-Chemical-and Biological Exclusion Endt
550013	0513	Minimum Earned Premium Clause
LMA5219	0115	US Terrorism Risk Insurance Act Of 2002 As Amended Not Purchased Clause
		Manuscript Policy Form for the account Stage Stores, Inc

11. Service of Suit

Mendes & Mount LLP 750 Seventh Avenue, New York, NY, 10019 or as agreed by Brit Syndicates Limited and as dictated by Lloyd's regulations.

Dated: 09-JUN-2017

by



Nick Davies



One Lime Street London EC3M 7HA

SEVERAL LIABILITY CLAUSE

PLEASE NOTE - This notice contains important information. PLEASE READ CAREFULLY

The liability of an insurer under this contract is several and not joint with other insurers party to this contract. An insurer is liable only for the proportion of liability it has underwritten. An insurer is not jointly liable for the proportion of liability underwritten by any other insurer. Nor is an insurer otherwise responsible for any liability of any other insurer that may underwrite this contract.

The proportion of liability under this contract underwritten by an insurer (or, in the case of a Lloyd's syndicate, the total of the proportions underwritten by all the members of the syndicate taken together) is shown in this contract.

In the case of a Lloyd's syndicate, each member of the syndicate (rather than the syndicate itself) is an insurer. Each member has underwritten a proportion of the total shown for the syndicate (that total itself being the total of the proportions underwritten by all the members of the syndicate taken together). The liability of each member of the syndicate is several and not joint with other members. A member is liable only for that member's proportion. A member is not jointly liable for any other member's proportion. Nor is any member otherwise responsible for any liability of any other insurer that may underwrite this contract. The business address of each member is Lloyd's, One Lime Street, London EC3M 7HA. The identity of each member of a Lloyd's syndicate and their respective proportion may be obtained by writing to Market Services, Lloyd's, at the above address.

Although reference is made at various points in this clause to "this contract" in the singular, where the circumstances so require this should be read as a reference to contracts in the plural.

LMA5096 (Combined Certificate)

7 March 2008

Complaints Procedure

We strive to provide an excellent service to all *Our* customers but occasionally things can go wrong. We take all concerns seriously and endeavour to resolve all customers' problems promptly. If *You* have a question or concern about *Your* policy *You* should, in the first instance follow the guidance notes or instructions in the insurance documentation *You* have been sent. *Your* broker will also be able to advise *You* and provide assistance in this regard.

Alternatively, if *You* wish to contact *Us* directly *You* should either write or telephone:

The Complaints Department
Brit Syndicates Limited
The Leadenhall Building
122 Leadenhall Street
London EC3V 4AB

Telephone: 0044 (0) 20 385 70000
Facsimile: 0044 (0) 20 385 70001
Email: BGS.Complaints@britinsurance.com

In the unlikely event that *You* remain dissatisfied and wish to make a complaint *You* can do so at any time by referring the matter to *Us* at the above stated address or the Complaints Team at Lloyd's at the following address:

Complaints
Lloyd's
One Lime Street
London EC3M 7HA

Email: complaints@lloyds.com
Telephone: 0044 (0)20 7327 5693
Fax: 0044 (0)20 7327 5225
Website: www.lloyds.com/complaints

Details of Lloyd's complaints procedure are set out in a leaflet "Your Complaint - How We Can Help" available at www.lloyds.com/complaints and are also available from the above address.

Should *You* remain dissatisfied after Lloyd's has considered your complaint and *You* are NOT a policyholder in the UK, *You* should, in the first instance, seek advice from *Your* broker_as to whom *You* should direct your complaint.



Notice of Claim or Incident Form – 800001 05-13

An important value of your insurance coverage is the ability of your insurance company to respond quickly when you have a claim.

Please forward immediately to the addresses below any notice(s) of claim or incident that may be of such sufficient size or nature that it might involve this property certificate.

North American Risk Services
P.O. Box 166002
Altamonte Springs, FL 32716-6002
Attn: Claims / New Loss Unit

and

Brit Global Specialty USA – Property Direct
161 North Clark Street, Suite 2900
Chicago, IL 60601
Attn: Claims Department

You may also call or email your notice of claim or incident to the following:

North American Risk Services, Inc.
Phone: 1 (800)315-6090 x1384

and

Brit Global Specialty USA – Property Direct
Phone: 1.312.577.9457
EMAIL: propdir.claims@britinsurance.com



CERTIFICATEHOLDER MESSAGE

U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC")

No coverage is provided by this Certificateholder Message nor can it be construed to replace any provisions of your Certificate. You should read your Certificate and review your Declarations page for complete information on the coverages you are provided.

This Message provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Message carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions Certificate, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

As "Specifically Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other Assured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance Certificate is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.



THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

ELECTRONIC DATA ENDORSEMENT – NAMED PERIL AND ALL RISK

1. Electronic Data Exclusion

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

- a) This Certificate does not insure loss, damage, destruction, distortion, erasure, corruption or alteration of **Electronic Data** from any cause whatsoever (including but not limited to **Computer Virus**) or loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom, regardless of any other cause or event contributing concurrently or in any other sequence to the loss.

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

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

- b) However, in the event that a peril listed below results from any of the matters described in paragraph a) above, this Certificate, subject to all its terms, conditions and exclusions will cover physical damage occurring during the Certificate period to property Assured by this Certificate directly caused by such listed peril.

Listed Perils:

Fire
Explosion

2. Electronic Data Processing Media Valuation

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

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

ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED.

Date 06/09/2017



THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

Electronic Date Recognition Exclusion Endorsement - All Risk

It is hereby understood and agreed that:

- A.** This Certificate does not apply, in whole or in part, to any injury, damage, loss, claim, cost or expense, whether preventative, remedial, replacement, statutorily mandated or otherwise, directly or indirectly arising out of, resulting from, related to or involving:
- 1.** Any actual, alleged, anticipated, potential or threatened failure, malfunction, inadequacy or degradation in performance of:
- a.** Any of the following, whether owned, used, licensed, leased by or to, or in the care, custody or control of the **Assured** or any other person or entity, including those for whom the **Assured** is or may be responsible or legally liable:
- 1) All computer software;
 - 2) All middleware;
 - 3) All computer hardware and computer peripherals
 - 4) Any device that stores, retrieves, processes, transmits or presents data, including but not limited to embedded chips, microprocessors, mainframe computers, personal computers, computer networks, local and wide area networks, routers, hubs, switches and bridges and any and all like or related items, including components thereof; or
 - 5) Any other computerized or electronic equipment, components or devices; or
- b.** Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph **A.1.a.** of this endorsement;

due to the inability to correctly recognize, process, distinguish, interpret or accept any data containing dates, date changes or date values prior to, during or after the year 2000, including but not limited to, leap year calculations;

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to assess, rectify, test for or monitor that which is described in paragraph A.1. of this endorsement.
3. Any rendering of or failure to render advice, consultation or review concerning a person's or entity's obligations to report, respond, disclose or otherwise address that which is described in paragraph **A.1.** of this endorsement;
4. Any wrongful or inaccurate disclosure or failure to disclose the impact or potential impact on the **Assured's** operations as a result of that which is described in paragraph **A.1.** of this endorsement; or
5. Any actual or alleged failure to exercise appropriate business judgment in relation to that which is described in paragraph **A.1.** of this endorsement.

However, this exclusion does not apply to ensuing loss or damage resulting from one of the following causes of loss:

- a. Fire, lightning, explosion, windstorm, hail and theft;
- b. Smoke, aircraft or vehicles, riot or civil commotion;
- c. Vandalism, leakage from fire extinguishing equipment, sinkhole collapse;
- d. Volcanic action, falling objects, weight of snow, ice or sleet;
- e. Water damage, elevator collision resulting from mechanical breakdown;

if such loss would otherwise be covered by this Certificate.

ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED



THIS ENDORSEMENT CHANGES THE CERTIFICATE. PLEASE READ IT CAREFULLY.

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

NUCLEAR, CHEMICAL AND BIOLOGICAL EXCLUSION ENDORSEMENT

It is hereby understood and agreed that the following exclusions are added to this Certificate.

This Certificate does not insure against:

- A. Loss or damage arising directly or indirectly from nuclear detonation, reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by, any physical loss or damage insured against by this Certificate, however such nuclear detonation, reaction, nuclear radiation or radioactive contamination may have been caused. This exclusion replaces any other nuclear detonation, nuclear reaction, nuclear radiation or radioactive contamination exclusions found elsewhere in this Certificate.
- B. Loss or damage arising directly or indirectly from the dispersal, application or release of, or exposure to, chemical or biological materials or agents, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, whether such loss be direct or indirect, proximate or remote or be in whole or in part caused by, contributed to, or aggravated by, any physical loss or damage insured against by this Certificate, however such dispersal, application, release or exposure may have been caused.

ALL OTHER TERMS AND CONDITIONS OF THIS CERTIFICATE REMAIN UNCHANGED.

Date 06/09/2017



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ASSURED: Stage Stores Inc

CERTIFICATE NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Certificate unless otherwise stated herein:

MINIMUM EARNED PREMIUM CLAUSE

It is hereby understood and agreed that this policy is written subject to a 25.00% Minimum Earned Premium, regardless of time in force.

Minimum Earned Premium:	\$ 7,791.75
Fully Earned Fees:	\$ 0.00
Total:	\$ 7,791.75

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.

Date: 06/09/2017



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ASSURED: Stage Stores Inc

POLICY NUMBER: PD-10921-00

This endorsement is effective on the inception date of this Policy unless otherwise stated herein:

U.S. TERRORISM RISK INSURANCE ACT OF 2002 AS AMENDED
NOT PURCHASED CLAUSE

This Clause is issued in accordance with the terms and conditions of the "U.S. Terrorism Risk Insurance Act of 2002" as amended as summarized in the disclosure notice.

It is hereby noted that the Underwriters have made available coverage for "insured losses" directly resulting from an "act of terrorism" as defined in the "U.S. Terrorism Risk Insurance Act of 2002", as amended ("TRIA") and the Insured has declined or not confirmed to purchase this coverage.

This Insurance therefore affords no coverage for losses directly resulting from any "act of terrorism" as defined in TRIA except to the extent, if any, otherwise provided by this policy.

All other terms, conditions, insured coverage and exclusions of this Insurance including applicable limits and deductibles remain unchanged and apply in full force and effect to the coverage provided by this Insurance.

LMA5219
12 January 2015

STAGE STORES, INC.

Global Property Insurance Policy

Policy # PD-10921-00

(Including Boiler and Machinery)

Insurer/Security:

Certain Underwriters at Lloyd's, London-Brit Syndicate 2987
Certain Underwriters at Lloyd's, London-Brit Syndicate 2988

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

I. SUPPLEMENTAL DECLARATIONS

1. NAMED INSURED AND MAILING ADDRESS

Stage Stores, Inc. and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured hereunder, except as hereinafter excluded.

Physical loss or damage shall include any destruction, distortion or corruption of any computer data, coding, program or software except as hereinafter excluded.

5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

\$1,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated in the State of California.
\$10,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated in High Hazard Earthquake Zones .
\$50,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated outside High Hazard Earthquake Zones .

Earthquake limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

\$10,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by flood for property situated in High Hazard Flood Zones per Endorsement #7.
\$50,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by flood for property situated outside High Hazard Flood Zones .

Flood limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Flood zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

\$250,000	per occurrence	and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense
\$1,000,000	per occurrence	as respects Accounts Receivable
\$100,000	per occurrence	as respects Asbestos Removal (after a covered loss under this policy)
\$10,000,000	per occurrence	as respects Gross Earnings or Loss of Profits
\$5,000,000	per occurrence	as respects Civil or Military Authority
\$10,000,000	per occurrence	as respects Contingent Time Element, including Attraction Properties for direct customers and suppliers , worldwide.
\$10,000,000	per occurrence	as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater.
		Demolition and Increased Cost of Construction
Included	per occurrence	as respects the value of the undamaged property - clause F.1)
Included	per occurrence	as respects the cost of demolishing the undamaged property - clause F.2)

\$10,000,000	per occurrence	as respects the increased cost of repair or reconstruction - clause F.3)
\$10,000,000	per occurrence	as respects the increase in Time Element loss – clause F.4)
\$1,000,000	per occurrence	as respects Exhibition and Trade Show
\$10,000,000	per occurrence	as respects Expediting Expense
\$1,000,000	per occurrence	as respects Extended Increased Cost of Construction
\$25,000,000	per occurrence	as respects Extra Expense
\$500,000	per occurrence	as respects Fine Arts however \$25,000 any one item unless on file with company.
Included	per occurrence	as respects Fire Brigade Charges and Extinguishing Expenses
\$2,500,000	per occurrence	as respects Impounded Water
\$5,000,000	per occurrence	as respects Ingress/Egress
\$1,000,000	per occurrence	as respects Land Improvements
\$5,000,000	per occurrence	as respects Leasehold Interest
Included	per occurrence	as respects Personal Property of Employees
\$5,000,000	per occurrence	as respects Professional Fees
\$10,000,000	per occurrence	as respects Property While in the Course of Construction
\$2,500,000	per occurrence	as respects Protection and Preservation of Property – Time Element
\$1,000,000	per occurrence	as respects Royalties
\$5,000,000	per occurrence	as respects Service Interruption/Off Premise Power
\$1,000,000	per occurrence	and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption
\$5,000,000	per occurrence	as respects Transit
\$500,000	per conveyance	as respects Transit (Each railroad car or trailer shall be considered a separate conveyance)
\$5,000,000	per occurrence	as respects Valuable Papers and Records and Electronic Data Processing Media

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

\$60,000,000	per occurrence	as respects Property Damage and Time Element
\$1,000,000	per occurrence	as respects Ammonia Contamination
\$2,500,000	per occurrence	as respects Consequential Damage

ADDITIONAL SUBLIMITS:

\$10,000,000	per occurrence	as respects Automatic Coverage (Newly Acquired Property)
\$10,000,000	per occurrence	as respects Errors and Omissions
\$10,000,000	per occurrence	as respects Miscellaneous Unnamed Locations

6. DISTANCE LIMITATIONS

5 Mile	as respects Civil or Military Authority
5 Mile	as respects Ingress/Egress
5 Mile	as respects Transmission and Distribution Lines
5 Mile	as respects Attraction Properties

7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

90 Days	as respects Automatic Coverage (Newly Acquired Property)
60 Days	as respects Civil or Military Authority.
60 Days	as respects Ingress/Egress
365 Days	as respects the Extended Period of Liability
Excluded	as respects Ordinary Payroll
120 Days	as respects Delay in Completion

8. WAITING PERIOD

24 Hours	As respects Service Interruption – Time Element
8 Hours	As respects Electronic Data Processing Media - Time Element

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

All losses, damages or expenses arising out of any one **occurrence** shall be adjusted as one loss, and from the amount of such adjusted loss shall be deducted USD 500,000 except:

Miscellaneous Deductibles

	All losses, damages or expenses arising out of any one occurrence for the following:
USD 100,000	Property in Transit

Accident to an Object Deductibles

USD 50,000	Per Accident as respects Boiler and Machinery (Accident to an Object)
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Flood Deductibles

USD 1,000,000

for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in the State of California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in **High Hazard Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5%

Minimum

USD500,000

of the value, per unit of insurance, for loss or damage caused by **Named Windstorm** to insured property situated in **Tier 1 Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

10. LOSS ADJUSTERS

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin
vrs»**vericlaim**
A Toplis & Harding Corporation
5871 Glenridge Dr NE, Suite 395
Atlanta, GA 30328

11. INSURER, PARTICIPATION AND PREMIUM

Insurer/Security: Certain Underwriters at Lloyd's, London-Brit Syndicates 2987 (70% share) & London-Brit Syndicates 2988 (30% share) hereafter referred to as the **Insurer**.

Insurer Policy Number: PD-10921-00

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

LAYERED AND LAYERED/QUOTA-SHARE

Layer No.	Insurer's Limit of Liability	Part of (Layer Limit)	Excess of (Underlying Limit)
4	0%	50,000,000	50,000,000
3	0%	25,000,000	25,000,000
2	33%	15,000,000	10,000,000
1	0%	10,000,000	Deductibles

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 30,855

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission
(Broker compensation) 0% Wholesale Commission
 (applied against annual premium above)

12. BROKER OF RECORD

Aon Risk Services Central, Inc. – Illinois Division
 200 East Randolph Street
 Chicago, IL 60601

13. VALUES AT POLICY INCEPTION

USD 1,326,404,593 Domestic (United States of America)
 USD 0 International (all other countries)
 USD 1,326,404,593 Total Values at Inception
 The values reported are for premium purposes only.
 See Appendix I for State allocation.

14. PREMIUM ADJUSTMENT

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

15. ADDITIONAL CONDITIONS

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1)
- 2)
- 3)
- 4)
- 5)

Attached to and forming part of Policy No. PD-10921-00 issued by Certain Underwriters at Lloyd's, London-Brit Syndicates 2987 & 2988.

Authorized Signature/**Insurer**

USD = United States Dollar

APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

1. LAYERED PROGRAM

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

2. EXCESS CLAUSE VOIDED

The following Excess Clause located in GENERAL CONDITIONS is voided

10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

And replaced with the following two provisions

3. PRIORITY OF PAYMENTS (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

4. STEP DOWN / DROP DOWN (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

II. TERMS AND CONDITIONS

1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first; and import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
 - 1) Loss or damage caused by hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack:
 - (a) by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air forces;
 - (b) or by military, naval, or air forces;
 - (c) or by an agent of such government, power, authority, or forces;
 - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
 - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
 - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured premises, provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the insured premises;
 - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

4. COVERAGE EXTENSIONS

Except as excluded, this policy covers:

A. Accounts Receivable

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

- 1) The monthly average of accounts receivable during the last available twelve (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) months average of monthly gross revenues which may have occurred in the interim;
- 2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records, not lost or damaged, or otherwise established or collected by the Insured and an amount to

allow for probable bad debts which would normally have been uncollectible by the Insured.

B. Brands and Labels

In case of insured loss or damage to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or the Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

C. Consequential Damage

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

D. Control of Damaged Property

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

E. Debris Removal

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

F. Demolition and Increased Cost of Construction

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

G. Expediting Expense

This policy insures the reasonable extra cost of temporary repair or replacement and of expediting the repair or replacement of damaged property insured hereunder, including overtime and express freight or other rapid means of transportation.

H. Fines and Penalties

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

I. Fire Brigade Charges and Extinguishing Expenses

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

J. Land and Water Clean Up Expense

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

K. Professional Fees

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

L. Protection and Preservation of Property – Property Damage

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

M. Tax Treatment of Profits

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

N. Temporary Removal of Property

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

O. Transit

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
 - (a) sold and shipped by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;

- (b) at the Insured's option, which is incoming to the Insured.
- 2) This policy also insures loss or damage:
 - (a) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;
 - (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

and

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.
- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.

B. Loss of Profits

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
 - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
 - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) Wages: The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) Turnover: The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) Indemnity Period: The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) Rate of Gross Profit: The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) Annual Turnover: The turnover during that period in the 12 months immediately before the date of the damage.
- (h) Standard Turnover: The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. Memoranda:

MEMO 1: If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

MEMO 2: In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

C. Extra Expense

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

D. Leasehold Interest

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" shall be paid for the first three months succeeding the date of the loss and the "Net Lease Interest" shall be paid for the remaining months of the unexpired lease.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

E. Rental Value and Rental Income

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
 - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
 - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
 - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
 - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
 - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage

will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

F. Royalties

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

6. TIME ELEMENT EXTENSIONS

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

B. Civil or Military Authority

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

C. Ingress/Egress

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

D. Protection and Preservation of Property-Time Element

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

E. Research and Development

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

F. Time to Replace Stock or Raw Material

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

G. Waterway Access

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power
 Impounded Water
 Civil or Military Authority
 Ingress/Egress
 Protection and Preservation of Property-Property Damage
 Waterway Access

7. TIME ELEMENT PROVISIONS

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

A. Period of Recovery

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

and,

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
 - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
 - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
 - a) Any days which would coincide with a shutdown planned prior to loss,
 - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
 - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

B. If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

C. Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery. If any amount is recovered, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.

Fine Arts which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.

11. SEVERABILITY OF INTEREST

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

12. APPRAISAL

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

13. JURISDICTION AND SUIT

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

IV GENERAL CONDITIONS

1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** shall be equivalent to mailing.

C. Cancellation shall not affect coverage on any shipment in **transit** on the date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

3. INSPECTION AND AUDIT

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

4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

5. MORTGAGE CLAUSE

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

6. OTHER INSURANCE

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

7. CONTRIBUTING INSURANCE

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

8. EXCESS INSURANCE

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

9. UNDERLYING INSURANCE

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

11. NON-REDUCTION OF LIMITS OF LIABILITY

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

12. ERRORS AND OMISSIONS

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

13. PERMITS

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

15. TITLES OF PARAGRAPHS

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

16. DEFINITIONS

A. Accident

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum

including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

Accident shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
 - b) Wear and tear;
 - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
 - b) Property while in the course of construction, erection, installation, or assembly;
 - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
 - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
 - e) Boiler feed water piping;
 - f) Boiler condensate return piping;
 - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
 - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
 - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

B. Accidental Event

An unintended occurrence which results in an interruption of operations.

C. Architect Fees and Engineering Fees

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

D. Direct Customers and Direct Suppliers

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

E. Earthquake

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

F. Electronic Data Processing Media

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

G. Fine Arts

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

H. Finished Stock

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

J. Flood

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

K. Fraudulent or Dishonest Acts

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

L. General Average and/or Salvage:

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

M. High Hazard Earthquake

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

N. High Hazard Flood

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

O. Insurer

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

P. Named Windstorm

Named Windstorm shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

Q. Property While in the Course of Construction

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

R. Object

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

S. Occurrence

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total

amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

T. Ordinary Payroll

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

U. Soft Costs

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

V. Transit

Shipments within and between the territorial limits of this policy, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including during deviation and delay, until safely delivered and accepted at place of final destination.

W. Underlying Policy

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

X. Valuable Papers and Records

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

17. WAIVER OF INSURANCE CONDITIONS

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

Location or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

Miscellaneous Unnamed Location

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

Automatic Coverage

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

Automatic Coverage will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

NEW MADRID EARTHQUAKE COUNTIES

Arkansas

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

Illinois

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

Indiana

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

Kentucky

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

Mississippi

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

Missouri

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

Tennessee

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

PACIFIC NORTHWEST EARTHQUAKE COUNTIES

Oregon

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

Washington

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

British Columbia (includes Vancouver Island), Canada

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

TIER 1 WIND PARISHES/COUNTIES

Alabama

Baldwin, Mobile

Florida

Entire State

Georgia

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

Louisiana

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

Maryland

Somerset, Wicomico, Worcester

Mississippi

Hancock, Harrison, Jackson

Puerto Rico

Entire Commonwealth

North Carolina

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

South Carolina

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

Texas

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

Virginia

Accomack, Harrison, Chesapeake (City), Gloucester, Hampton (City), Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City), Norfolk (City), Northampton, Northumberland, Poquoson (City), Suffolk (City), Virginia Beach (City), Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

EXTENDED INCREASED COST OF CONSTRUCTION

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

**SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL
DAMAGE BUSINESS INTERRUPTION INSURANCE**

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221
29 April 2015

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

Street Address	City	County	State
1100 W. DALLAS	CONROE	MONTGOMERY COUNTY	TX
2250 MACARTHUR	ORANGE	ORANGE COUNTY	TX
509 A WEST COMMERCE STREET	BROWNWOOD	BROWN COUNTY	TX
2711 61ST ST.	GALVESTON	GALVESTON COUNTY	TX
2310 SW MILITARY DR.	SAN ANTONIO	BEXAR COUNTY	TX
5300 N. SAN DARIO	LAREDO	WEBB COUNTY	TX
4438 NORTH FRWY	HOUSTON	HARRIS COUNTY	TX
726 MEYERLAND PLAZA	HOUSTON	HARRIS COUNTY	TX
11251 FONDREN	HOUSTON	HARRIS COUNTY	TX
209 US HWY 70 WEST	RUIDOSO	LINCOLN COUNTY	NM
407 N ARKANSAS AVE	RUSSELLVILLE	POPE COUNTY	AR
1814 MAIN ST	FRANKLIN	ST. MARY PARISH	LA
1622 NORTH PARKERSON AVENUE	CROWLEY	ACADIA PARISH	LA
16255 EAST MAIN ST.	CUT OFF	LAFOURCHE PARISH	LA
8400 W JUDGE PEREZ DR. STE C	CHALMETTE	ST. BERNARD PARISH	LA
571 S. MAIN ST.	SPRINGHILL	WEBSTER PARISH	LA
311 N GRAND COURT	NOGALES	SANTA CRUZ COUNTY	AZ
2921 BOCA CHICA BLVD.	BROWNSVILLE	CAMERON COUNTY	TX
118 W. RICE ST.	FALFURRIAS	BROOKS COUNTY	TX
511 EAST UNIVERSITY	EDINBURG	HIDALGO COUNTY	TX
4027 EAST HWY 83	RIO GRANDE CITY	STARR COUNTY	TX

1515 E 8TH ST.	ODESSA	ECTOR COUNTY	TX
2150 HIGHWAY 180 E	SILVER CITY	GRANT COUNTY	NM
106 CALDWELL	BELEN	VALENCIA COUNTY	NM
601 WEST 18TH ST.	PORTALES	ROOSEVELT COUNTY	NM
2356 SOUTH RANGE AVENUE	DENHAM SPRINGS	LIVINGSTON PARISH	LA
124-126 BURR AVENUE	PAULS VALLEY	GARVIN COUNTY	OK
1345 S. CARSON ST.	CARSON CITY	CARSON CITY	NV
1115 W MAIN ST	STERLING	LOGAN COUNTY	CO
450 PIKE STREET	MARIETTA	WASHINGTON COUNTY	OH
18910 PARK AVENUE PLAZA	MEADVILLE	CRAWFORD COUNTY	PA
4095 NORTH MAYO TRAIL	PIKEVILLE	PIKE COUNTY	KY
110 TWIN CITY PLAZA	CRYSTAL CITY	JEFFERSON COUNTY	MO
657 PARK PLAZA DRIVE	NEW ALBANY	UNION COUNTY	MS
532 EAST MAIN STREET	JACKSON	JACKSON COUNTY	OH
89 BROOKLYN STREET	CARBONDALE	LACKAWANNA COUNTY	PA
1142 W. 9TH STREET	RUSSELLVILLE	LOGAN COUNTY	KY
1436 SOUTH MAIN STREET	MANSFIELD	TIOGA COUNTY	PA
857 SOUTH ROCHESTER STREET	MUKWONAGO	WAUKESHA COUNTY	WI
941 N. MAIN ST.	LANCASTER	LANCASTER COUNTY	SC
141 TALMADGE DR.	MOULTRIE	COLQUITT COUNTY	GA
901 GREEN BLVD	AURORA	DEARBORN COUNTY	IN
437 E CHESTNUT	JUNCTION CITY	GEARY COUNTY	KS
301 NORTH 12TH STREET	MIDDLESBORO	BELL COUNTY	KY
1301 SCOTLAND CROSSING DRIVE	LAURINBURG	SCOTLAND COUNTY	NC
140 HOCKING MALL	LOGAN	HOCKING COUNTY	OH
650 OLD WILLOW AVE.	HONESDALE	WAYNE COUNTY	PA
726 MEYERLAND PLAZA	HOUSTON	HARRIS COUNTY	TX
601 US HWY 71 N.	MENA	POLK COUNTY	AR
1150 S NEOSHO BLVD	NEOSHO	NEWTON COUNTY	MO
9701 FORD AVE	RICHMOND HILL	BRYAN COUNTY	GA
1121 S MAGNOLIA ST	WOODVILLE	TYLER COUNTY	TX
70 CANAL PLACE	PHILADELPHIA	NESHOBA COUNTY	MS

1502 W EVERLY BROTHERS BLVD	CENTRAL CITY	MUHLENBERG COUNTY	KY
513 FISHER	OAKDALE	ALLEN PARISH	LA
820 N. SEBASTIAN	WEST HELENA	PHILLIPS COUNTY	AR
700 QUINTARD DR.	OXFORD	CALHOUN COUNTY	AL
460 TRI-COUNTY LANE	BELLE VERNON	WESTMORELAND COUNTY	PA
112 S. TALLAHASSEE ST. STE.8	HAZLEHURST	JEFF DAVIS COUNTY	GA
262 OCILLA HWY	FITZGERALD	BEN HILL COUNTY	GA
445 KY HIGHWAY 44 EAST	SHEPHERDSVILLE	BULLITT COUNTY	KY
11427A COASTAL HIGHWAY	BERLIN	WORCESTER COUNTY	MD
1527 OHIO AVE S	LIVE OAK	SUWANNEE COUNTY	FL
1017 W WILL ROGERS BLVD	CLAREMORE	ROGERS COUNTY	OK
2280 HIGHWAY 36 SOUTH	SEALY	AUSTIN COUNTY	TX
2385 YORK CROSSING DR	HAYES	GLOUCESTER COUNTY	VA
23 OHIO RIVER PLAZA	GALLIPOLIS	GALLIA COUNTY	OH

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

The High Hazard Flood definition is hereby deleted and replaced with the following:

N. High Hazard Flood

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.



How to Report a Claim

Inland Marine, Property, Auto Physical Damage

The Everest Property Claims team is dedicated to providing a best in class claim experience through clear communication and a customer first approach. Our team of Property and Inland Marine Claims Specialists work with you for the life of the claim and are available 24/7 to respond to all questions and concerns. Timely submission of Loss Notices complies with the terms and conditions of your policy and assists us in providing quality service to our policyholders. Any claim or circumstance which may reasonably be expected to give rise to a claim needs to be reported to Everest as soon as possible. In the event you have any questions and/or concerns regarding the claim process, contact Paul Keane:

Bus.: 908 604-7404

Cell: 908 334-8086

Paul.keane@everestre.com

The following guide has been created to assist you when a covered loss has occurred.

PLEASE FOLLOW THE FOLLOWING STEPS IMMEDIATELY AFTER A LOSS:

All Losses:

Retention of any and all evidence

Whenever possible, do not make nor have any repairs made until an inspection can be made. Many times immediate repairs are required. If so, it is crucial that **any and all parts** repaired or replaced **be retained and safeguarded until further notice**. In addition, please retain a copy of the repair invoice.

First Party Property Losses:

Preserve and Safeguard the loss scene

Until such time you receive formal notice from Everest/Engle Martin to release the scene, preservation of a loss site encompasses the following:

- No unauthorized parties should be allowed access to the loss site. If emergency efforts are required, it is imperative that the loss scene be minimally impacted during those efforts
- Emergency temporary board up
- Emergency temporary perimeter fencing
- Retention of a security company when necessary



Option # 1: Email Claim Reporting:

PropertyMarineClaims@everestre.com

cc- Paul.Keane@everestre.com

Option # 1: Toll-Free Phone: 1-866-287-1736

For more information on Everest Insurance: www.EverestGroup.com

IM,WP,RP,SIG-Prop & IM

Ed. 07/17

12

Everest Indemnity Insurance Company
477 Martinsville Road
P.O. Box 830 Liberty Corner, NJ 07938-0830
1-800-438-4375

**EVEREST**

MANUSCRIPT DOMESTIC PROPERTY POLICY DECLARATIONS

Policy Number: CA3X001135171**Renewal of:** NA**Named Insured and Address:**

Stage Stores Inc
2425 West Loop South
Houston, TX 77027

Policy Period:**From:** 05/01/2017**To:** 05/01/2018

(At 12:01 A.M. Standard Time at the location of the property insured)

Limit of Liability: \$4,050,000 Part of \$15,000,000 Excess \$10,000,000 Policy Deductibles

(Maximum Limit of Liability in any one Occurrence)

Perils:

All Risks of Direct Physical Loss or Damage including Flood, Earth Movement, Named Windstorm and Boiler and Machinery, and as further described in the approved policy form.

Description of Property Covered:

Real and Personal property; Furniture & Fixtures; Improvements and Betterment's; Inventory; Stock; EDP hardware media and data; Business Income; Extra Expense and as further defined in the policy form.

Premium: \$32,400

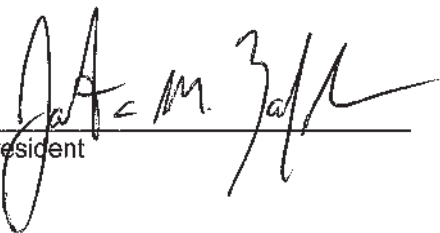
In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

Forms Attached: See attached forms schedule

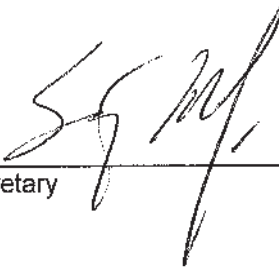
Authorized Representative

This policy is signed by officers of the Company shown on the Declarations page of this policy.

For: Everest Indemnity Insurance Company



President



Secretary

EDEC 820 05 17

Everest Indemnity Insurance Company
 477 Martinsville Road
 P.O. Box 830 Liberty Corner, NJ 07938-0830
 1-800-438-4375



SCHEDULE OF FORMS AND ENDORSEMENTS

Named Insured: Stage Stores Inc

Policy Number: CA3X001135171

Effective Date: 05/01/2017

Form Number	Edition Date	Endorsement Number	Title - Description
EDEC 819	05 17		Manuscript Property Policy Declarations
Stage Stores Inc	05/17		Manuscript Property Policy
ECP 10 601	03/17	1	Authorities Exclusion
ECP 10 603	03/17	2	Asbestos Exclusion
ECP 10 606	03/17	3	Electronic Data Corruption
ECP 10 607	03/17	4	Electronic Date Recognition Endorsement
ECP 10 608	03/17	5	Occurrence Limit of Liability
ECP 10 610	03/17	6	Mold Exclusion – Covered Peril
ECP 10 611	03/17	7	Pollution Contamination Endorsement
ECP 10 613	03/17	8	Terrorism Exclusion
ECP 10 614	03/17	9	Service of Suit Form
EIL 00 524	09/11	10	Minimum Earned Premium

Authorized Representative

STAGE STORES, INC.

Global Property Insurance Policy

Policy # CA3X001135171

(Including Boiler and Machinery)

Insurer/Security:

Everest Indemnity Insurance Company

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Note: Any term that appears in bold print, other than titles of clauses, is defined in **Definitions**.

I. SUPPLEMENTAL DECLARATIONS

1. NAMED INSURED AND MAILING ADDRESS

Stage Stores, Inc. and any subsidiary, affiliated, associated, or allied company, corporation, firm, organization, and the Insured's interest in partnerships and/or joint ventures, and/or any owned (wholly or partially) or controlled company(ies) where the Insured maintains an interest, as now or hereafter constituted or acquired; and any other party or interest that the Insured is required by contract or agreement to insure;

all hereafter referred to as the "Insured."

Mailing Address:

Stage Stores, Inc.

2425 West Loop South

Houston, TX 77027

2. POLICY TERM

This policy attaches and insures;

FROM: May 1, 2017

TO: May 1, 2018

beginning and ending at 12:01AM, standard time, at location of the property involved unless otherwise described herein.

3. POLICY TERRITORY

This policy insures the United States of America, its territories and possessions, the District of Columbia, Guam, Puerto Rico, the U.S. Virgin Islands and Canada, including their respective inland and coastal waters. However, coverage applies worldwide, as respects Contingent Time Element and Time Element Extensions.

4. LOSS OR DAMAGE INSURED

This policy insures against all risks of direct physical loss or damage to insured property occurring during the policy term, also including **General Average and/or Salvage** and all other charges on shipments insured hereunder, except as hereinafter excluded.

Physical loss or damage shall include any destruction, distortion or corruption of any computer data, coding, program or software except as hereinafter excluded.

5. LIMITS OF LIABILITY

In the event of loss or damage insured under this policy, this **Insurer** shall be liable for its proportional share of USD 100,000,000 per **occurrence**, and its proportional share of the following program per **occurrence** and/or policy year annual aggregate sublimits of liability, excess of policy deductibles.

The total amount to be indemnified under this policy and/or any locally admitted version of this policy issued by the **Insurer** or its representatives shall not exceed the overall limit or applicable program sublimits stated in this policy.

Program Sublimits of Liability:

\$1,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated in the State of California.
\$10,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated in High Hazard Earthquake Zones .
\$50,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by Earthquake for property situated outside High Hazard Earthquake Zones .

Earthquake limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

\$10,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by flood for property situated in High Hazard Flood Zones per Endorsement #7.
\$50,000,000	per occurrence	and in the aggregate in any one policy year as respects losses caused by flood for property situated outside High Hazard Flood Zones .

Flood limits shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Flood zone designations at time of inception of this Policy will be the Zones utilized for Limits of Liability and deductible application, regardless of any post-policy inception change in the designation by FEMA or any other organization responsible for determining flood zones.

\$250,000	per occurrence	and in the aggregate in any one policy year as respects losses insured under the Land and Water Clean Up Expense
\$1,000,000	per occurrence	as respects Accounts Receivable
\$100,000	per occurrence	as respects Asbestos Removal (after a covered loss under this policy)
\$10,000,000	per occurrence	as respects Gross Earnings or Loss of Profits
\$5,000,000	per occurrence	as respects Civil or Military Authority
\$10,000,000	per occurrence	as respects Contingent Time Element, including Attraction Properties for direct customers and suppliers , worldwide.
\$10,000,000	per occurrence	as respects Debris Removal or 25% of the total insurable values at the location where loss or damage occurs, whichever is greater.
Demolition and Increased Cost of Construction		
Included	per occurrence	as respects the value of the undamaged property - clause F.1)
Included	per occurrence	as respects the cost of demolishing the undamaged property - clause F.2)

\$10,000,000	per occurrence	as respects the increased cost of repair or reconstruction - clause F.3)
\$10,000,000	per occurrence	as respects the increase in Time Element loss – clause F.4)
\$1,000,000	per occurrence	as respects Exhibition and Trade Show
\$10,000,000	per occurrence	as respects Expediting Expense
\$1,000,000	per occurrence	as respects Extended Increased Cost of Construction
\$25,000,000	per occurrence	as respects Extra Expense
\$500,000	per occurrence	as respects Fine Arts however \$25,000 any one item unless on file with company.
Included	per occurrence	as respects Fire Brigade Charges and Extinguishing Expenses
\$2,500,000	per occurrence	as respects Impounded Water
\$5,000,000	per occurrence	as respects Ingress/Egress
\$1,000,000	per occurrence	as respects Land Improvements
\$5,000,000	per occurrence	as respects Leasehold Interest
Included	per occurrence	as respects Personal Property of Employees
\$5,000,000	per occurrence	as respects Professional Fees
\$10,000,000	per occurrence	as respects Property While in the Course of Construction
\$2,500,000	per occurrence	as respects Protection and Preservation of Property – Time Element
\$1,000,000	per occurrence	as respects Royalties
\$5,000,000	per occurrence	as respects Service Interruption/Off Premise Power
\$1,000,000	per occurrence	and \$2,000,000 in the aggregate, as respects Special Perils Business Interruption
\$5,000,000	per occurrence	as respects Transit
\$500,000	per conveyance	as respects Transit (Each railroad car or trailer shall be considered a separate conveyance)
\$5,000,000	per occurrence	as respects Valuable Papers and Records and Electronic Data Processing Media

ACCIDENT TO AN OBJECT (BOILER AND MACHINERY), BUT NOT TO EXCEED:

\$60,000,000	per occurrence	as respects Property Damage and Time Element
\$1,000,000	per occurrence	as respects Ammonia Contamination
\$2,500,000	per occurrence	as respects Consequential Damage

ADDITIONAL SUBLIMITS:

\$10,000,000	per occurrence	as respects Automatic Coverage (Newly Acquired Property)
\$10,000,000	per occurrence	as respects Errors and Omissions
\$10,000,000	per occurrence	as respects Miscellaneous Unnamed Locations

6. DISTANCE LIMITATIONS

5 Mile	as respects Civil or Military Authority
5 Mile	as respects Ingress/Egress
5 Mile	as respects Transmission and Distribution Lines
5 Mile	as respects Attraction Properties

7. TIME LIMITS

In addition to any time limits shown elsewhere in this policy, the following also apply:

90 Days	as respects Automatic Coverage (Newly Acquired Property)
60 Days	as respects Civil or Military Authority.
60 Days	as respects Ingress/Egress
365 Days	as respects the Extended Period of Liability
Excluded	as respects Ordinary Payroll
120 Days	as respects Delay in Completion

8. WAITING PERIOD

24 Hours	As respects Service Interruption – Time Element
8 Hours	As respects Electronic Data Processing Media - Time Element

The stated Waiting Period is a qualifier for coverage. Once the Waiting Period is exceeded, the applicable Time Element Loss is calculated from the date and time of loss, (or earlier if Preservation of Property – Time Element is applicable) and the policy deductible is then applied.

9. DEDUCTIBLES

In each case of loss covered by this policy, the **Insurer** will be liable only if the Insured sustains a loss in a single **occurrence** greater than the applicable deductible(s) specified below, and only for its share of that amount.

Unless otherwise stated below, when this policy insures more than one location, the deductible will apply against the total loss covered by this policy in any one **occurrence**.

All losses, damages or expenses arising out of any one **occurrence** shall be adjusted as one loss, and from the amount of such adjusted loss shall be deducted USD 500,000 except:

Miscellaneous Deductibles

	All losses, damages or expenses arising out of any one occurrence for the following:
USD 100,000	Property in Transit

Accident to an Object Deductibles

USD 50,000	Per Accident as respects Boiler and Machinery (Accident to an Object)
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Flood Deductibles

USD 1,000,000 for loss or damage caused by **Flood** for insured property at locations situated in **High Hazard Flood Zones** per Endorsement #7. However, this deductible shall not apply to insured property situated outside of the above designated **flood** zone. Furthermore, this deductible shall not apply to any ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Earthquake Deductibles

5%
Minimum
USD500,000 of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in the State of California, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

2%
Minimum
USD500,000 of the value, per unit of insurance, for loss or damage caused by **Earthquake** to insured property situated in **High Hazard Earthquake Zones**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible will not apply to insured property situated outside of this designated **earthquake** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire, explosion and/or sprinkler leakage.

Named Windstorm Deductibles

5%
Minimum
USD500,000 of the value, per unit of insurance, for loss or damage caused by **Named Windstorm** to insured property situated in **Tier 1 Counties/Parishes or Zones** for **Named Windstorm**, subject to a minimum of USD 250,000 in total for all units of insurance per **occurrence**. However, this deductible shall not apply to property situated outside of this designated **Named Windstorm** zone. This deductible shall apply only to those units of insurance suffering a loss in the **occurrence**. Furthermore, this deductible shall not apply to ensuing loss or damage caused by or resulting from fire explosion and/or sprinkler leakage.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage;
- (4) The Time Element values impacted by insured loss or damage to said property that sustains loss or damage.

Unit(s) of Insurance:

Property Damage Values (1,2 and 3 above) to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified (or property under construction), the values will be determined at the time of loss.

Time Element Values to be used when calculating deductibles shall be either those specified for each unit of insurance shown in the most recent Statement of Values on file with the **Insurer** or, if not so specified, based upon the twelve (12) months following the date of loss, with consideration for the most probable experience of the business for the Location, had no loss occurred.

Time Element as used above refers to the following coverages:

- a. Gross Earnings
- b. Loss of Profits
- c. Rental Value and Rental Income

Deductible Clarifications:

(1) In the event that the Insured maintains underlying insurance through the National Flood Insurance Program, it is agreed that this policy shall be excess over the recovery under such National Flood Insurance Policy(s). Should the amount of loss payable under such National Flood Insurance Policy(s) exceed the applicable **flood** deductible under this policy, then no deductible shall apply hereunder. However, if the amount to be paid under such National Flood Insurance Policy(s) is less than the applicable **flood** deductible under this policy, then the amount to be deducted hereunder shall not exceed the difference between the amount to be paid under the Insured's National Flood Insurance Policy(s) and the applicable **flood** deductible under this policy. Insurance maintained through the National Flood Insurance Program shall be considered Underlying Insurance.

(2) If two or more deductible amounts in this policy apply to a single **occurrence**, the total to be deducted shall not exceed the largest individual deductible pertaining to any one cause of loss involved in the occurrence. Where deductibles apply on a per location basis, the single largest deductible at each location shall apply.

(3) In any **occurrence** where loss or damage is caused by more than one cause of loss insured against under this policy, the Insured shall have the right to separate the loss amount by cause of loss for the purposes of application of the deductible(s) specified in this section, notwithstanding the above reference to two or more deductibles and the policy limits.

(4) Whenever mortgage or lease conditions require insurance protection without deductibles, or with deductibles less than are provided herein, **Insurers** agree to make payment without consideration of the applicable deductible. However, the Insured agrees to reimburse the **Insurers** for any payments so made within 30 days of such payment.

(5) If other insurance applies to the same property as insured hereunder, and to the extent recovery is made from such other insurance, the deductible under this policy shall be reduced by such recovery, but in no event shall the deductible under this policy be less than shown in the policy. If recovery from such other insurance is greater than the deductible in this policy, then the deductible under this policy shall not apply.

(6) In the event that all or any portion of the deductible is payable under the Insured's primary insurance or by local, state or governmental funding organizations, such payment shall be considered Underlying Insurance as defined in Section IV, Clause 9.

(7) The deductible amounts specified above shall not apply to general average contributions, salvage charges and sue and labor expenses.

(8) For Contingent Time Element loss, when a deductible is not specifically stated as applying to Contingent Time Element, the deductible for Contingent Time Element loss will be determined as though the contingent time element location was an insured location under this Policy.

10. LOSS ADJUSTERS

It is hereby understood and agreed that each and every loss will be adjusted by the Adjuster named below unless otherwise agreed by the Insured and the **Insurer**.

Richard Martin
vrs»**vericlaim**
A Toplis & Harding Corporation
5871 Glenridge Dr NE, Suite 395
Atlanta, GA 30328

11. INSURER, PARTICIPATION AND PREMIUM

Insurer/Security: Everest Indemnity Insurance Company hereafter referred to as the **Insurer**.

Insurer Policy Number: CA3X001135171

In consideration of the premium charged, the **Insurer** agrees to indemnify the Insured for the amount recoverable under the terms and conditions of this policy, and any endorsements hereto, provided that:

- a. The liability of the **Insurer** shall not exceed its percentage of the limit of liability, any sublimit of liability or any aggregate limit of liability in any one policy year.
- b. The liability of the **Insurer** shall not exceed the participation limit described below.

LAYERED AND LAYERED/QUOTA-SHARE

Layer No.	Insurer's Limit of Liability	Part of (Layer Limit)	Excess of (Underlying Limit)
4	0%	50,000,000	50,000,000
3	0%	25,000,000	25,000,000
2	27%	15,000,000	10,000,000
1	0%	10,000,000	Deductibles

In the event of loss or damage insured by this policy, this **Insurer** shall be liable for their proportional interest (outlined above) of the Limits of Liability set forth in Clause No. 5 of this section, or as described in Appendix I.

Domestic Premium: USD 32,400

Domestic Terrorism Premium: USD 0

Deductions from Insurer Premium: 0% Retail Commission
(Broker compensation) 17.5% Wholesale Commission
 (applied against annual premium above)

12. BROKER OF RECORD

Aon Risk Services Central, Inc. – Illinois Division
 200 East Randolph Street
 Chicago, IL 60601

13. VALUES AT POLICY INCEPTION

USD 1,326,404,593 Domestic (United States of America)

USD 0 International (all other countries)

USD 1,326,404,593 Total Values at Inception

The values reported are for premium purposes only.

See Appendix I for State allocation.

14. PREMIUM ADJUSTMENT

It is understood and agreed that there shall be no premium adjustment during the term of the policy for additions or deletions of locations unless the total insured values of such additions or deletions (for acquisitions and divestitures) exceeds 5% of the total values reported at inception.

15. ADDITIONAL CONDITIONS

Unless otherwise specified below, coverage provided by this policy follows all Policy Terms and Conditions as outlined herein unless endorsed or otherwise listed below:

- 1) Minimum Earned Premium form EIL 00 524 09 11
- 2) Authorities Exclusion – ECP 10 601 0317
- 3) Asbestos Exclusion – ECP 10 603 0317
- 4) Electronic Data Corruption Exclusion – ECP 10 606 0317
- 5) Electronic Date Recognition Endorsement – ECP 10 607 0317
- 6) Occurrence Limit of Liability – ECP 10 608 0317 (amended)
- 7) Mold Exclusion – Covered Peril- ECP 10 610 0317
- 8) Pollution Contamination Endorsement – ECP 10 611 0317
- 9) Terrorism Exclusion – ECP 10 613 0317 (if TRIA is rejected)
- 10) Service of Suit Form – ECP 10 614 0317

Attached to and forming part of **Policy No. _ CA3X001135171** issued by Everest Indemnity Insurance Company.

Authorized Signature/**Insurer**

USD = United States Dollar

APPENDIX I

In consideration of the premium charged, it is agreed that the following provisions are added to the policy as respects the liability of the **Insurer**:

1. LAYERED PROGRAM

The Insurer's participation under this policy to which it subscribe is several and not joint, and is limited solely to the extent of its individual participation(s). The participating insurers are not responsible for the participation of any co-participating insurer who for any reason does not satisfy all or part of its obligations under this program.

Furthermore, when a sublimit is shown as applying in the aggregate in any one policy year, the limit of liability detailed above shall also be applied in the aggregate during any policy year separately for each applicable sublimit and shall not exceed such sublimit during any policy year.

2. EXCESS CLAUSE VOIDED

The following Excess Clause located in GENERAL CONDITIONS is voided

10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

And replaced with the following two provisions

3. PRIORITY OF PAYMENTS (applicable to primary or **underlying policy(ies)** only)

Any recoveries made under this policy shall first apply to loss or damage not insured by the excess policy(ies). Upon exhaustion of this policy's limit, the excess policy(ies) shall step down and be liable for the loss in excess of the amount attributed to this policy as respects loss or damage insured thereunder subject to the excess policy(ies) limits.

4. STEP DOWN / DROP DOWN (applicable to excess policies only)

In determining the amount of any loss or damage for which this policy is excess, the total loss caused by any combination of loss or damage, all of which are insured against under the primary policy or **underlying policy**, shall be used even though such loss or damage is not insured against under this excess policy.

- A. Any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured against by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- B. If there is any other excess insurance insuring the property insured hereunder for loss or damage insured against in the primary or **underlying policy** but not insured by this policy, this policy shall then allocate any loss recoveries made under the primary or **underlying policy** in the same proportion as the amount of loss or damage insured against by this policy bears to the combined total loss. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- C. Sub-Paragraph B. above shall not apply, however, when the amount of loss attributed to loss or damage insured under the primary or **underlying policy**, but not insured under this policy, exceed the total amount of insurance provided by the primary and excess coverages with respect to said loss or damage. In this situation, any recoveries made under the primary or **underlying policy** shall first apply to loss or damage not insured by this policy. Upon exhaustion of the primary or **underlying policy** limits, this policy shall apply in excess of the amount attributed to the primary or **underlying policy** as respects loss or damage insured hereunder subject to the limit of this policy.
- D. It is further agreed, in the event the **Flood** and/or **Earthquake** annual aggregate limits of any primary or **underlying policy** are diminished or exhausted in any one policy year, any loss or damage insured under this policy for **Flood** and/or **Earthquake** shall apply as excess of any undiminished or unexhausted limits subject to the **underlying policy** deductibles.

All other terms and conditions of this policy remain unchanged.

II. TERMS AND CONDITIONS

1. INSURED PROPERTY

All real and Personal property while such property is located anywhere within the territorial limits of this policy, including while in due course of **transit**, which is owned, used, or intended for use by the Insured, or acquired by the Insured, and property of others in the Insured's care, custody or control including the Insured's liability for such property and including the costs to defend any allegations of liability for loss or damage to such property; including but not limited to the following:

- A. Improvements and betterments. The **Insurer** agrees to accept and consider the Insured as sole and unconditional owner of the improvements and betterments, notwithstanding any contract or lease to the contrary.
- B. Personal property of the Insured's officials and employees, while in the Insured's care, custody or control or while on the Insured's premises, (except personal automobiles).
- C. The interest of the Insured's customers in property sold by the Insured under conditional sale, trust agreement, installment plan or other deferred payment plan including property which is leased to customers under a lease/purchase agreement.
- D. Real and/or Personal Property of others that the Insured has agreed to insure prior to loss or damage including property not in the Insured's care, custody or control.
- E. **Property While in the Course of Construction** and/or during erection, assembly and/or installation.
- F. Contractors' and vendors' interest in property covered to the extent of the Insured's liability imposed by law or assumed by contract, whether written or oral.

2. PROPERTY NOT INSURED

This policy does not insure loss or damage to:

- A. Motor vehicles licensed for highway use when not on the Insured's premises, except this exclusion shall not apply to contractor's equipment, or to such property which constitutes stock or property on exhibit or being serviced or repaired.
- B. Land, except as insured under Land and Water Clean Up Expense. This exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, excavating, landscaping, earthen dikes or dams, as well as additions to land such as pavements, roadways, ponds, golf courses, or similar works.
- C. Currency, money, gold bullion, evidence of debt, except Accounts Receivable as defined in the policy, notes or securities except as otherwise described in this policy.

- D. Growing crops and standing timber not to be used for industrial processes; live animals not used for research.
- E. Water, except as insured under Impounded Water, Land and Water Clean Up Expense, or when contained in any form of piping system, processing system or holding tank or used in the manufacturing process.
- F. Export shipments after loading on board an overseas vessel or watercraft or after ocean marine insurance attaches, whichever occurs first; and import shipments prior to discharge from the overseas vessel or watercraft or until the ocean marine insurance terminates, whichever occurs last.

However, this exclusion will not apply to:

- 1) ferry shipments to, from and between countries in Continental Europe, the United Kingdom and Ireland; and
- 2) air or inland waterway shipments to, from and between countries in Continental Europe.
- G. Waterborne shipments via the Panama Canal, and to and from Puerto Rico, the Virgin Islands, Hawaii, and Alaska;
- H. Aircraft, watercraft, spacecraft, satellites, except this exclusion shall not apply to such property that constitutes stock.
- I. Off-shore property, dams, dikes, bridges and tunnels, unless specifically reported to the **Insurer**. Bridges and tunnels which are part of, located upon and/or attached to real property insured by this Policy are covered by this Policy.

3. **LOSS OR DAMAGE EXCLUDED**

This policy does not insure the following:

- A.
 - 1) Loss or damage caused by hostile or warlike action in time of peace or war, including action in hindering, combating, or defending against an actual, impending, or expected attack:
 - (a) by any government or sovereign power (de jure or de facto) or by any authority maintaining or using military, naval, or air forces;
 - (b) or by military, naval, or air forces;
 - (c) or by an agent of such government, power, authority, or forces;
 - 2) Loss or damage caused by any weapon employing atomic fission or fusion;
 - 3) Loss or damage caused by rebellion, revolution, civil war, usurped power; or action taken by governmental authority in hindering, combating, or defending against such **occurrence**;
 - 4) Loss or damage caused by seizure or destruction by order of public authority, except destruction by order of public authority to prevent spread of, or to otherwise contain, control or minimize loss, damage, or destruction which occurs due to loss or damage insured under this policy;

- 5) Risks of contraband or illegal trade.
- B. Loss or damage caused by nuclear reaction or nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, and whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, attributed to, or aggravated by loss or damage insured herein except:
- 1) The **Insurer** shall be liable for loss or damage caused by sudden or accidental radioactive contamination, including resultant radiation damage for each **occurrence** from material used or stored or from processes conducted on insured premises, provided at the time of loss there is neither a nuclear reactor capable of sustaining nuclear fission in a self-supporting chain reaction nor any new or used nuclear fuel on the insured premises;
 - 2) If fire ensues, liability is specifically assumed by the **Insurer** for such ensuing loss or damage insured hereunder but not including any loss due to nuclear reaction, nuclear radiation or radioactive contamination.
- C. Loss or damage caused by **fraudulent or dishonest acts** committed by the Insured or any of the Insured's employees.
- This exclusion does not apply to loss or damage resulting from the Insured voluntarily parting with title or possession of any property if induced to do so by any fraudulent scheme, trick, device or false pretense, nor shall this exclusion apply to willful acts of destruction committed by the Insured's employees.
- D. Normal or ordinary wear, tear, gradual deterioration, rust, corrosion, settling, cracking, erosion except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- E. The cost of making good defective design, faulty material, or faulty workmanship, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage. However, if an **Accident** to an **Object** ensues, then this exclusion shall not be applicable.
- F. Errors in processing or manufacture, except, if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- G. Except as provided in Land and Water Clean Up Expense, loss or damage arising out of the dispersal, release or escape of contaminants or pollutants into or upon land, the atmosphere or any water course or body of water.
- H. Inherent vice or latent defect, except if physical loss or damage not excluded in this policy ensues, then this policy shall insure only the ensuing loss or damage.
- I. Mildew, mold, spoilage or decay; unless caused by physical loss or damage not otherwise excluded.

4. COVERAGE EXTENSIONS

Except as excluded, this policy covers:

A. Accounts Receivable

In the event of insured loss or damage to records or accounts receivable from customers caused by loss or damage insured herein, this **Insurer** will indemnify the Insured as follows:

- 1) All sums due the Insured (from customers), provided the Insured is unable to effect collection thereof as a result of loss or damage to records of accounts receivable by loss or damage insured by this policy.
- 2) All sums due the Insured from factoring transactions, when the property of the debtor has been lost or damaged by loss or damage insured by this policy and the Insured has been unable to effect collection thereof.
- 3) Interest charges on any loan to offset impaired collections pending repayment of such sums made uncollectible by such loss or damage.
- 4) Collection expenses in excess of normal collection cost and made necessary because of such loss or damage.
- 5) Other expenses, when reasonably incurred by the Insured in reestablishing records of accounts receivable following such loss or damage.

For purpose of this insurance, charges under a credit card company and maintained on **Electronic Data Processing Media** shall be deemed to represent sums due the Insured from customers.

When there is proof that a loss of records of accounts receivable has occurred by the Insured and the Insured cannot more accurately establish the total amount of accounts receivable outstanding as of the date of such loss, such amount shall be computed as follows:

- 1) The monthly average of accounts receivable during the last available twelve (12) months shall be adjusted in accordance with the percentage increased or decreased in the twelve (12) months average of monthly gross revenues which may have occurred in the interim;
- 2) The monthly amount of accounts receivable thus established shall be further adjusted in accordance with any demonstrable variance from the average for the particular month in which the loss occurred, due consideration also being given to the normal fluctuations in the amount of accounts receivable within the fiscal month involved.

There shall be deducted from the total amount of accounts receivable, however established, the amount of such accounts evidenced by records, not lost or damaged, or otherwise established or collected by the Insured and an amount to

allow for probable bad debts which would normally have been uncollectible by the Insured.

B. Brands and Labels

In case of insured loss or damage to property bearing a brand or trademark or which in any way carries or implies the guarantee or the responsibility of the manufacturer or the Insured, the salvage value of such damaged property shall be determined after removal in the customary manner, at the expense of the **Insurer**, of all such brands or trademarks or other identifying characteristics.

C. Consequential Damage

1. This policy also insures against consequential loss caused by or resulting from a change in temperature or humidity or by interruption of power, heat, air conditioning, or refrigeration, telephone or telegraphs, supply water or telecommunications as a result of physical loss or damage of the type insured to property/equipment or plants used to provide refrigeration, cooling humidifying, dehumidifying air conditioning heating, generating, converting power or telephone or telegraphs, or telecommunications, including all connections and supply from transmission lines and pipes, power generating equipment, utility plants or sources, whether or not such equipment is on or off the premises of the Insured.
2. The policy shall further insure the resulting reduction in value of the remaining undamaged components or parts of property customarily sold as units, pairs, sets, lots or ranges of sizes or colors.

D. Control of Damaged Property

The Insured shall have full right to the possession of all property manufactured, sold or distributed by the Insured involved in any loss under this policy and shall retain control of all damaged property. The Insured, exercising reasonable discretion, shall be the sole judge as to whether the property involved in any loss under this policy is fit for consumption, sale or use and any property so deemed by the Insured to be unfit for consumption, sale or use shall not be sold or otherwise disposed of except by the Insured or with the Insured's consent, but the Insured shall allow the **Insurer** any salvage proceeds obtained by the Insured on any sale or other disposition of such merchandise.

E. Debris Removal

The policy insures the necessary and reasonable expenses incurred by the Insured to remove, clean-up and/or properly dispose of any debris remaining after any loss or damage covered under this policy.

F. Demolition and Increased Cost of Construction

In the event of insured loss or damage insured under this policy that causes the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property, the **Insurer** shall be liable for:

1. The cost of demolishing the undamaged property including the cost of clearing the site;
2. The value of the undamaged property which had to be demolished;
3. The increased cost of repair or reconstruction, whichever is less, of the damaged and undamaged property on the same or another site and limited to the costs that would have been incurred in order to comply with the minimum requirements of such law, ordinance and/or governmental directive regulating the repair or reconstruction or use of the damaged property. However, the **Insurer** shall not be liable for any increased cost of construction loss unless the damaged property is actually rebuilt or replaced;
4. The increase in loss, including, but not limited to, Business Interruption, Extra Expense, Rental Value, Leasehold Interest or Royalties or extensions thereof arising out of the additional time required to comply with said law, ordinance and/or governmental directive.

G. Expediting Expense

This policy insures the reasonable extra cost of temporary repair or replacement and of expediting the repair or replacement of damaged property insured hereunder, including overtime and express freight or other rapid means of transportation.

H. Fines and Penalties

This policy is extended to insure such Fines or Penalties as may be imposed on the **Insured** for the breach of contract either in respect of goods and services delayed or not delivered, or in respect of the **Insured's** failure or delay to take delivery of goods and services ordered, as a direct result of a cause of physical loss not otherwise excluded herein to Real and Personal property covered under this policy. For the purposes of this clause, liquidated damages shall also be considered fines and penalties.

I. Fire Brigade Charges and Extinguishing Expenses

This policy insures the following expenses resulting from:

1. fire brigade charges and other extinguishing expenses for which the Insured may be assessed;
2. loss of fire extinguishing materials expended.

J. Land and Water Clean Up Expense

This policy insures the reasonable and necessary cost or expense of decontamination or removal or disposal of land and water on or under the premises of the Insured

It is a condition precedent to recovery under this clause that the **Insurer** shall have paid, or agreed to pay for, loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible.

It is also a condition precedent to recovery under this clause that the Insured shall give written notice to the **Insurer** of intent to claim for decontamination and clean up expense not later than one hundred-eighty (180) days after the date of such loss or damage

K. Professional Fees

This policy insures the reasonable fees and expenses incurred by the Insured, or by the Insured's representatives for assessing, preparing and/or certifying details of a claim resulting from a loss which would be payable under this policy. The reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension. However, this policy does not insure the expenses of Public Adjustors or attorneys. However, the reasonable fees and expenses of Aon Property Risk Consulting, Inc. qualify for this coverage extension.

L. Protection and Preservation of Property – Property Damage

In case of actual or imminent loss or damage of the type insured against by this policy, the expenses incurred by the Insured in taking reasonable and necessary actions for the temporary protection and preservation of insured property, shall be recoverable under the policy and be subject to the applicable deductible, and without increase in the limit provisions contained in this policy.

M. Tax Treatment of Profits

This policy insures the additional loss sustained by the Insured resulting from loss or damage insured by this policy in the event the tax treatment of:

- A. the profit portion of a loss recovery involving finished stock manufactured or purchased by the Insured; and/or
- B. the profit portion of business interruption loss proceeds;

differs from the tax treatment of profits that would have been incurred had no loss occurred.

N. Temporary Removal of Property

This policy insures property temporarily removed from a location for the purposes of being repaired or serviced, or in order to avoid loss or damage insured by this policy. However, this coverage does not apply to property removed for normal storage.

O. Transit

This policy insures loss or damage not otherwise excluded, to insured property in **transit** including resulting loss as afforded under Time Element Coverages provided under this policy.

- 1) This insurance is extended to insure loss or damage to property:
 - (a) sold and shipped by the Insured under terms of F.O.B. point of origin or other terms usually regarded as terminating the shipper's responsibility short of points of delivery;

(b) at the Insured's option, which is incoming to the Insured.

2) This policy also insures loss or damage:

- (a) arising out of any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery;
- (b) occasioned by the acceptance by the Insured, by its agents, or by its customers of fraudulent bills of lading, shipping and delivery orders, or similar documents.

5. TIME ELEMENT COVERAGE

This policy is extended to cover Time Element loss as described below resulting from insured loss or damage not otherwise excluded. The Insured has the option at any time during the loss adjustment to choose whether to calculate its claim in accordance with the Gross Earnings provision (5.A) and applicable extensions or the Loss of Profits provision (5.B) and applicable extensions. This election may be made at any time before final payment of claim.

A. Gross Earnings

- 1) Loss due to the necessary interruption of business conducted by the Insured, whether total or partial, including all interdependencies between or among companies owned or operated by the Insured, resulting from physical loss or damage insured herein and occurring during the term of this policy to property insured herein.
- 2) Such loss shall be adjusted on the basis of the actual loss sustained by the Insured, consisting of the net profit which is prevented from being earned including **ordinary payroll** and payroll;

and

all charges and other expenses (including **soft costs**) to the extent that these must necessarily continue during the interruption of business, but only to the extent to which such charges and expenses would have been incurred had no loss occurred.

- 3) In determining the amount of net profit, charges, and expenses insured hereunder for the purposes of ascertaining the amount of the actual loss sustained, due consideration shall be given to the experience of the business before the date of the loss or damage and to the probable experience thereafter had no loss occurred.
- 4) As respects Time Element Coverage - Gross Earnings, the **Insurer** shall not be liable under this section for any loss resulting from loss or damage to **finished stock** nor for the time required to reproduce said **finished stock** or stock in process.

B. Loss of Profits

Coverage under this clause applies where the Insured elects Loss of Profits coverage under this policy. Such election may be exercised at any time prior to loss settlement as outlined elsewhere in this policy. If such claim involves more than one location, including interdependency, the entire claim will be adjusted using a single coverage (Gross Earnings or Loss of Profits).

1. Loss of gross profit as hereinafter defined, resulting from interruption of or interference with the business and caused by physical loss or damage to real or personal property as insured herein.
2. Indemnity: The amount of loss of gross profit shall be based on REDUCTION IN TURNOVER and on INCREASE IN COST OF WORKING, and the amount payable as indemnity thereunder shall be:

- (a) In respect to REDUCTION IN TURNOVER: The sum produced by applying the rate of gross profit to the amount by which the turnover during the indemnity period shall, in consequence of the damage, fall short of the standard turnover;
- (b) In respect to INCREASE IN COST OF WORKING: The additional expenditure necessarily and reasonably incurred for the sole purpose of avoiding or diminishing the reduction in turnover which but for that expenditure would have taken place during the indemnity period in consequence of the damage, but not exceeding the sum produced by applying the rate of gross profit to the amount of the reduction thereby avoided;
- (c) In respect to auditors fees, the reasonable charges payable by the Insured to their auditors for producing and certifying any particulars or details in the Insured's books of account or other books or documents or such other profits, information or evidence as may be required by the **Insurer**;

less any sum saved during the indemnity period in respect of such of the standing charges of the business payable out of gross profit as may cease or be reduced in consequence of the damage.

3. Definitions applicable to Loss of Profits:
 - (a) Gross Profit: The sum produced by adding to the net profit the amount of all the standing charges of the business, including **soft costs** or if there be no net profit the amount of said standing charges less the amount of any net trading loss. Standing charges shall include, but not be limited to, wages and depreciation on property.
 - (b) Net Profit: The net trading profit (exclusive of all capital receipts and accretions and all outlay properly chargeable to capital) resulting from the business of the Insured after due provision has been made for all standing and other charges including depreciation but before the deduction of any taxation chargeable on profits.

- (c) **Wages:** The remuneration (including where applicable: bonuses, overtime, living allowance (if any), national insurance contribution, holiday pay or other payments pertaining to wages) of all employees other than those whose remuneration is treated as salaries in the Insured's books of account.
- (d) **Turnover:** The money (less discounts allowed) paid or payable to the Insured for goods sold and delivered and for services rendered in course of the business.
- (e) **Indemnity Period:** The period beginning with the **occurrence** of the damage and ending not later than the period of indemnity stipulated under the primary insurance, twenty-four (24) months or as described in the Supplemental Declarations of this policy, whichever is greater, during which period of time the results of the business shall be affected in consequence of the damage.
- (f) **Rate of Gross Profit:** The rate of gross profit earned on the turnover during the financial year immediately before the date of the damage.
- (g) **Annual Turnover:** The turnover during that period in the 12 months immediately before the date of the damage.
- (h) **Standard Turnover:** The turnover during that period in the 12 months immediately before the date of the damage which corresponds with the indemnity period.

With respect to subparagraphs f-Rate of Gross Profit, g- Annual Turnover and h- Standard Turnover as described above, such adjustments shall be made as may be necessary to provide for the trend of the business and for variations in or special circumstances affecting the business either before or after the damage or which would have affected the business had the damage not occurred, so that the figures thus adjusted shall represent as nearly as reasonably practicable the results which but for the damage would have been obtained during the relative period after the damage.

4. **Memoranda:**

MEMO 1: If during the indemnity period goods shall be sold or services shall be rendered elsewhere other than at the damaged premises for the benefit of the business either by the Insured or by others on its behalf, the money paid or payable in respect of such sales or services shall be brought into account in arriving at the turnover during the indemnity period.

MEMO 2: In adjusting any loss, account shall be taken and an equitable allowance made if any shortage in turnover due to the damage is postponed by reason of the turnover being temporarily maintained from accumulated stocks of finished goods in warehouses and/or depots.

MEMO 3: In the event of a loss or damage to property insured herein, which results in an interruption of research and development activities which in themselves would not have produced gross profit during the indemnity period, this policy shall insure the actual loss sustained of the continuing standing charges, including wages directly attributable to such research and development activities.

C. Extra Expense

This policy provides coverage for the reasonable and necessary Extra Expense (including **soft costs**) incurred by the Insured in order to continue as nearly as practicable the normal operation of the Insured's business following physical loss or damage insured to property insured herein occurring during the policy term.

D. Leasehold Interest

This policy provides coverage for the leasehold interest of the Insured as outlined below:

Pro rata proportion from the date of loss to expiration date of the lease (to be paid without discount) on the Insured's interest in:

- 1) The amount of bonus paid by the Insured for the acquisition of the lease not recoverable under the terms of the lease;
- 2) Improvements and betterments to real property which are not covered under any other section of this policy;
- 3) The amount of advance rental paid by the Insured and not recoverable under the terms of the lease;

when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured under this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located; and

"The Interest of the Insured as Lessee or Lessor" when property is rendered wholly or partially untenable by any covered loss during the term of this policy and the lease is canceled by the party not the Insured by this policy in accordance with the conditions of the lease or by statutory requirements of the appropriate jurisdiction in which the damaged or destroyed property is located.

"The Interest of the Insured as Lessee or Lessor" shall be paid for the first three months succeeding the date of the loss and the "Net Lease Interest" shall be paid for the remaining months of the unexpired lease.

Definitions applicable to Leasehold Interest:

- 1) "The Interest of the Insured as Lessee" is the excess of the rental value of similar premises over the actual rental payable by the lessee (including any maintenance or operating charges paid by the lessee) during the unexpired term of the lease; and

- 2) the rental income earned by the Insured from sublease agreements, to the extent not covered under any other section of this policy, over and above the rental expenses specified in the lease between the Insured and the lessor.
- 3) "The Interest of the Insured as Lessor" is the difference between the rents payable to the lessor under the terms of the lease in effect at the time of loss and the actual rent collectible by the lessor during the unexpired term of the lease provided the lease is canceled by the lessee, to the extent not covered under any other section of this policy.
- 4) "Net Lease Interest" is that sum, which placed at 6% interest compounded annually will be equivalent to the "The Interest of the Insured as Lessee or Lessor."

It is understood and agreed that in the event loss or damage insured results in both loss of Rental Income and/or Rental Value and loss of the Interest of the Insured as Lessor, the provisions and limit of liability of the Rental Income and Rental Value coverage will be applied first in accordance with the applicable period of recovery. The coverage provided by the Leasehold Interest provisions and limit of liability shall be applied and commence at the cessation of the Rental Income and Rental Value coverage and continue until the expiration of the lease.

E. Rental Value and Rental Income

- 1) This policy provides coverage for Loss of Rental Income and/or Loss of Rental Value of the Insured caused by physical loss or damage insured herein occurring during the term of this policy to property and/or premises rented, leased or occupied by the Insured and/or rented or leased by the Insured to others.
- 2) Rental Income shall include the following:
 - a) The total anticipated gross rental income from tenant(s) of the Insured's building(s) and structure(s), and
 - b) The amount of all charges assumed by tenant(s) except those charges which do not continue, which would otherwise be obligations of the Insured, and
 - c) The fair rental reasonably expected from unrented portions of such property and the fair rental for that portion occupied by the Insured.
- 3) Rental Value shall include the following:
 - a) Rental Income Insurance in those situations where the Insured is required under a lease or rental agreement to maintain such insurance on behalf of any landlord.
 - b) Rental expenses incurred by the Insured in excess of the expenses which would have been incurred had a leased or rented premises not been damaged or destroyed by loss or damage insured herein. Such coverage

will apply for all additional expenses incurred during the period of untenability or if the lease cannot be terminated until its expiration.

F. Royalties

- 1) Loss of Royalties, Fees and Commissions which would have been earned under Royalties, Fees or Commission Agreements between the Insured and any concern(s), as a result of loss or damage to the property of such concern(s) caused by physical loss or damage to property of the type insured herein occurring during the term of this policy.
- 2) Such loss shall be adjusted on the basis of actual loss sustained of such income which would have been earned had no loss occurred.

6. TIME ELEMENT EXTENSIONS

The Time Element Extensions extend the coverages provided in Clauses 5.A, B, C, D, E, and F, above.

- A. This policy insures the actual loss sustained caused by or resulting from loss or damage of the type insured to:

1) **Attraction Property**

Property not owned or operated by the Insured, which attracts business or trade to the vicinity of the Insured's operations.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense clause below.

2) **Contingent Time Element**

Property, that impairs or prevents;

- a) Any **direct supplier(s)** of goods and/or services to the Insured, from rendering and/or delivering their goods and/or services, or
- b) Any **direct customer(s)** of goods and/or services from the Insured, from accepting the Insured's goods and/or services.

For the purposes of this coverage extension, such supplier or customer can be located anywhere in the world.

There is no liability for any loss or damage otherwise insured under the Service Interruption/Off Premises Power clause below.

3) **Service Interruption/Off Premises Power**

Property of service providers, including, but not limited to, electricity, water, gas, sewerage, steam, telephone, telecommunications, including voice/data, or their

respective transmission and distribution lines or utility plants which directly or indirectly provide incoming or outgoing services to the Insured situated on or outside of the Insured's premises.

Coverage provided in this section is extended to include any **accidental event** at the above provider of services.

There is no liability for any loss or damage otherwise insured under the Contingent Business Interruption/Contingent Extra Expense or Attraction Property clauses above.

4) **Impounded Water**

Dams, reservoirs, or equipment connected therewith when water, used as a raw material, for power or other manufacturing purpose, is stored behind or in such dams or reservoirs, is released from storage and impairs or prevents operations of the insured due to adequate water supply from such sources. This coverage is afforded for thirty (30) days from the date of initial loss or damage. The Insured shall use due diligence and dispatch to repair or replace the damaged dam, reservoir or connected equipment.

B. Civil or Military Authority

This policy is extended to cover the actual loss sustained by the insured during the period of time when access to covered property is impaired by order or action of civil or military authority issued as a result of loss or damage of the type insured against to property, other than property as described under Property Insured. The loss or damage that causes the action or order of civil or military authority must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

C. Ingress/Egress

This policy is extended to cover the actual loss sustained by the insured during the period of time when ingress to or egress from covered property is impaired as a result of loss or damage of the type insured against to property, other than property described under Property Insured. The damage that causes the ingress to or egress from to be impaired, must occur within the number of miles from the Insured Property as stated in the Supplemental Declarations section of this Policy.

This coverage is afforded for the number of days as stated in the Supplemental Declarations section of this Policy.

D. Protection and Preservation of Property-Time Element

The policy is extended to cover the actual loss sustained during the period of time, when the Insured takes reasonable and necessary actions for the temporary protection and preservation of property insured, to prevent impending loss or damage insured. Such coverage applies regardless of whether actual insured loss or damage occurs.

E. Research and Development

In the event of insured loss or damage to property insured herein which results in an interruption of research and development activities, which in themselves would not have produced income during the recovery period, this policy shall insure the actual loss sustained of the continuing charges and expenses, including **ordinary payroll**, and payroll, directly attributable to such research and development activities.

F. Time to Replace Stock or Raw Material

Notwithstanding the paragraph in the Business Interruption – Gross Earnings provision to the contrary, this policy is extended to cover the additional expenses incurred over and above normal, during the time required to replace raw materials, stock in process or finished goods to the inventory level which existed prior to the loss.

G. Waterway Access

This policy is extended to cover the actual loss sustained during the period of time, when the insured's business or operations are impaired fully or partially as a result of the inability to utilize waterways, when the inability is the result of physical loss or damage not otherwise excluded. Coverage is afforded for thirty (30) days from the date of initial actual loss sustained.

Contingent Time Element and Attraction Properties referenced in 6.A.1 and 6.A.2 will be considered as insured property for application of the following Time Element Extensions.

Service Interruption/Off Premises Power
 Impounded Water
 Civil or Military Authority
 Ingress/Egress
 Protection and Preservation of Property-Property Damage
 Waterway Access

7. TIME ELEMENT PROVISIONS

The following apply to all Time Element Coverage and Time Element Extensions except Loss of Profits, unless otherwise stated therein:

A. Period of Recovery

The length of time for which loss may be claimed is referred to as the period of recovery and:

- 1) shall commence with the date of such loss or damage and shall not be limited by the date of expiration of this policy;
- 2) shall not exceed such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair, or replace the property that has been destroyed or damaged;

and,

- 3) such additional length of time to restore the Insured's business to the condition that would have existed had no loss occurred, commencing with the later of the following dates:
 - (a) the date on which the liability of the **Insurer** for loss or damage would otherwise terminate; or
 - (b) the date on which repair, replacement or rebuilding of the property that has been damaged is actually completed and the Insured has resumed normal operations.

but in no event for more than the number of days for Extended Period of Liability as stated in the Supplemental Declarations section of this policy;

- 4) With respect to loss or damage occurring to **property in the course of** construction, due consideration shall be given to the level of production or level of business operations that would reasonably have been achieved after completion of construction had no loss or damage occurred.
- 5) With respect to damage occurring to research and development activities, if there is a delay in planned product completion, release or offering, due consideration shall be given to the level of production or business operations that would reasonably have been achieved had no loss occurred. .
- 6) The Period of Recovery shall not include:
 - a) Any days which would coincide with a shutdown planned prior to loss,
 - b) Any increase of loss which may be occasioned by the suspension, lapse or cancellation of any lease or by the Insured exercising any option to cancel a lease unless the suspension, lapse or cancellation is due to the loss or damage covered by this policy.
 - c) Any additional loss due to fines, penalties or damages for breach of contract or non-delivery of goods.

B. If the Insured can reduce the loss resulting from the interruption of business:

- 1) by a complete or partial resumption of operations of the property insured, whether damaged or not; or
- 2) by making use of stock, merchandise, or other property insured herein;

Such reduction shall be taken into account in arriving at the amount of loss hereunder. However, when making use of stock, merchandise or other insured property the insured shall be reimbursed to replenish the stock or merchandise used to reduce the loss.

C. Expense to Reduce Loss: (not applicable to Extra Expense)

This policy also insures such expenses as are necessarily incurred for the purpose of reducing any loss under this policy, but in no event shall the aggregate of such expenses exceed the amount by which the loss under this coverage part is thereby reduced.

D. Experience of the Business:

In determining the amount of loss insured hereunder due consideration shall be given to the experience of the business before the date of loss or damage and to the probable experience thereafter had no loss or damage occurred.

III. POLICY LOSS ADJUSTMENT AND SETTLEMENT

1. NOTICE OF LOSS

The Insured shall report to the **Insurer** any loss or damage which may become a claim under this insurance policy as soon as may be practicable after it becomes known to the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured.

2. KNOWLEDGE OF OCCURRENCE

It is agreed that knowledge of an **occurrence** by an agent, servant or employee of the Insured shall not in itself constitute knowledge by the Insured. Knowledge is understood to occur only when the Director of the Risk Management Department (or the individual acting in a similar capacity) of the Insured shall have received notice from its agent, servant or employee.

3. PROOF AND PAYMENT OF LOSS

A detailed Proof of Loss shall be filed with the **Insurer** as soon as practicable. Loss shall be adjusted with the Risk Management Department of the Insured or assigned representatives, and all adjusted claims shall be paid to the Insured or its order within thirty (30) days after filing and acceptance of a Proof of Loss.

4. PARTIAL PAYMENT OF LOSS

It is understood and agreed that this **Insurer** will make partial payments of claims subject to the policy provisions and the normal policy adjustment provisions.

To obtain said partial claim payment, the Insured shall submit a partial Proof of Loss with supporting documentation. Upon receipt and approval of a partial Proof of Loss, the **Insurer** will make partial payments to the Insured within no more than fourteen (14) days to the Insured.

5. LOSS PAYABLE

Loss, if any, shall be adjusted with and payable to the Insured or its order.

6. SUBROGATION AND SUBROGATION WAIVER

A. It is agreed that upon payment of any loss, this **Insurer** is subrogated to all the rights of the Insured to the extent of such payment.

Any release or waiver of liability entered into by the Insured in the course of their business prior to loss (including but not limited to bills of lading and/or receipts from carriers, bailees, warehousemen, lightermen, processors, limiting or releasing their liability) hereunder shall not prejudice the Insured's rights of recovery under this policy.

B. The right of subrogation against the Insured's subsidiary, affiliated, or associated corporations or companies, joint ventures, partnerships or individuals, or any other party required to be insured, or any other corporations or companies associated with the Insured through ownership or management is waived.

C. In the event of any payment under this policy, except where subrogation rights have been

waived, the **Insurer** shall be subrogated to the extent of such payment to all the Insured's rights of recovery therefore. The Insured shall execute all papers required and shall take reasonable and necessary action to secure such subrogation rights. The **Insurer** will act in concert with all other interests concerned, such as the Insured and any other company(ies) participating in the payment of any loss as primary or excess insurers, in the exercise of such rights of recovery. If any amount is recovered, after deducting the costs of recovery, such amount shall be divided between the interests concerned in the proportion of their respective interests. If there should be no recovery, all costs and expenses shall be borne by the party instituting the proceedings.

7. **SALVAGE AND RECOVERIES**

Except as described elsewhere herein, after expenses incurred in salvage or recovery are deducted, any salvage or other recovery, except recovery through subrogation proceedings and/or from underlying and/or excess insurance as described herein, shall accrue entirely to the benefit of this **Insurer** until the sum paid by the **Insurer** has been recovered.

8. **VALUATION**

At time of loss, the basis of adjustment shall be as follows:

- A. On buildings and structures, at the replacement cost new; if not replaced, then at the actual cash value.
- B. On machinery, equipment, furniture, fixtures and improvements and betterments at the replacement cost new or the cost of repair, whichever is less. If not replaced, then at the actual cash value.
- C. The cost of architects', surveyors', inspectors' and/or engineers' plans, drawings, specifications, fees and charges including the cost for supervision of construction and repair of damages.
- D. **Valuable Papers and Records and Electronic Data Processing Media** at the value blank plus the cost of labor, service and/or supplies for actually reconstructing, researching, gathering information, reproducing, recreating, transcribing or copying such papers, records and **Electronic Data Processing Media**.
- E. **Fine Arts** owned by the Insured at the cost of reasonably restoring the property to its condition immediately prior to the loss, or in the event that the property cannot be restored at the appraised value prior to the loss. In absence of such appraisal, at the market value at the time of loss.

Fine Arts which is the property of others, either at the Insured's contractual or legal liability.
- F. **Finished Stock** and other merchandise not manufactured by the Insured but held for sale, at the Insured's selling price less discounts to which the goods would have been subject had no loss occurred, and labor (internal or 3rd party) at the cost to restock. Any obsolete inventory is a deduction to the inventory at the time of loss only, and not a percentage applied to the total inventory loss.

- G. Property of others and property leased by the Insured, or for which the Insured has agreed to insure, at the Insured's contractual or legal liability for said damage.
- H. Stock in process (raw stock which has undergone any aging, seasoning, or other processing by the Insured, but which has not become finished stock) shall be valued at the Insured's selling price of finished stock at the time of the loss, less any manufacturing expense not incurred by the Insured and less any discounts, rebates and unincurred expense to which the sales price would have been subject.
- I. Contractor's equipment shall be valued at actual cash value, unless an agreed value applies or at the **Insured's** contractual or legal liability for said loss or damage.
- J. All other property, not otherwise mentioned above, at the replacement cost new; if not replaced, then at the actual cash value.

It is understood and agreed that as respects replacement cost new, the Insured shall have the option of replacing equipment having technological advantages and/or representing an improvement in function and/or forming part of a program of system enhancement provided that such replacement can be accomplished without increasing the **Insurer's** liability.

The Insured, using reasonable discretion, shall be the sole judge as to whether electrical and mechanical equipment are damaged and unusable. This **Insurer** shall be allowed to dispose of, as salvage, any non-proprietary property deemed unusable by the Insured.

As respects A., B. and J. above, the Insured may elect not to replace the property lost, damaged, or destroyed and obtain loss settlement on a replacement cost basis if the proceeds of such loss settlement are expended in any other capital expenditures related to the Insured's operations within the territorial limits of the policy.

9. CURRENCY

It is hereby understood and agreed that all amounts used herein are in United States currency and that premiums shall be paid and all losses shall be adjusted and paid in United States currency. In the event of a loss adjustment involving foreign currency, conversion into the currency of the United States of America shall be calculated as follows:

- A. As respects real and personal property, the cost of repair, replacement or reconditioning shall be converted, as of the date of repair, replacement or reconditioning based on the rate of exchange quoted in the Wall Street Journal.

If the property is not replaced or repaired, the conversion into the currency of the United States of America shall be at the rate of exchange quoted in the Wall Street Journal as of the date of loss.

- B. As respects all other coverages, currency shall be converted at the rate of exchange quoted in the Wall Street Journal and such rate of exchange shall be based on the average of the daily rate of exchange quoted in the Wall Street Journal for the period of loss.

10. COINSURANCE WAIVER

This policy is not subject to Coinsurance or Average Clause.

11. **SEVERABILITY OF INTEREST**

Each of the Insureds insured by this policy will have the same protection and obligations as if the policy has been issued individually to each of them, except as respects the obligations associated with the **Cancellation** clause. However, the inclusion of more than one Insured will not operate to increase the limit of liability of the **Insurer** beyond the limit of liability as stated in the Supplemental Declarations section.

12. **APPRAISAL**

In case the Insured and this **Insurer** shall fail to agree as to the amount of loss, then, on the written demand of either, each shall select a competent and disinterested appraiser and notify the other of the appraiser selected within Twenty (20) days of such demand. The appraisers shall select a competent and disinterested umpire; and, failing for Fifteen (15) days to agree upon such umpire, then on request of the Insured or the **Insurer**, such umpire shall be selected by a judge of a district court of a judicial district in accordance with the Jurisdiction and Suit clause of this policy. The appraisers shall then appraise the loss, separating the loss to each item; and, failing to agree, shall submit their differences only to the umpire. An award in writing, so itemized of any two when filed with the **Insurer**, shall determine the amount of loss. Each appraiser shall be paid by the party selecting each respective appraiser and the expenses of appraisal and umpire shall be paid by the parties equally.

13. **JURISDICTION AND SUIT**

It is hereby understood and agreed that in the event of the failure of the **Insurer** to pay an amount claimed to be due hereunder, at the direction of the Insured, the **Insurer** will submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such jurisdiction.

IV GENERAL CONDITIONS

1. CERTIFICATES OF INSURANCE

All parties to whom a Certificate of Insurance has been issued are automatically added to this policy upon issuance of said certificates, either as Additional Insureds, Mortgagees or as Loss Payees, or both, in accordance with the terms and conditions of this policy unless otherwise agreed to by the **Insurer**. Permission is granted for Aon Risk Services to issue Certificates on the **Insurer's** behalf.

2. CANCELLATION

A. This policy may be canceled at any time at the request of the Insured, or it may be canceled by the **Insurer** by mailing via registered or certified mail to the **Insured** and with copies provided to Aon Risk Services, during the term of this policy, written notice stating when no less than Ninety (90) days thereafter, except Ten (10) days for nonpayment of premium, such cancellation shall be effective.

This insurance may be canceled at any time by the Insured by surrender of this policy to the **Insurer** or by mailing or delivery to the **Insurer** written notice stating when thereafter such cancellation shall take effect. Return premium shall be allowed the Insured on a pro rata basis if the **Insurer** cancels and also on a pro rata basis if the Insured cancels.

Payments or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

B. The mailing of notice as described in A. above shall be sufficient proof of notice and the effective date and hour of cancellation stated in the notice shall become the end of the policy period. Delivery of such written notice either by the Insured or by this **Insurer** shall be equivalent to mailing.

C. Cancellation shall not affect coverage on any shipment in **transit** on the date of cancellation. Coverage will continue in full force until such property is safely delivered and accepted at place of final destination.

3. INSPECTION AND AUDIT

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

4. LIBERALIZATION

If during the period that insurance is in force under this policy, any authorized endorsement or filed rules or regulations affecting the same are revised by statute or otherwise so as to broaden the insurance without additional premium charge, such extended or broadened insurance shall inure to the benefit of the Insured hereunder.

5. MORTGAGE CLAUSE

Loss or damage, if any, under this policy shall be payable to the mortgagee(s) (or trustee(s)) as interest(s) may appear, and this insurance, as to the interest(s) of the mortgagee(s) (or trustee(s)) only therein, shall not be invalidated by any act or neglect of the mortgagor or owner of the described property, nor by any foreclosure or other proceedings or notice of sale relating to the property, nor by any change in the title or ownership of the property, nor by the occupation of the premises for purposes more hazardous than are permitted by this policy provided that in case the mortgagor or owner shall neglect to pay any premium due under this policy, the mortgagee (or trustee) shall, on demand, pay the same.

This **Insurer** reserves the right to cancel this policy at any time as provided by its terms, but in such case this policy shall continue in force for the benefit only of the mortgagee (or trustee) for Ten (10) days after notice to the mortgagee (or trustee) of such cancellation and shall then cease and this **Insurer** shall have the right, on like notice, to cancel this agreement.

6. OTHER INSURANCE

Except as referred to in Contributing Insurance, Excess Insurance and Underlying Insurance clauses, this policy shall not insure to the extent of any other insurance, whether prior or subsequent hereto in date and whether directly or indirectly insuring the same property against the same loss or damage. This insurance shall be excess of and/or supplementary to the amount recoverable from such other collectible insurance. Notwithstanding this Other Insurance provision, this Policy will guarantee prompt payment in full of the amount of loss which would have been otherwise recoverable hereunder as if this clause did not exist and the Insured shall cooperate with the **Insurer** to pursue recovery of any Other Insurance.

7. CONTRIBUTING INSURANCE

Permission is granted for other policies written upon the same terms, conditions, and provisions irrespective of limit or attachment point as those contained in this policy. This policy shall contribute to the total of each loss otherwise payable herein to the extent of the participation of this policy in the total limit of liability stated herein.

8. EXCESS INSURANCE

Permission is granted for the Insured to have excess insurance over the limit of liability in this policy without prejudice to this policy and the existence of such insurance, if any, shall not reduce any liability under this policy.

9. UNDERLYING INSURANCE

Permission is granted for the Insured to purchase insurance on all or any part of the deductible and against all or any of the coverage provided by this policy. The existence of such underlying insurance shall not prejudice or affect any recovery otherwise payable under this policy.

10. EXCESS CLAUSE

This clause only applies in the event that there exists primary or underlying Policy(ies) providing coverage beneath the attachment point of this Policy. In the event of loss caused by or resulting from loss or damage not otherwise excluded, or to more than one location, for purposes of the

attachment point of this policy, this policy shall recognize that the limit of liability of the underlying coverage shall apply first to the perils, coverages and/or locations not insured under this policy and the remainder, if any, to the perils, coverages and/or locations insured hereunder. This policy shall recognize the erosion of the underlying policy limits by all perils, coverages or locations insured by the underlying policy. Upon exhaustion of the limit of liability of the underlying coverage, this **Insurer** shall then be liable for the loss uncollected only for those perils, coverages, and/or locations insured under this Policy, subject to the **Insurer's** limit of liability as specified herein.

In the event the aggregate limits (if any) provided for **Flood** and/or **Earthquake** in any underlying insurance are diminished or exhausted in any one Policy year, the coverage provided under this policy shall respond as excess of the remaining limits.

In such event, the applicable amount of the deductible provision of the underlying insurance shall apply to the combination of all policies.

11. NON-REDUCTION OF LIMITS OF LIABILITY

Any loss hereunder shall not reduce the limit(s) of liability under this policy except for aggregate limits as stated in the Supplemental Declarations section.

12. ERRORS AND OMISSIONS

No inadvertent error, inadvertent omission or inadvertent failure in making reports or other data hereunder shall prejudice the Insured's right of recovery, but shall be corrected when discovered. It is further understood and agreed that any error in description of locations, or values of projects insured or to be insured by this policy shall not invalidate or reduce the policy limit of liability, or otherwise prejudice any recovery under this policy.

13. PERMITS

Permission is hereby granted for any building(s) to be and remain vacant and unoccupied without limit of time and without prejudice to the Insured's right of recovery for claim under this policy.

Any change in occupancy or use of the premises or any increase in hazard shall not prejudice the Insured's right of recovery for claim under this policy.

15. TITLES OF PARAGRAPHS

The several titles of the various paragraphs of this policy (and of Endorsements and Supplemental Policies, if any, which are attached to this policy) are inserted solely for convenience or reference and shall not be deemed in any way to limit or affect the provisions to which they relate.

16. DEFINITIONS

A. Accident

1) **Accident** shall mean:

- a) Any condition or occurrence within boilers or fired or unfired vessels owned by, operated by, or under the control of the Insured and subject to pressure or vacuum

including piping or apparatus attached to and forming a part thereof, except that the words "any condition or occurrence" shall not include explosion, other than explosion of the parts of a steam boiler containing steam or water, steam piping, steam turbines, or steam engines;

- b) Mechanical breakdown of any machine or apparatus arising out of any condition or occurrence within such machine or apparatus;
- c) Electrical injury or disturbance to electrical appliances, devices, fixtures, wiring, or other electrical or electronic equipment caused by electrical currents artificially generated.

However, the term **Accident** does not include:

- a) Loss or damage from fire or from the use of water or other means to extinguish fire; and
- b) The normal operation of any safety or protective device;

Accident shall not mean:

- a) Depletion, deterioration, corrosion or erosion;
 - b) Wear and tear;
 - c) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection.
- 2) The term **Accident** shall not apply to the following property:
- a) Property in **transit**;
 - b) Property while in the course of construction, erection, installation, or assembly;
 - c) Electronic data processing systems used for administrative, statistical, or accounting purposes;
 - d) Any sewer piping, any piping forming a part of a fire protective system, or any water piping other than:
 - e) Boiler feed water piping;
 - f) Boiler condensate return piping;
 - g) Water piping used in a heat transfer system for cooling, humidifying, or space heating purposes;
 - h) Any vehicle, aircraft, or self-propelled equipment or floating vessel;
 - i) Any elevator, crane, ladle or bucket, hoist, power shovel, drag line, excavator, scale, or conveyor, but not excluding any pressure vessel, gears, engines or electrical equipment used with a machine.

B. Accidental Event

An unintended occurrence which results in an interruption of operations.

C. Architect Fees and Engineering Fees

Any cost associated with the preparation of plans for the repair or reconstruction of the damaged property.

D. Direct Customers and Direct Suppliers

Customers and suppliers of the Insured that do business directly with the Insured. Direct Customers and Suppliers would include intermediaries or wholesale operations that do not materially modify or change property, as well as the original manufacturer or ultimate customer.

E. Earthquake

Quaking, vibratory or undulating movement of a portion of the earth's crust, produced by underground volcanic forces or by breaking and shifting of rock beneath the earth's crust. Whenever used in this Policy, the term "earthquake" shall be restricted exclusively to the actual, specific cracking, rupturing, shifting or toppling of property and shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

F. Electronic Data Processing Media

All forms of data, converted data, electronically converted data and/or programs and/or applications and/or instructions and/or media vehicles employed.

G. Fine Arts

Fine Arts shall include, but not be limited to, bona fide works of art, works of rarity, works of historical value, works of artistic merit, photographs, (positives and negatives) lithographs, illustrations, galley proofs, and/or original records.

H. Finished Stock

Stock manufactured by the Insured which, in the ordinary course of the Insured's business, is ready for packing, shipment or sale.

I. Fire Brigade Charges/Fire Extinguishing Materials and Expenses

Fire fighting and/or containment charges and/or fire department service charges and other extinguishing expenses.

J. Flood

Waves, tide or tidal water, tsunamis, rapid accumulation of surface waters, or the rising (including overflowing or breaking of boundaries) of lakes, reservoirs, rivers, streams or other bodies of water. It is understood and agreed that, whenever used in this policy, **flood** shall not include ensuing loss or damage resulting from fire, explosion or sprinkler leakage.

K. Fraudulent or Dishonest Acts

Fraudulent or dishonest acts committed by the Insured or the Insured's employees with the manifest intent to:

1. cause the Insured to sustain loss; and

2. obtain financial benefit for the Insured, Insured's employee, or for any other person or organization intended by the Insured or the employee to receive such benefit for such fraudulent or dishonest act or acts.

L. General Average and/or Salvage:

1. General Average, Salvage and Special Charges, as per foreign custom, payable according to foreign statement, and/or per York-Antwerp Rules and/or in accordance with the contract of affreightment, if and as required; or, failing any provision in or there be no contract of affreightment, payable in accordance with the Laws and Usages of the Port of New York.
2. General Average Contributions, Salvage and Special Charges and Sue and Labor Charges will be payable in full, irrespective of insured and contributory values.

M. High Hazard Earthquake

All insured property situated in New Madrid Earthquake Counties as more fully defined in Endorsement #3 or Pacific Northwest Earthquake Counties as more fully defined in Endorsement #4.

N. High Hazard Flood

- a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

O. Insurer

Insurance Company or security providing insurance under this contract as stated in the Supplemental Declarations section.

P. Named Windstorm

Named Windstorm shall mean the direct action of the wind when such wind is associated with, or occurs in connection with a storm or weather condition which has been named by the U.S. National Weather Service or its global equivalent.

Such Named Windstorm shall include all loss which is attributable directly or indirectly to the Named Windstorm and shall include all damage by rain, flood, storm surge or any other water damage that results from the Named Storm.

Q. Property While in the Course of Construction

When there is a sub-limit provided for **Property While in the Course of Construction**, that sub-limit shall only apply to property in the course of construction which does not pertain to alterations, revamping, refurbishment, maintenance, or incidental extensions to existing property of the Insured. **Property While in the Course of Construction** does not include any existing property which is not part of the course of construction. Any loss or damage to existing property not part of the course of construction which results from a covered occurrence to **Property While in the Course of Construction** is not subject to the sub-limit of liability attributable to **Property While in the Course of Construction**.

R. Object

Any boiler, fired or unfired vessel subject to pressure or vacuum, including piping or apparatus attached thereto and forming a part thereof, and any mechanical or electrical machine or apparatus used for the generation, transmission or utilization of mechanical or electrical power.

S. Occurrence

Loss, or a series of losses or several losses, which are attributable directly or indirectly to one cause or disaster or to one series of similar causes or disasters arising from a single event. All such losses shall be added together and the total amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

When the term applies to **Named Windstorm**, it shall be defined as the sum total of all the **Insured's** losses arising out of or caused by the same atmospheric disturbance during any period of 72 consecutive hours. The Insured shall have the right to elect the moment from which the 72 hour period shall be deemed to have commenced, provided always that no elected period of 72 hours shall commence within the period of any previous **occurrence**.

When the term applies to **Earthquake**, it shall be defined as the sum total of all the Insured's losses sustained during any period of 168 consecutive hours by reason of one **Earthquake** or a series of **Earthquake** shocks. The Insured may elect the moment from which the 168 hour period shall be deemed to have commenced, provided always that no elected period of 168 hours shall commence within the period of any previous **occurrence**.

When the term applies to **flood**, it shall be defined as the sum total of all the **Insured's** losses sustained by reason of one **flood** or a series of **floods**.

When the term applies to theft, the sum total of all losses insured herein resulting directly from one or more acts committed by a person(s) acting alone or in collusion with others shall constitute one occurrence. All such losses shall be added together and the total

amount of such losses shall be treated as one **occurrence** irrespective of the period of time or area over which such losses occur.

T. Ordinary Payroll

The entire payroll expense for all employees of the Insured except officers, executives, department managers, employees under contract, and other critical or important employees as determined by the insured.

U. Soft Costs

Expenses related to the delay of completion of a project over and above those costs which would have been incurred, including, but not limited to, interest payments on financing under loan agreements and real estate taxes accruing during the period of delay.

V. Transit

Shipments within and between the territorial limits of this policy, including the coastal waters thereof, by any means of conveyance, from the time the property is moved for purpose of loading and continuously thereafter while awaiting and during loading and unloading and in temporary storage, including during deviation and delay, until safely delivered and accepted at place of final destination.

W. Underlying Policy

An insurance policy issued to the Insured which is similar as respects the terms and conditions of this policy and issued for limits below the attachment point or deductible of this policy.

X. Valuable Papers and Records

Written, printed or otherwise inscribed documents, and records including but not limited to books, maps, films, drawings, abstracts, deeds, mortgages, mortgage files, manuscripts and micro or electronically/magnetically inscribed documents, but not including the monetary value of monies and/or securities.

17. WAIVER OF INSURANCE CONDITIONS

The terms and conditions of this manuscript form are substituted for those of the **Insurer's** policy jacket and other preprinted **Insurer** forms and the **Insurer's** declaration page to which it is attached, any more restrictive terms and conditions of same being waived and superseded by this manuscript form except for any agreed endorsements noted in policy **Section I Supplemental Declarations, Clause 14. Additional Conditions.**

ENDORSEMENT: 1

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

LOCATION ENDORSEMENT

Coverage under this policy applies to a **Location** or **Locations** as outlined below unless otherwise described or extended in the policy form.

Location or **Locations** as used in this policy refer to:

- 1) Listed on a schedule of **Locations** or property values attached to this policy,
- 2) Listed on a schedule of **Locations** or property values reported to or on file with the **insurer**,
- 3) Defined as a **Miscellaneous Unnamed Location** as described in this endorsement,
- 4) Defined under **Automatic Coverage** as described in this endorsement.

The term **location** means a building, yard, dock, wharf, pier or bulkhead or any group of the foregoing. The term **locations** means more than one **location**. In addition, for the purposes of this definition, a schedule of locations and/or schedule of property values represents the **locations** provided to the **Insurer** prior to program inception.

The following definitions are hereby added to the policy:

Miscellaneous Unnamed Location

A **location** at which the Insured has property of the type insured hereunder which has not been reported to the **Insurer** and not defined under the **Automatic Coverage** or Errors and Omissions definition/clause of this policy. **Miscellaneous Unnamed Location** includes property on exhibition, but does not include any property in **transit** covered herein, or any property excluded under this policy.

Automatic Coverage

Property of the type insured at any **location** rented, leased or purchased after the inception date of this policy, or which is property in the course construction. **Automatic Coverage** applies from the date of rental, lease, purchase, or commencement of construction, for the Sublimit of Liability and/or Time Limit listed in the Supplemental Declarations.

Automatic Coverage will apply until whichever of the following occurs first:

- 1) The **location** is reported to the Insurer; upon which the Policy Limit shall apply;
- 2) Agreement is reached that the **Location** will not be insured under this Policy;
- 3) The applicable Time Limit shown in the Supplement Declarations section of this Policy has been reached. After which, the limit of liability shall be no more than the Sublimit of Liability for a **Miscellaneous Unnamed Location**.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 2

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

NEW MADRID EARTHQUAKE COUNTIES

Arkansas

Arkansas, Clay, Craighead, Crittenden, Cross, Fulton, Greene, Independence, Izard, Jackson, Lawrence, Lee, Lonoke, Mississippi, Monroe, Phillips, Poinsett, Prairie, Randolph, Sharp, St. Francis, White, Woodruff

Illinois

Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jasper, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, , Perry, Pope, Pulaski, Randolph, Richland, Saline, St. Clair, Union, Wabash, Washington, Wayne, White, Williamson

Indiana

Gibson, Knox, Pike, Posey, Vanderburgh, Warrick

Kentucky

Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Daviess, Fulton, Graves, Henderson, Hickman, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Muhlenberg, Todd, Trigg, Union, Webster

Mississippi

Alcorn, Benton, Coahoma, De Soto, Lafayette, Marshall, Panola, Quitman, Tate, Tippah, Tunica

Missouri

Bollinger, Butler, Cape Girardeau, Carter, Dunklin, Iron, Jefferson, Madison, Mississippi, New Madrid, Oregon, Pemiscot, Perry, Reynolds, Ripley, Scott, Shannon, St. Charles, St. Francois, St. Louis, St. Louis City, Ste. Genevieve, Stoddard, Warren, Washington, Wayne

Tennessee

Benton, Carroll, Chester, Crockett, Decatur, Dyer, Fayette, Gibson, Hardeman, Hardin, Haywood, Henderson, Henry, , Houston, Humphreys, Lake, Lauderdale, Lawrence, Madison, McNairy, Montgomery, Obion, Perry, Shelby, Stewart, Tipton, Weakley

ENDORSEMENT: 3

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

PACIFIC NORTHWEST EARTHQUAKE COUNTIES

Oregon

Benton, Clackamas, Clatsop, Columbia, Coos, Curry, Douglas, Jackson, Josephine, Lane, Lincoln, Linn, Marion, Multnomah, Polk, Tillamook, Washington, Yamhill

Washington

Clallam, Clark, Cowlitz, Grays Harbor, Island, Jefferson, King, Kitsap, Lewis, Mason, Pacific, Pierce, San Juan, Skagit, Skamania, Snohomish, Thurston, Wahkiakum, Whatcom

British Columbia (includes Vancouver Island), Canada

South of 50° N latitude and west of 120° W longitude

ENDORSEMENT: 4

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

TIER 1 WIND PARISHES/COUNTIES

Alabama

Baldwin, Mobile

Florida

Entire State

Georgia

Bryan, Camden, Chatham, Glynn, Liberty, McIntosh

Louisiana

Assumption, Cameron, Iberia, Jefferson, Lafourche, Livingston, Orleans, Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington

Maryland

Somerset, Wicomico, Worcester

Mississippi

Hancock, Harrison, Jackson

Puerto Rico

Entire Commonwealth

North Carolina

Beaufort, Bertie, Brunswick, Camden, Carteret, Chowan, Currituck, Dare, Hyde, New Hanover, Onslow, Pamlico, Pasquotank, Pender, Perquimans, Tyrrell, Washington

South Carolina

Beaufort, Berkeley, Charleston, Colleton, Georgetown, Horry, Jasper

Texas

Aransas, Brazoria, Calhoun, Cameron, Chambers, Galveston, Harris, Jackson, Jefferson, Kenedy, Kleberg, Matagorda, Nueces, Orange, Refugio, San Patricio, Willacy

Virginia

Accomack, Harrison, Chesapeake (City,) Gloucester, Hampton (City,) Isle of Wight, James City, Lancaster, Mathews, Middlesex, Newport News (City,) Norfolk (City,) Northampton, Northumberland, Poquoson (City,) Suffolk (City,) Virginia Beach (City,) Williamsburg (City), York

ENDORSEMENT: 5

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

EXTENDED INCREASED COST OF CONSTRUCTION

This policy also provides coverage for increased cost of construction due to the enforcement of any law, ordinance and/or governmental directive regulating the construction, repair or use of property that comes into force and effect within 12 months after the date of loss.

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 6

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

SPECIAL PERILS BUSINESS INTERRUPTION EXTENSION – NON PHYSICAL DAMAGE BUSINESS INTERRUPTION INSURANCE

1. It is hereby understood and agreed that this insurance is extended to include the actual loss sustained as insured under this insurance during the period of time described in 6. below caused by the closure of or restriction of access to INSURED PREMISES by any government or local authority directly as a result of any of the matters described in 1.1, 1.2 or 1.3 below:

1.1. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE which is manifested by any person during the period of insurance whilst on or within any INSURED PREMISES.

1.2. NOTIFIABLE ILLNESS which is manifested by any person and which can be traced to injurious matter contained in food or drink supplied by the Insured and consumed by that person whilst that person is on the INSURED PREMISES during the period of insurance.

1.3. CRIME occurring during the period of insurance at the INSURED PREMISES.

2. NOTIFIABLE INFECTIOUS OR CONTAGIOUS DISEASE shall mean any disease which can be passed from human to human or from animal to human and which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

3. NOTIFIABLE ILLNESS shall mean any illness which is required by law in the territory where the INSURED PREMISES are located to be notified to a government or local authority.

4. INSURED PREMISES shall mean any premises which are insured hereunder and which are under the direct ownership or control of the Insured.

5. CRIME shall mean murder, suicide, attempted murder, attempted suicide or violent crime, including armed robbery.

6. Coverage under this Extension shall be for the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no later than 30 days thereafter. Such period of time shall run concurrently with and not in addition to the period of time specified in any other provision of this insurance providing cover for closure or restriction of access, whether or not such other provision is providing cover for the matters described in 1.1, 1.2 or 1.3 above.

7. No cover shall be provided under this Extension for:

7.1. Loss of licence;

7.2. Fines or penalties of any kind;

7.3. Loss arising out of the enforcement of any law which is not in force at the time and place of the closure of or restriction of access to INSURED PREMISES by any government or local authority;

7.4. Loss arising from any disease, illness which has not been acknowledged by the appropriate government or local authority as being notifiable;

7.5. The cost or expense of inspection, investigation, product recall, decontamination or clean up or any other cost or expense associated with remediation except to the extent that such cost or expense reduces loss otherwise payable hereunder.

8. The maximum amount payable in respect of all losses under this Extension arising out of 1.1, 1.2 and 1.3 above combined shall not exceed USD 500,000 per occurrence and USD1,000,000 in the aggregate.

9. No loss shall be payable unless and until the period of time commencing with the date of the closure of or restriction of access to INSURED PREMISES by any government or local authority and ending no less than 24 hours shall have elapsed.

10. Nothing in this Extension shall operate to override any exclusion in this insurance including but not limited to exclusions for terrorism, sabotage, the actual or threatened malicious use of pathogenic or poisonous biological or chemical materials or nuclear or radioactive contamination.

LMA5221
29 April 2015

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 7

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

HIGH HAZARD FLOOD LOCATIONS

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, the following location addresses have been agreed to be scheduled as being situated in High Hazard Flood Zones:

Street Address	City	County	State
1100 W. DALLAS	CONROE	MONTGOMERY COUNTY	TX
2250 MACARTHUR	ORANGE	ORANGE COUNTY	TX
509 A WEST COMMERCE STREET	BROWNWOOD	BROWN COUNTY	TX
2711 61ST ST.	GALVESTON	GALVESTON COUNTY	TX
2310 SW MILITARY DR.	SAN ANTONIO	BEXAR COUNTY	TX
5300 N. SAN DARIO	LAREDO	WEBB COUNTY	TX
4438 NORTH FRWY	HOUSTON	HARRIS COUNTY	TX
726 MEYERLAND PLAZA	HOUSTON	HARRIS COUNTY	TX
11251 FONDREN	HOUSTON	HARRIS COUNTY	TX
209 US HWY 70 WEST	RUIDOSO	LINCOLN COUNTY	NM
407 N ARKANSAS AVE	RUSSELLVILLE	POPE COUNTY	AR
1814 MAIN ST	FRANKLIN	ST. MARY PARISH	LA
1622 NORTH PARKERSON AVENUE	CROWLEY	ACADIA PARISH	LA
16255 EAST MAIN ST.	CUT OFF	LAFOURCHE PARISH	LA
8400 W JUDGE PEREZ DR. STE C	CHALMETTE	ST. BERNARD PARISH	LA
571 S. MAIN ST.	SPRINGHILL	WEBSTER PARISH	LA
311 N GRAND COURT	NOGALES	SANTA CRUZ COUNTY	AZ
2921 BOCA CHICA BLVD.	BROWNSVILLE	CAMERON COUNTY	TX
118 W. RICE ST.	FALFURRIAS	BROOKS COUNTY	TX
511 EAST UNIVERSITY	EDINBURG	HIDALGO COUNTY	TX
4027 EAST HWY 83	RIO GRANDE CITY	STARR COUNTY	TX

1515 E 8TH ST.	ODESSA	ECTOR COUNTY	TX
2150 HIGHWAY 180 E	SILVER CITY	GRANT COUNTY	NM
106 CALDWELL	BELEN	VALENCIA COUNTY	NM
601 WEST 18TH ST.	PORTALES	ROOSEVELT COUNTY	NM
2356 SOUTH RANGE AVENUE	DENHAM SPRINGS	LIVINGSTON PARISH	LA
124-126 BURR AVENUE	PAULS VALLEY	GARVIN COUNTY	OK
1345 S. CARSON ST.	CARSON CITY	CARSON CITY	NV
1115 W MAIN ST	STERLING	LOGAN COUNTY	CO
450 PIKE STREET	MARIETTA	WASHINGTON COUNTY	OH
18910 PARK AVENUE PLAZA	MEADVILLE	CRAWFORD COUNTY	PA
4095 NORTH MAYO TRAIL	PIKEVILLE	PIKE COUNTY	KY
110 TWIN CITY PLAZA	CRYSTAL CITY	JEFFERSON COUNTY	MO
657 PARK PLAZA DRIVE	NEW ALBANY	UNION COUNTY	MS
532 EAST MAIN STREET	JACKSON	JACKSON COUNTY	OH
89 BROOKLYN STREET	CARBONDALE	LACKAWANNA COUNTY	PA
1142 W. 9TH STREET	RUSSELLVILLE	LOGAN COUNTY	KY
1436 SOUTH MAIN STREET	MANSFIELD	TIOGA COUNTY	PA
857 SOUTH ROCHESTER STREET	MUKWONAGO	WAUKESHA COUNTY	WI
941 N. MAIN ST.	LANCASTER	LANCASTER COUNTY	SC
141 TALMADGE DR.	MOULTRIE	COLQUITT COUNTY	GA
901 GREEN BLVD	AURORA	DEARBORN COUNTY	IN
437 E CHESTNUT	JUNCTION CITY	GEARY COUNTY	KS
301 NORTH 12TH STREET	MIDDLESBORO	BELL COUNTY	KY
1301 SCOTLAND CROSSING DRIVE	LAURINBURG	SCOTLAND COUNTY	NC
140 HOCKING MALL	LOGAN	HOCKING COUNTY	OH
650 OLD WILLOW AVE.	HONESDALE	WAYNE COUNTY	PA
726 MEYERLAND PLAZA	HOUSTON	HARRIS COUNTY	TX
601 US HWY 71 N.	MENA	POLK COUNTY	AR
1150 S NEOSHO BLVD	NEOSHO	NEWTON COUNTY	MO
9701 FORD AVE	RICHMOND HILL	BRYAN COUNTY	GA
1121 S MAGNOLIA ST	WOODVILLE	TYLER COUNTY	TX
70 CANAL PLACE	PHILADELPHIA	NESHOBA COUNTY	MS

1502 W EVERLY BROTHERS BLVD	CENTRAL CITY	MUHLENBERG COUNTY	KY
513 FISHER	OAKDALE	ALLEN PARISH	LA
820 N. SEBASTIAN	WEST HELENA	PHILLIPS COUNTY	AR
700 QUINTARD DR.	OXFORD	CALHOUN COUNTY	AL
460 TRI-COUNTY LANE	BELLE VERNON	WESTMORELAND COUNTY	PA
112 S. TALLAHASSEE ST. STE.8	HAZLEHURST	JEFF DAVIS COUNTY	GA
262 OCILLA HWY	FITZGERALD	BEN HILL COUNTY	GA
445 KY HIGHWAY 44 EAST	SHEPHERDSVILLE	BULLITT COUNTY	KY
11427A COASTAL HIGHWAY	BERLIN	WORCESTER COUNTY	MD
1527 OHIO AVE S	LIVE OAK	SUWANNEE COUNTY	FL
1017 W WILL ROGERS BLVD	CLAREMORE	ROGERS COUNTY	OK
2280 HIGHWAY 36 SOUTH	SEALY	AUSTIN COUNTY	TX
2385 YORK CROSSING DR	HAYES	GLOUCESTER COUNTY	VA
23 OHIO RIVER PLAZA	GALLIPOLIS	GALLIA COUNTY	OH

All other terms and conditions of this policy remain unchanged.

ENDORSEMENT: 8

Effective: 05/01/2017

Issued to: **Stage Stores, Inc.**

AMENDATORY ENDORSEMENT

The High Hazard Flood definition is hereby deleted and replaced with the following:

N. High Hazard Flood

For property insured under this policy at location addresses that are listed on the Schedule of Locations on file with the Company, refer to the list of locations on Endorsement 7.

For all other locations, the following applies:

- (a) Only that portion of property at the time of policy inception which is located in a Special Flood Hazard Zone (SFHA) and situated at or below the 100 year flood elevation level, as shown in the most recent documentation published by the Federal Emergency Management Agency (FEMA), or other qualified and recognized authority for flood information. and/or,

With respect to this definition, the following terms apply:

- a) Federal Emergency Management Agency (FEMA) – The U.S. Federal agency, which is part of the U.S. Department of Homeland Security, under which the National Flood Insurance Program (NFIP) is managed.
- b) Special Flood Hazard Area (SFHA) – The areas of a Flood insurance Rate Map (FIRM) identified as Zone(s): A, AO, AH, A1-A30, AE, A99, AR, AR/A, AR/AE, AR/A1-A30, AR/AH, AR/AO, V, V1-V30, VE or VO.

All other terms and conditions of this policy remain unchanged.

COMMERCIAL PROPERTY
ECP 10 601 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AUTHORITIES EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

Notwithstanding any of the preceding provisions of this Endorsement, except in respect of certain specific coverage(s) provided elsewhere in the policy to which this Endorsement is attached, this policy does not insure against fines, penalties and expenses directly attributable to such fines and penalties incurred or sustained by or imposed on the Insured at the order of any government agency, court or other authority arising from any cause whatsoever.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MINIMUM EARNED PREMIUM

This endorsement modifies insurance provided under the following:

COMMON POLICY CONDITIONS

SCHEDULE

Minimum Earned Premium	35	% of the TOTAL PREMIUM shown on the COMMON POLICY DECLARATIONS
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.		

Paragraph **A.5. – Cancellation** of the Common Policy Conditions is replaced by the following:

If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund will be pro rata, less 10%, and such refund will be subject to the minimum earned premium shown in the Schedule. The cancellation will be effective even if we have not made or offered a refund.

COMMERCIAL PROPERTY
ECP 10 603 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ASBESTOS ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

- A. This Policy only insures asbestos physically incorporated in an insured building or structure, and then only that part of the asbestos which has been physically damaged during the policy period by one of these Listed Perils:

Fire; Smoke; Explosion; Lightning; Windstorm; Hail; Direct Impact of Vehicles, Aircraft or Vessel; Riot or Civil Commotion; Vandalism or Malicious Mischief; Leakage or Accidental Discharge of Fire Protective Equipment; Flood and Earth Movement.

This coverage is subject to all limitations in the policy to which this endorsement is attached and, in addition, to each of the following specific limitations:

- 1) The said building or structure must be insured under this policy for damage by that Listed Peril.
 - 2) The Listed Peril must be the immediate, sole cause of the damage to the asbestos.
 - 3) The Assured must inspect the building or structure and report to Underwriters the existence and cost of the damage within one year after the Listed Peril first damaged the asbestos. Any later reported damage is not insured, including all damage reported more than one year after the last day of the policy period.
 - 4) Insurance under this policy in respect of asbestos shall not include any sum relating to:
 - (i) faults in the asbestos or its design or workmanship;
 - (ii) asbestos not physically damaged by the Listed Peril;
 - (iii) actions taken to protect human health or property; or
 - (iv) standards or requirements set by any government or regulatory authority.
- B. Except as set forth in the foregoing Section A, this policy does not insure asbestos or any sum relating thereto.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ELECTRONIC DATA ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

1. Electronic Data Exclusion

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

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

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

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

- (b) However, in the event that a peril listed below results from any of the matters described in Paragraph (a) above, this Policy, subject to all its terms, conditions and exclusions, will cover physical damage occurring during the Policy period to property insured by this Policy directly caused by such listed peril.

Listed Perils

Fire

Explosion

Aircraft or Vehicle Impact

Leakage of Fire Protection Equipment

Theft

Collision

Overturn

Collapse

2. Electronic Data Processing Media Valuation

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

Should electronic data processing media insured by this Policy suffer physical loss or damage insured by this Policy, then the basis of valuation shall be the cost to repair, replace or restore such media to the condition that existed immediately prior to such loss or damage, including the cost of reproducing any ELECTRONIC DATA contained thereon, providing such media is repaired, replaced or restored.

Such cost of reproduction shall include all reasonable and necessary amounts, is included for any one loss, incurred by the Assured in recreating, gathering and assembling such ELECTRONIC DATA. If the media is not repaired, replaced or restored the basis of valuation shall be the cost of the blank media. However this Policy does not insure any amount pertaining to the value of such ELECTRONIC DATA to the Assured or any other party, even if such ELECTRONIC DATA cannot be recreated, gathered or assembled.

COMMERCIAL PROPERTY
ECP 10 607 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ELECTRONIC DATE RECOGNITION EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

This policy does not cover any loss, damage, cost, claim or expense, whether preventative, remedial or otherwise, directly or indirectly arising out of or relating to:

- a) the calculation, comparison, differentiation, sequencing or processing of data involving the date change to the year 2000, or any other date change, including leap year calculations, by any computer system, hardware, program or software and/or any microchip, integrated circuit or similar device in computer equipment or non-computer equipment, whether the property of the insured or not; or
- b) any change, alteration or modification involving the date change to the year 2000, or any other date change including leap year calculations, to any such computer system, hardware program or software or any microchip, integrated circuit or similar device in computer equipment or noncomputer equipment, whether the property of the insured or not.

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

COMMERCIAL PROPERTY
ECP 10 608 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OCCURRENCE LIMIT OF LIABILITY ENDORSEMENT

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

It is agreed that the following special terms and conditions apply to this policy:

1. The limit of liability or Amount of Insurance shown on the face of this policy, or endorsed on this policy, is the total limit of the Company's liability applicable to each occurrence, as hereafter defined. Notwithstanding any other terms and conditions of this policy to the contrary, in no event shall the liability of the Company exceed this limit or amount irrespective of the number of locations involved.

The term "Occurrence" shall mean any one loss, disaster, casualty, or series of losses, disasters, or casualties, arising out of one event.

2. The premium for this policy is based upon the Statement of Values provided to the Insurer(s) by or on behalf of the Insured, and kept on file with the Insurer(s). In the event of loss under this policy, the liability of the Insurer(s) shall be limited to the least of the following:
 - a.) The actual adjust amount of loss, less applicable deductible(s);
 - b.) -----
 - c.) Any other limit of liability or sublimit of insurance or amount of insurance specifically stated in this policy to apply to any particular insured loss, or coverage, or location.

COMMERCIAL PROPERTY
ECP 10 610 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MOLD AND FUNGUS EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

In consideration of the premium charged, it is understood and agreed that this Company shall not be liable for any loss or damage in the form of, caused by, arising out of, contributed to, or resulting from fungus, mold(s), mildew or yeast; or any spores or toxins created or produced by or emanating from such mold(s), fungus, yeast or mildew;

- (a) fungus includes, but is not limited to, any plants or organisms belonging to the major group fungi, lacking chlorophyll, and including mold(s), rust, mildews, smuts and mushrooms;
- (b) mold(s) include, but is not limited to, any superficial growth produced on damp or decaying matter or on living organisms, and fungi that produce mold(s)
- (c) spore(s) means any dormant or reproductive body produced by or arising or emanating out of any fungus, mold(s), mildews, plants, organisms or microorganisms,

regardless of any other cause or event that contributes concurrently or in any sequence to such loss.

This exclusion shall not apply to any loss or damage in the form of, caused by, contributed to, or resulting from fungus, mold(s), mildew, yeast, or any spores or toxins created by or produced by or emanating from such fungus, mold(s), mildew, yeast, which the Insured establishes is a direct result of a Covered Loss not otherwise excluded by this Policy, provided that such fungus, mold(s), mildew, yeast loss or damage is reported to the Company within twelve months from the expiration date of the policy.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

1. SEEPAGE AND/OR POLLUTION AND/OR CONTAMINATION EXCLUSION

Notwithstanding any provisions in the policy to which this Endorsement is attached, this policy does not insure against loss, damage, costs or expenses in connection with any kind or description of seepage and/or pollution and/or contamination, direct or indirect, arising from any cause whatsoever. Nevertheless if a peril not excluded from this policy arises directly or indirectly from seepage and/or pollution and/or contamination any loss or damage insured under this policy arising directly from that peril shall (subject to the terms, conditions and limitations of the policy) be covered.

However, if the insured property is the subject of direct physical loss or damage for which this Company has paid or agreed to pay then this policy (subject to its terms and conditions and limitations) insures against direct physical loss or damage to the property insured hereunder caused by resulting seepage and/or pollution and/or contamination.

The Insured shall give notice to the Company of intent to claim no later than 12 months after the date of the original physical loss or damage.

2. DEBRIS REMOVAL AND COST OF CLEAN UP EXTENSION

a. Notwithstanding the provisions of the preceding exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean up in the policy to which this Endorsement is attached, in the event of direct physical loss or damage to the property insured hereunder, this policy (subject otherwise to its terms, conditions and limitations, including but not limited to any applicable deductible) also insures, within the limit of liability stated in Section 3:

- (1) expenses reasonably incurred in removal of debris of the property insured hereunder destroyed or damaged from the location of the loss; and/or
- (2) cost of clean-up, at the location of the loss, made necessary as a result of such direct physical loss or damage;

Provided that this policy does not insure against the costs of decontamination or removal of water, soil or any other substance not covered by this policy on or under such premises.

b. It is a condition precedent to recovery under this extension that the Company shall have paid or agreed to pay for direct physical loss or damage to the property insured hereunder unless such payment is precluded solely by the operation of any deductible and that the Insured shall give notice to the Company of intent to claim for cost of removal of debris or cost of clean-up NO LATER THAN 12 MONTHS AFTER THE DATE OF SUCH PHYSICAL LOSS OR DAMAGE.

3. POLLUTION CLEAN-UP OF LAND AND WATER

Notwithstanding the provisions of the preceding exclusion in this Endorsement or any provision respecting seepage and/or pollution and/or contamination, and/or debris removal and/or cost of clean-up in the policy to

which this Endorsement is attached, this Policy also covers the reasonable and necessary cost for the cleanup, removal and disposal of contaminants or pollutants from uninsured property consisting of land, water or any other substance in or on land at the Insured Location if the release, discharge or dispersal of contaminants or pollutants is a direct result of insured physical loss or damage to insured property.

This Policy does not cover the cost to cleanup, remove and dispose of contaminants or pollutants from such property:

- 1) at any location insured for Personal Property only.
- 2) at any property insured under AUTOMATIC COVERAGE, ERRORS AND OMISSIONS or Miscellaneous Unnamed Location coverage provided by this Policy.
- 3) when the Insured fails to give written notice of loss to the Company within 180 days after inception of the loss.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF CERTIFIED ACTS OF TERRORISM

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

SCHEDULE

The **Exception Covering Certain Fire Losses** (Paragraph **C**) applies to property located in the following state(s), if covered under the indicated Coverage Form, Coverage Part or Policy:

State(s)	Coverage Form, Coverage Part Or Policy
AL,AR,AZ,CO,DE,FL,GA,IA,ID,IL,IN,KS,KY,LA	Property
MA,MD,MI,MO,MS,NC,NH,NJ,NM,NV,OH,OK,OR	
PA,SC,TN,TX,UT,VA,VT,WI,WV,WY	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. The following definition is added with respect to the provisions of this endorsement:

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in accordance with the provisions of the federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in the Terrorism Risk Insurance Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

B. The following exclusion is added:

CERTIFIED ACT OF TERRORISM EXCLUSION

The Company will not pay for loss or damage caused directly or indirectly by a "certified act of terrorism". Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

C. Exception Covering Certain Fire Losses

The following exception to the exclusion in Paragraph **B.** applies only if indicated and as indicated in the Schedule of this endorsement.

If a "certified act of terrorism" results in fire, the Company will pay for the loss or damage caused by that fire. Such coverage for fire applies only to direct loss or damage by fire to Covered Property.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and the Company has met the insurer deductible under the Terrorism Risk Insurance Act, the Company shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

D. Application Of Other Exclusions

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.

COMMERCIAL PROPERTY
ECP 10 614 03 17

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

METHOD OF CLAIM NOTICE AND SERVICE OF SUIT CONDITIONS

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY MANUSCRIPT POLICY

AA. METHOD OF CLAIM NOTICE

Under all of the coverages of this policy, notice of claim or circumstances which may reasonably be expected to give rise to a claim hereunder shall be given in writing to, and at the address for the Claims Organization shown in the Declarations. If no Claims Organization is shown in the Declarations, such notice shall be given in writing to Everest Indemnity Insurance Company, PO Box 830, Liberty Corner, NJ 07938-0830.

BB. SERVICE OF SUIT

It is agreed that in the event of the Company's failure to pay any amount claimed to be due hereunder, the Company, at your request will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Everest Indemnity Insurance Company, PO Box 830, Liberty Corner, NJ 07938-0830 or his or her representative, and that in any suit instituted against us upon this contract, the Company will abide by the final decision of such court or of any appellate court in the event of any appeal.

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

QBE Specialty Insurance Company
Wall Street Plaza
88 Pine Street
New York, New York 10005



PROPERTY COVERAGE DECLARATIONS

POLICY NUMBER	POLICY PERIOD				COVERAGE IS PROVIDED IN THE	AGENCY/BROKER
CFE3968001	From	5/01/2017	To	5/01/2018	QBE Specialty Insurance Company	Aon
NAMED INSURED AND ADDRESS					AGENT OR BROKER	
Stage Stores, Inc. 2425 West Loop South Houston, TX 77027					Aon Risk Services Central, Inc. Aon Center, 200 E Randolph Street Chicago, IL 60601	

POLICY PERIOD: THE POLICY PERIOD WILL BEGIN AND END AT 12:01 AM STANDARD TIME AT THE ADDRESS OF THE FIRST NAMED INSURED.

THIS POLICY CONSISTS OF THESE DECLARATIONS, THE PROPERTY COVERAGE FORM, AND ANY ENDORSEMENTS INDICATED AS APPLICABLE IN THESE DECLARATIONS.

PARTICIPATION: Layer 1: 20% or \$3,000,000 per occurrence part of \$15,000,000 per occurrence excess of \$10,000,000 per occurrence excess of deductibles

Layer 2: 40% or \$10,000,000 per occurrence part of \$25,000,000 per occurrence excess of \$25,000,000 per occurrence excess of deductibles

Layer 3: 50% or \$25,000,000 per occurrence part of \$50,000,000 per occurrence excess of \$50,000,000 per occurrence excess of deductibles

COVERED PROPERTY: Building, Business Personal Property, Business Income and Equipment as fully described in the primary policy

COVERED CAUSES OF LOSS: All Risks of Direct Physical Loss or Damage including Flood, Earth Movement, Boiler Explosion and Machinery Breakdown and excluding all acts of Terrorism.

INSURED LOCATION: As described in the underlying insurance

PROPERTY PREMIUM

LAYER 1 PREMIUM: \$106,250 Annual
LAYER 2 PREMIUM: \$76,500 Annual
LAYER 3 PREMIUM: \$42,500 Annual

OUR COMPANY SHARE OF TERM PREMIUM: \$73,100 Annual

TAXES: \$0 Total

COMMISSION: Net

SURCHARGES: 0%

MINIMUM EARNED PREMIUM: 25%

PREMIUM PAYABLE: Within 30 days of the effective date

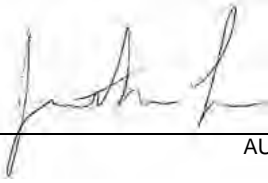
FORMS AND ENDORSEMENTS APPLICABLE: Please see the Schedule Of Forms And Endorsements.

DEDUCTIBLE: As per underlying insurance



MORTGAGE HOLDERS AND LOSS PAYEES: As their interests may appear, according to the terms of the underlying primary insurance.

NOTICE TO INSURER: QBE Specialty Insurance Company
Wall Street Plaza
88 Pine Street
New York, NY 10005



AUTHORIZED SIGNATURE

4/28/2017
DATE



AUTHORIZED SIGNATURE

4/28/2017
DATE



3. TOTAL INSURED VALUES

For the May 1, 2017 renewal, the total insurable values have decreased by 1.75% from the 2016 inception date. The below charts show the change in values from 2016 to 2017 as well as the 2017 values broken down by State.

INSURABLE VALUES			
	2016	2017	% Change
Total Property Values	1,350,050,196	1,326,404,593	-1.75%
FF&E	351,992,060	345,385,988	-1.88%
Real Estate	44,987,386	45,637,386	1.44%
Inventory	953,070,750	935,381,219	-1.86%

State	2017 TIV	State	2017 TIV
AL	30,541,641	NC	26,811,070
AR	26,825,856	NH	2,083,337
AZ	7,995,553	NJ	8,823,698
CO	6,292,069	NM	34,680,372
DE	8,461,910	NV	7,105,324
FL	5,151,906	NY	27,493,023
GA	32,627,558	OH	59,915,010
IA	1,387,081	OK	46,574,101
ID	2,910,871	OR	4,798,739
IL	6,504,916	PA	43,121,749
IN	21,710,427	SC	19,936,073
KS	12,086,060	TN	33,839,730
KY	48,959,595	TX	529,694,739
LA	89,132,573	UT	3,134,505
MA	2,044,496	VA	87,551,634
MD	13,938,054	VT	4,767,239
MI	12,386,230	WI	3,425,672
MN	-	WV	14,621,365
MO	15,390,551	WY	1,041,480
MS	22,638,386	Total	1,326,404,593

Please see the complete attached Statement of Values for the May 1, 2017 renewal.



Stage Stores 2017
SOV for Submission.x

Please note, Stage Stores reports their inventory at selling cost and does not include Business Interruption values as apart of their statement of values.



**2017 PROPERTY VALUES
STAGE STORES SUMMARY OF VALUES**

INSURABLE VALUES

	2016	2017	% Change
Total Property Values	1,350,050,196	1,326,404,593	-1.75%
FF&E	351,992,060	345,385,988	-1.88%
Real Estate	44,987,386	45,637,386	1.44%
Inventory	953,070,750	935,381,219	-1.86%

TIV by State

State	2017 TIV
AL	30,541,641
AR	26,825,856
AZ	7,995,553
CO	6,292,069
DE	8,461,910
FL	5,151,906
GA	32,627,558
IA	1,387,081
ID	2,910,871
IL	6,504,916
IN	21,710,427
KS	12,086,060
KY	48,959,595
LA	89,132,573
MA	2,044,496
MD	13,938,054
MI	12,386,230
MN	-
MO	15,390,551
MS	22,638,386
NC	26,811,070
NH	2,083,337
NJ	8,823,698
NM	34,680,372
NV	7,105,324
NY	27,493,023
OH	59,915,010
OK	46,574,101
OR	4,798,739
PA	43,121,749
SC	19,936,073
TN	33,839,730
TX	529,694,739
UT	3,134,505
VA	87,551,634
VT	4,767,239
WI	3,425,672
WV	14,621,365
WY	1,041,480
Grand Total	1,326,404,593