



All Risk Blanket Policy

703 West Tudor Road, Suite 101, Anchorage, AK 99503-6650 907-771-5750

Name of Insured:
 Alaska Energy Authority c/o Alaska Industrial Development
 & Export Authority for the account of Bradley Lake
 Hydroelectric Project
 813 W. Northern Lights Blvd.
 Anchorage, AK 99503

POLICY NUMBER: ARB170010320

Total Annual Premium: [REDACTED]

This policy covers from:
7/1/2017 to 7/1/2018

12:01 a.m. Standard Time at the Address of the Insured Stated Herein

SECTION I

Physical Damage to Property

		Limits Of Liability	Annual Premiums
Building/Personal Property Deductible:	\$2,000,000	\$50,000,000	[REDACTED]
Damage to Owned Automobiles			
Comprehensive Deductible:	N/A	Actual Cash Value	N/A
Collision Deductible:	N/A	Actual Cash Value	N/A
Extra Expense		\$2,000,000	[REDACTED]
Accounts Receivable		\$1,000,000	[REDACTED]
Valuable Papers:		\$1,000,000	[REDACTED]
Endorsements: ARB82AK AIE(6/15) EQFL1AK AIE(12/16) MISCEND(3)			[REDACTED]
Total Premium - Section I:			[REDACTED]

SECTION II

Public Liability

Coverages		Limits Of Liability	Annual Premiums
Personal Injury, Advertising Injury and Property Damage Liability:		\$2,000,000 each occurrence	[REDACTED]
Property Damage Liability Deductible:	\$10,000		
Medical Payments:		N/A each person N/A each occurrence	N/A
Endorsements: ARB1AIE(6/16) ARB37AK AIE(8/16) ARB91AK AIE(8/16) ARB98AK AIE(8/16) ARB124AK AIE(8/16) ARB126AK AIE(8/16) ARB182AK AIE(8/16)			\$0
Total Premium - Section II:			[REDACTED]

SECTION III

Crime Coverage

Blanket Coverage		Limits Of Liability	Annual Premiums
Employee dishonesty, Money and Securities:		\$500,000 each employee \$4,000,000 each occurrence	[REDACTED]
Endorsements:			
Total Premium - Section III:			[REDACTED]

FEES & ASSESSMENTS

[Empty box for fees and assessments]

In consideration of the premium, insurance is provided for the policyholder described in these declarations, subject to the terms of this policy including forms and endorsements made a part hereof.

Anchorage, AK

Countersigned At

Countersigned By:

Authorized Representative



ARECA Insurance Exchange

703 West Tudor Road, Suite 101 Anchorage, Alaska 99503 (907) 771-5750

Alaska All-Risk Blanket Policy for Rural Electric and Rural Telephone Systems

*Policy Conditions, Declarations, Forms and Endorsements, if any,
issued to form a part hereof, complete this Policy.*

PLEASE NOTE

**Although this policy has broader coverage than most, like other All-Risk Policies,
there are limitations and exclusions. Please read the policy carefully.**

ARB-1 AIE (06-16)

THIS IS AN ASSESSABLE POLICY

ARECA Insurance Exchange (“AIE”) is a reciprocal insurance company. This Policy is issued by AIE, acting by and through its attorney-in-fact, ARECA Insurance Management, Inc.

The Entity designated in Item 1 of the Declarations is a Subscriber of AIE. Subscribers are bound by the terms and conditions of AIE’s current Subscriber’s Agreement and Power of Attorney, (including AIE’s Bylaws which are incorporated therein) (the “Agreement”), which is on file with ARECA Insurance Management, Inc. and the Alaska Insurance Department. Subscribers are also bound by any modification of the terms of the Agreement which is jointly made by AIE’s Board of Directors and ARECA Insurance Management, Inc., to the extent permitted by law.

Subscribers shall be entitled to distributions as may be declared by the Board of Directors, subject, however to any approval which may be required in accordance with the applicable provisions of the Alaska Statutes as amended.

AIE is an assessable reciprocal insurance company as is required by Alaska law. Thus, AIE Subscribers are personally liable for the payment of AIE’s debts or obligations.

ALL RISK BLANKET

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SECTION I — PROPERTY DAMAGE

INSURING AGREEMENT

This policy, subject to the deductible, insures the policyholder against all risks of direct physical loss or damage to property covered occurring during the policy period, except as excluded or limited. Please see subsection I. Valuation for a determination of how property is valued.

A. Property Covered

This policy covers all tangible property owned by the policyholder as of the inception date of this policy, property of others for which the policyholder had assumed liability prior to loss, and the policyholder's financial interest in property belonging to others. Loss of money and securities is limited to the amount of coverage provided under **SECTION III – CRIME COVERAGE**.

B. Property Not Covered

This policy does not cover:

1. Watercraft more than 25' in length or powered by more than 120 horsepower and any aircraft.
2. Pole mounted transmission and distribution lines and equipment including the supporting structures; pole, platform or pad mounted transformers including the supporting structures; switches and similar devices including the supporting structures; metering systems of any kind once they are installed on the policyholder's system.
3. Pole mounted telephone and fiber optic lines and equipment including the supporting structures.
4. Underground or underwater lines of any kind or purpose.
5. Underground or underwater pipes of any kind or purpose.
6. Real estate values, land restoration, vegetation, land, growing crops, lawns and water.
7. Property which is more specifically covered in whole or in part under another insurance policy.
8. Bridges, tunnels, canals, dams, underground caverns, mines, tanks, wells, piping, mains, sewers and drains, including personal property unless endorsed herein.

C. Losses Not Covered

1. Losses resulting from wear and tear, rust, corrosion, decay, hidden or latent defect, insects, vermin, animals, and smog. Losses resulting from mechanical breakdown, including rupture or bursting by centrifugal force. Losses resulting from construction, design, and installation defects. However, consequential damages resulting from mechanical breakdown, construction, design and installation defects are covered subject to all the other terms and conditions of the policy.
2. Loss, damage, claim, cost, expense, sum or other obligation of any kind or description arising out or directly related to, contributing to, or resulting from the actual or alleged presence or actual, alleged or threatened presence of fungi, including, but not limited to mold, fungus, mycotoxins, mildew, spores, wet or dry rot; unless the mold, fungus, mycotoxins, mildew, spores, wet or dry rot are caused by, contributed to, or results from an insured loss or occurrence.

3. Losses resulting from earth movement:

- a. Any earth movement (other than sinkhole collapse), such as an earthquake, landslide, avalanche, mine subsidence or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, AIE will pay for that resulting loss or damage.
- b. Volcanic eruption, explosion or effusion. But if loss or damage by fire, building glass breakage or volcanic action results, AIE will pay for that resulting loss or damage.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (1) Airborne volcanic blast or airborne shock waves;
- (2) Ash, dust or particulate matter; or
- (3) Lava flow.

All volcanic eruptions that occur within any 168 hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

However, Item 3. "Losses resulting from earth movement" does not apply to any Automobile or mobile equipment covered by this policy.

4. Losses resulting from water:

- a. Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- b. Mudslide or mudflow;
- c. Water that backs up from a sewer, sump pump or drain in excess of \$25,000 in damages and was not a result of a failure to keep any sewer, sump pump or drain maintained, in good repair and free of obstructions. The deductible indicated on the Declarations page

shall apply; or

d. Water under the ground surface pressing on, or flowing or seeping through:

- (1) Foundations, walls, floors or paved surfaces;
- (2) Basements, whether paved or not; or
- (3) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, AIE will pay for that resulting loss or damage.

However, Item 4. "Losses resulting from water" does not apply to any Automobile or mobile equipment covered by this policy.

5. Losses caused by unexplained inventory shortages or disappearance for which no definite time and place of the shortage can be set.
6. Comprehensive and Collision losses to Owned Automobiles and Hired Automobiles unless a premium charge is indicated in the Declarations. If covered, the comprehensive deductible does not apply if the glass is repaired instead of replaced.
7. Mechanical breakdown, including rupture or bursting caused by centrifugal force. Explosion, rupture or bursting of boilers, pipes, engines, turbines or any other integral parts of boilers, whether powered by steam, gas, wind, coal or water, owned or leased by policyholder or operated under its control. But if loss or damage by fire or combustion explosion results, AIE will pay for that resulting loss or damage. AIE will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases or combustion pass.
8. Loss, damage, destruction, distortion, erasure, corruption, interruption, alteration or operation of Electronic Data from any cause whatsoever (including but not limited to Computer Virus), including loss of use, reduction in functionality, cost, expense of whatsoever nature resulting therefrom.

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".

9. Losses resulting from pollution.

Except as provided in F. Additional Coverages 3. Pollutant clean up and removal, the following losses are not covered:

- a. Any loss, damage, cost or expense arising out of or which would not have occurred but for the actual alleged or threatened discharge, dispersal, release or escape of pollutants at any time;
- b. Any loss, damage, cost or expense associated with the enforcement of any law, ordinance, regulation or order by any civil or judicial authority that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize or in any way respond to or assess the effects of pollutants;
- c. The term "pollutants" means one or more solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. "Waste" includes (but is not limited to) material to be recycled, reconditioned or reclaimed.

10. Electric Injury or Disturbance Caused by Artificially Generated Currents.

Artificially generated electrical current, including electric arcing, unless fire or explosion ensues.

AIE will pay for physical damage caused by fire or explosion. Electric arcing and flashovers caused by artificially generated current are not considered fires or explosions.

D. Deductible Clause

The deductible indicated in the Declarations shall be taken from the portion of the policyholder's loss that is covered. This deductible shall apply separately to each occurrence.

However, the deductible that shall apply separately to each hired automobile is \$500 per covered direct physical damage loss.

If two or more deductibles apply to the same occurrence, only the largest deductible will apply.

E. Coverage Extensions

1. Newly acquired property - The policyholder may extend the insurance that applies to buildings and personal property to apply to (a) new buildings in the course of construction; (b) buildings the policyholder acquires during the current policy term; (c) personal property at any location the policyholder acquires. The most AIE will pay for loss or damage under this Extension is \$250,000 for new buildings in the course of construction (including personal property located on the premises) and \$1,000,000 for buildings (including personal property located on the premises) the policyholder acquires during the currently policy term. Insurance under this Extension for each newly acquired or constructed building and/or personal property will end when any of the following first occurs: (a) this policy expires, or (b) the policyholder reports values to AIE. AIE will charge additional premium for values reported from the date construction begins or the date the building and/or personal property are acquired by the policyholder.

2. Valuable papers and records - The policyholder may extend the insurance to apply to the policyholder's expenses, due to a covered loss, to research, replace or restore information on lost or damaged valuable papers and records, including accounting books, manuscripts, drawings, card index systems and storage media for electronic data processing owned by the policyholder for which duplicates do not exist. The most AIE will pay under this Extension is \$100,000, unless different limits are shown in the Declarations.
3. Extra expense - Extra Expense means necessary expenses the policyholder incurs, due to a covered loss, during the period of restoration that the policyholder would not have incurred if there had been no direct physical loss or damage to property. AIE will pay any Extra Expense to avoid or minimize the suspension of business and to continue operation of the business at the described premises or at replacement premises or temporary locations. Extra Expense includes relocation expenses and costs to equip and operate the replacement or temporary locations.

Extra Expense for work performed by the policyholder's employees will only include direct labor costs plus 10% overhead.

Extra Expense excludes any expenses for Automobiles.

AIE will pay any Extra Expense to minimize the suspension of business if the policyholder cannot continue operation of the business, due to a covered loss.

AIE will pay any Extra Expense to repair or replace any property or research, replace or restore the lost information on damaged valuable papers and records to the extent it reduces the amount of loss that otherwise would have been payable under this policy.

The most AIE will pay under this Extension is \$100,000 unless different limits are shown in the Declarations.

4. Accounts receivable - The policyholder may extend the insurance to apply to all sums due the policyholder from customers, provided the policyholder is unable to effect collection due to a covered loss to the records of accounts receivable. Coverage is limited to the premises of the policyholder or while the records of the accounts receivable are being conveyed to a place of safety because of imminent danger of loss or damage to the records. The most AIE will pay under this Extension is \$100,000, unless different limits are shown in the Declarations.
5. Personal property of others - The policyholder may extend the insurance that applies to its personal property to personal property of others, excluding Automobiles, in the policyholder's care custody and control.

The most AIE will pay for loss or damage under this Extension is \$50,000. A deductible of \$250 applies to each covered loss occurrence under this Extension. No other deductibles applicable to **SECTION I—PROPERTY DAMAGE** shall apply. AIE's payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

6. Employee-owned Automobiles - The policyholder may extend the insurance to apply to Comprehensive and Collision loss or damage to an employee-owned Automobile but only while such employee-owned automobile is being operated by an employee of the policyholder acting within the scope of their duties as such on behalf of the policyholder, and at the direction of the policyholder. A deductible of \$250 applies to each covered loss occurrence under this Extension. No other deductibles applicable to **SECTION I—PROPERTY DAMAGE** shall apply.

7. Property in transit - The policyholder may extend the insurance policy to cover direct physical loss or damage not otherwise excluded to property insured while in transit within the territorial limits of this policy. This shall include property insured while in transit in the coastal waters of the United States to a distance of twelve (12) miles. This includes any means of conveyance, from the commencement of loading and including the location of any repair, temporary storage, consignment or exhibition, including deviation and delay, until unloaded at the place of final destination. AIE will pay for direct physical loss or damage to property sold and shipped by the policyholder, in which the policyholder retains an interest, under terms terminating the shipper's responsibility short of points of delivery, and shall pay for direct physical loss or damage caused by any unauthorized person(s) representing themselves to be the proper party(ies) to receive goods for shipment or to accept goods for delivery, or resulting from the acceptance by the policyholder of fraudulent documents, This policy excludes property of others. This policy excludes property on waterborne shipments to and from any point in Alaska and Hawaii, except within their 12 miles of coastal waters; but shall not exclude waterborne shipments between the contiguous United States and Alaska while within the coastal waters of the United States or Canada to a distance of twelve (12) miles. The most AIE will pay for loss or damage under this Extension is \$50,000, subject to the policyholder's underlying deductible.

F. Additional Coverages

1. Debris removal – AIE will pay expenses incurred by the policyholder to remove debris of property caused by or resulting from a covered loss that occurs during the policy period. The expenses will be paid only if they are reported to AIE in writing within 180 days of the date of direct physical loss or damage. The most AIE will pay under this Additional Coverage is the lesser of \$5,000,000 or 30% of (a) the amount AIE pays for the direct physical loss of or damage to covered property plus (b) the deductible in this policy applicable to that loss or damage. This Additional Coverage does not apply to costs to extract pollutants from land or water or to monitor, remove, restore, or replace polluted land or water.
2. Fire department service charge - When the fire department is called to save or protect buildings or personal property of the policyholder from damage or loss, AIE will pay up to \$50,000 for the liability of the policyholder for fire department service charges assumed by contract or agreement prior to the loss or required by local ordinance.
3. Pollutant clean up and removal – AIE will pay the policyholder's expense to extract pollutants from land or water at covered property if the release, discharge or dispersal of pollutants is caused by or results from a covered loss that occurs during the policy period. The expenses will be paid only if they are reported to AIE in writing within 180 days of the date of direct physical loss or damage.

The most AIE will pay for each location under this Additional Coverage is \$50,000 for the sum of all such expenses arising out of covered losses occurring during each separate twelve-month period of this policy.

The word "pollutant" as used herein shall mean any solid, liquid, gaseous, or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

4. Demolition and increased cost of construction – AIE will pay up to \$250,000 for demolition costs and increased costs of construction at each insured building subject to the following terms:

a. Coverage

(1) Coverage A - Coverage for loss to the undamaged portion of the building.

If a covered loss occurs to covered building property, AIE will pay for loss to the undamaged portion of the building caused by enforcement of any ordinance or law that:

- (a) Requires the demolition of parts of the same property not damaged by a covered loss;
- (b) Regulates the construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
- (c) Is in force at the time of loss.

Coverage A is included within the Limit of Liability applicable to the covered building property shown in the Declarations. This is not additional insurance.

(2) Coverage B - Demolition cost coverage

If a covered loss occurs to covered building property, AIE will pay the cost to demolish and clear the site of undamaged parts of the property caused by enforcement of building, zoning or land use ordinance or law.

(3) Coverage C - Increased cost of construction coverage

If a covered loss occurs to covered building property, AIE will pay for the increased cost to repair, rebuild or construct the property caused by enforcement of building, zoning or land use ordinance or law. If the property is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by zoning or land use ordinance or law.

However, AIE will not pay for the increased cost of construction if the building is not repaired or replaced.

b. AIE will not pay under this coverage for the costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of “pollutants”, as defined in subsection F. Additional Coverages 3 Pollutant clean up and removal above.

G. Limits of Insurance

The most AIE will pay for loss or damage in any one occurrence is the applicable limit of insurance shown in the Declarations. The limits applicable to the Coverage Extensions set forth in subsection E. Coverage Extensions and subsection F. Additional Coverages 1. Debris Removal, 2. Fire

Department Service Charge, 3. Pollutant Clean-Up and Removal, and Coverages B and C under 4. Demolition and Increased Cost of Construction Additional Coverages in Subsection F. are in addition to the limits of insurance.

H. Valuation

1. Accounting books, manuscripts, drawings, card index systems, storage media for electronic data processing systems and other records are insured only for the cost of blank material.
2. The property listed below is insured for its actual cash value or the cost to repair, whichever is less. Actual cash value is the cost to replace the property less the depreciation on the property at the time of loss:
 - a. property which is otherwise known as salvage material;
 - b. Automobiles, except hydraulic equipment attached thereto; mobile equipment, trailers, semi-trailers or any self-propelled vehicles or machines;
 - c. damaged or destroyed property that is not repaired or replaced;
 - d. items requested to be rated as Actual Cash Value and listed in an endorsement to the policy.
3. All other property is insured for its replacement cost if the damaged or destroyed property is actually repaired or replaced by the policyholder within a timeframe negotiated with, and agreed to beforehand, by AIE. AIE's liability for loss on a replacement cost basis shall not exceed the smallest of the following amounts:
 - a. the replacement cost of the property or any part thereof in like kind and quality with such property and intended for the same occupancy and use or as all these conditions may be negotiated with, and agreed to beforehand, by AIE; or
 - b. the amount actually and necessarily expended in repairing or replacing said property or any part thereof. Expense for work performed by the policyholder's employees will only include direct labor costs plus 10% overhead.

I. Mortgagees, Lessees, and Loss Payees

It is agreed that where required by mortgage, lease, or other legal agreement, the interests of mortgagees, lessees, and loss payees are insured under **SECTION I--PROPERTY DAMAGE** of this policy as their interests may appear as additional insured's and/or loss payees.

SECTION II — AUTOMOBILE AND GENERAL LIABILITY INSURANCE

Coverage A. Personal Injury Liability Coverage Property Damage Liability Coverage Advertising Injury Liability Coverage

AIE will pay on behalf of the insured all sums, up to the Limit of Liability in the Declarations, which the insured shall become legally obligated to pay as damages because of personal injury, property damage, or advertising injury, to which this insurance applies, caused by an occurrence during the policy period. AIE shall have the right and duty to defend any suit against the insured to which this policy applies, even though the allegations of the suit may be groundless. AIE may investigate and settle any claims as it deems expedient. AIE's right and duty to defend ends when the per occurrence Limit of Liability stated in the Declarations is exhausted in the payment of judgments or settlements.

Coverage B. Livestock Coverage

AIE agrees with the policyholder to pay for injury to, or death of, livestock occurring during the policy period and resulting from fallen power lines or poles arising out of "ACTS OF GOD". The maximum Limit of Liability under this coverage shall be \$5,000 for any one animal, with a total limit of \$20,000 for any one occurrence. The property damage deductible set forth in the Declarations shall not apply to payments made pursuant to this Coverage B. Loss of two or more animals from exposure to substantially the same general conditions shall be deemed to result from one occurrence and shall be subject to the maximum limits. This coverage is excess over any collectible insurance the livestock owner has.

Coverage C. Medical Payments Coverage

AIE will pay all reasonable medical expenses up to the Limit of Liability in the Declarations, incurred within one year from the date of an accident occurring during the policy period and arising out of the policyholder's operations. AIE will not pay medical expenses for bodily injury to:

1. a person, whether or not an employee of any policyholder, if benefits for the bodily injury are payable or must be provided under workers' compensation or disability benefits law or a similar law.
2. a person injured while taking part in athletics.

Coverage D. Weatherization Program Errors and Omissions Coverage

AIE agrees with the policyholder to pay for all sums which the insured shall become legally obligated to pay as money damages arising out of any negligent act, error or omission occurring during the policy period in the administration of the policyholder's Weatherization Program and caused by the insured or any person for whose acts the policyholder is legally liable. The term "Weatherization Program" shall mean the administration of a weatherization needs survey, an energy audit and materials installation for the weatherization of buildings of cooperative consumers and members of the policyholder.

AIE further agrees to pay all expenses and costs incurred in defending any suit or proceeding against the insured.

AIE shall have the right and duty to defend the insured in any suit or proceeding against the insured alleging money damages which are payable under the terms of the policy, even if any of the allegations of the suit or proceeding are groundless, false or fraudulent, and AIE shall have the right to make such investigation and settlement of any claims, and any suits or proceedings arising in connection therewith as may be deemed expedient by AIE.

AIE shall not be obligated to pay any claims, judgment or award, or undertake to continue defense of any suit or proceeding after the limit of AIE's liability has been exhausted by payment of judgments, awards or settlements.

This coverage shall not apply to any claim, or any suits or proceedings arising in connection therewith, nor the defense thereof or the payment of any amount with respect thereto in the event the claim:

1. arises out of or in connection with any dishonesty, intentional fraud, criminal or malicious act;
2. arises out of or in connection with any bodily injury to or sickness, disease or death of any person, or injury to or destruction of any tangible property including the loss of use thereof;
3. arises out of or is attributable to false arrest, detention or imprisonment, libel, slander or defamation of character, assault or battery, wrongful entry or other invasion of the right of privacy;
4. is for any amount for which the insured is entitled to coverage under any other insurance;
5. arises out of or is attributable to any negligent act, error or omission or related series of such acts the origin of which occurred prior to the effective date of this policy or if other insurance is applicable.

The maximum Limit of Liability under this coverage shall be \$25,000 for each claim, with a total annual aggregate of \$100,000. A deductible of \$100 per claim shall apply.

E. Exclusions

This insurance does not apply:

1. to liability assumed by the insured under an oral contract, but this exclusion does not apply to an implied warranty;
2. to personal injury or property damage arising out of the ownership, maintenance or physical operation in any manner of:
 - a. any aircraft
 - b. any watercraft more than 25' in length or powered by more than 120 horsepower;

“physical operation” does not include hiring, leasing, renting, or being a passenger aboard the aforementioned aircraft or watercraft;
3. to any obligation of which the insured or any insurance carrier may be held liable under workers' compensation, unemployment compensation or disability benefit law or any similar law;
4. to damage to property rented, occupied, or otherwise in the physical control of an insured, except for damage caused by fire;

5. to payment for any loss or payment for any defense, investigation, testing, containment, removal or other cost in connection with any claim made against an insured, which claim arises out of, relates to, or is based upon, the dispersal, discharge, escape, release or saturation of smoke, vapors, soot, solids, fumes, acids, alkalis, toxic chemicals, liquids, gases or any other material, irritant, contaminant or pollutant in or into the atmosphere, or on, onto, in or into surface or sub-surface: (a) soil; (b) water or water courses; (c) objects; (d) any tangible or intangible matter; whether sudden or not.

This exclusion applies to any claim by whomever or whatsoever made, including, but not limited to, any public, private or governmental person, concern, body, entity, agency, office, corporation or association.

However, coverage is provided for: (a) losses arising out of the lawful application of any herbicide for purposes of maintaining rights-of-way or easements for electrical distribution on property not owned by the insured; (b) losses arising out of the immediate and suddenly accidental dispersal of any material on property that is both not owned, controlled or in the care or possession of the insured and not designated as a site in need of removal of hazardous waste or cleanup such that the United States, any state, or any agency or department thereof, can impose environmental response costs, engineering or study costs or any other cost regardless of any actionable negligence on the part of the insured.

The limit of liability for any covered loss under the above paragraph is \$1,000,000. A \$1,000 deductible per occurrence will apply. This is an aggregate limit of liability and in the event of multiple claims during any one annual policy period. AIE's aggregate limit of liability for all claims as a result of this coverage is \$1,000,000.

6. to any loss or any payment for any defense or any other cost arising out of any (a) refusal to employ; (b) termination of employment; (c) coercion, demotion, evaluation, reassignment, discipline, defamation and humiliation of an employee, harassment, discrimination or other employment-related practices, policies, acts or omissions; or any consequential damages as a result of (a) through (c) above. This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation to share damages with or to repay someone else who must pay damages arising out of the above.
7. to any loss or any payment for any defense, investigation, testing or any other cost in connection with any claim or suit made against an insured that arises from electromagnetic fields or radiation. Electromagnetic fields mean any electric field, magnetic field, electromagnetic field, electromagnetic radiation or pulse generated or emitted by electricity or electrical current.
8. to bodily injury, sickness, disease or death to an employee of the policyholder arising out of and in the course of employment of the employee or the spouse, child, parent, brother or sister of that employee as a consequence of the employment. This exclusion applies whether the insured may be liable as an employer or in any other capacity and to any obligation to share damages with or repay someone else who must pay damages because of the injury. This exclusion does not apply to liability assumed by the insured under a written contract.
9. to personal injury or property damage expected or intended from the standpoint of the insured. This exclusion does not apply to personal injury resulting from the use of reasonable force to protect persons or property.

10. to personal injury or advertising injury arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity.
11. to advertising injury arising out of breach of contract, other than misappropriation of advertising ideas under an implied contract.
12. except with respect to Personal Injury Liability, Advertising Injury Liability and Property Damage Liability as defined in this policy, to any liability for loss or expense from claims or suits against any person or persons, jointly or severally, who were or now are or may hereinafter be a Director, Officer, Trustee, Employee, or Staff Member of the policyholder for negligent breach of duty, neglect, error, misstatement, misleading statement or omission while acting in their respective capacities as Directors, Officers, Trustees, Employees, or Staff Members of the policyholder.
13. except with respect to Personal Injury Liability, Advertising Injury Liability and Property Damage Liability as defined in this policy, to any liability for loss or expense from claims or suits against any corporation brought by any Director, Officer, Trustee, Employee, or Staff Member of the policyholder for indemnification or to be reimbursed for any damages or costs or expenses incurred in connection with the defense of any action, suit or proceeding or in connection with appeal therein to which any Director, Officer, Trustee, Employee, or Staff Member of the policyholder is or was a party thereto which is or was based on negligent breach of duty, neglect, error, misstatement, misleading statement or omissions while acting in their respective capacities as Directors, Officers, Trustees, Employees, or Staff Members of the policyholder. The fact that the corporation may be liable to the Director, Officer, Trustee, Employee, or Staff Member of the policyholder because of state law, article or certificate of incorporation of the corporation, or by-laws of the corporation or separate contract, shall not alter the conditions of this exclusion.
14. to and shall not cover actual or alleged personal injury or property damage directly arising out of: (a) inhaling, ingesting or prolonged physical exposure to asbestos or goods or products containing asbestos; or (b) the use of asbestos in constructing or manufacturing any good, product or structure; or (c) the removal of asbestos from any good, product or structure; or (d) the manufacture, transportation, storage or disposal of asbestos or goods or products containing asbestos; or (e) any other liability whatsoever resulting from or in consequence of asbestos, in whatever form or quantity. The coverage afforded by this policy does not apply to payment for the investigation or defense of any loss, injury or damage or any cost, fine or penalty or for any expense or claim or suit related to any of the above, including cost or expense related to a request, demand or order that any insured or others test for, monitor, remediate, clean up, remove, contain, treat, detoxify, neutralize or in any way respond to or assess the presence of or the effects of asbestos.
15. to property damage to (a) property owned by the insured, or (b) the insured's products arising out of such products or any part of such products, or (c) work performed by or on behalf of the insured arising out of the work or any portion thereof, or out of materials, parts or equipment furnished in connection therewith.
16. to personal injury or property damage resulting from the failure of the insured's products or work completed by or for the insured to perform the function or serve the purpose intended by the insured, if such failure is due to a mistake or deficiency in any design, formula, plan, specifications, advertising material or printed instructions prepared or developed by any

insured; but this exclusion does not apply to bodily injury or property damage resulting from the active malfunctioning of such products or work.

17. to damages claimed for the withdrawal, inspection, repair, replacement or loss of the use of the insured's products or work completed by or for the insured or of any property of which such products or work form a part, if such products, work or property are withdrawn from the market or from use because of any known or suspected defect or deficiency therein;
18. to any liability arising out of the rendering or failure to render any professional services by the named insured or any engineer, architect or surveyor who is either employed by the named insured or performing work on the named insured's behalf in such capacity.
Professional services include:
 - a. The preparing, approving, or failure to prepare or approve, maps, shop drawings, opinion, reports, surveys, field orders, change orders or drawings and specifications; and
 - b. Supervisory, inspection, architectural or engineering activities.

This exclusion applies even if the claims against any insured allege negligence in the supervision, hiring, training or monitoring of others by that insured.

F. Persons Insured

Each of the following is an insured under this insurance to the extent set forth below:

1. the named insured listed in the Declarations and any executive officer, director, trustee, employee, or volunteer of the policyholder while acting within the scope of their duties as such;
2. any person or organization using an owned automobile or hired automobile with the permission of the policyholder, provided the use is within the scope of the permission; coverage does not apply to the owner or any other person or organization from whom the policyholder hires or borrows the automobile or to anyone in the automobile or automobile delivery business.
3. with respect to the use of a non-owned automobile, those designated in 1. above, but only if there is no other valid and collectible insurance available, either on a primary, contingent or excess basis;
4. any joint venture designated in the policy, provided the policyholder is a member of the joint venture.

G. Automobile Out of State Extension

While an owned automobile is away from the state where it is licensed, AIE will provide the minimum amounts and types of other coverages, such as "No Fault", required of out of state vehicles by the jurisdiction where an owned or hired automobile is being used on a temporary basis.

H. Limits of Liability

Regardless of the number of Insureds under this policy, persons or organizations who sustain personal injury or property damage, or claims made or suits brought on account of personal injury

or property damage, AIE's liability is limited as follows:

1. Personal Injury, Advertising Injury and Property Damage Liability Coverage

The total liability of AIE for all damages, including damage for care and loss of services, as a result of any one occurrence shall not exceed the Limit of Liability stated in the Declarations as applicable to "each occurrence".

2. Medical Payments Coverage

The total liability for medical expenses for bodily injury to any one person as a result of any one occurrence shall not exceed the Limit of Liability stated in the Declarations as applicable to "each person".

The total liability for all medical expenses for bodily injury to all persons as a result of any one occurrence shall not exceed the Limit of Liability stated in the Declarations as applicable to "each occurrence".

I. Hired, Non-Owned, and Employee-Owned Automobiles

With respect to a hired Automobile and an employee-owned Automobile, this insurance shall be primary insurance over any other valid and collectible insurance and shall not be superseded by any other insurance stated to be primary, but only while such employee-owned Automobile is being operated by an employee of the policyholder acting within the scope of their duties as such on behalf of the policyholder, and at the direction of the policyholder.

With respect to any other non-owned Automobile, this insurance shall be excess insurance over any other valid and collectible insurance.

SECTION III — CRIME COVERAGE

AIE agrees with the policyholder, subject to the Limit of Liability indicated on the Declarations page and exclusions, conditions and other terms of this Section, to pay the policyholder under the following insuring agreements for losses occurring within the policy period.

1. INSURING AGREEMENTS

A. Employee Dishonesty Coverage

Loss of money and securities which the policyholder shall sustain through any fraudulent or dishonest act or acts, including unauthorized credit card use, committed by any of the employees, acting alone or in collusion with others.

B. Loss Inside the Premises Coverage

Loss of money and securities by the actual destruction, disappearance or wrongful abstraction thereof within the premises or within any banking premises or similar recognized places of safe deposit, including secured payment drop boxes.

C. Loss Outside the Premises Coverage

Loss of money and securities by the actual destruction, disappearance or wrongful abstraction thereof outside the premises while being conveyed by a messenger, messenger service or any armored motor vehicle company, or while within the living quarters in the home of any messenger. This insurance shall be excess to any and all other insurance and indemnity in force in whatsoever form carried by or for the benefit of users of said messenger service or armored motor vehicle company's services.

D. Money Orders and Counterfeit Paper Currency Coverage

Loss due to the acceptance in good faith, in exchange for merchandise, money or services of any post office or express money order, issued or purporting to have been issued by any post office or express company, if such money order is not paid upon presentation; or due to the acceptance in good faith in the regular course of business of counterfeit United States or Canadian paper currency.

E. Depositors Forgery Coverage

Loss which the policyholder or any bank which is included in the policyholder's proof of loss and in which the policyholder carries a checking or savings account, as their respective interests may appear, shall sustain through forgery or alteration of, on or in any check, draft, promissory note, bill of exchange, or similar written promise, order or direction to pay a sum certain in money, made or drawn by or drawn upon the policyholder, or made or drawn by one acting as agent for the policyholder, or purporting to have been made or drawn as hereinbefore set forth, including (a) any check or draft made or drawn in the name of the policyholder, payable to a fictitious payee and endorsed in the name of such fictitious payee; (b) any check or draft procured in a face to face transaction with the policyholder, or with one acting as agent of the policyholder, by anyone impersonating another and made or drawn payable to the one impersonated and endorsed by anyone other than the one so impersonated; and (c) any payroll check, payroll draft or payroll

order made or drawn by the policyholder, payable to bearer as well as to a named payee and endorsed by anyone other than the named payee without authority from such payee; whether or not any endorsement mentioned in (a), (b) or (c) be a forgery within the law of the place controlling the construction thereof.

Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

The policyholder shall be entitled to priority of payment over loss sustained by any bank aforesaid. Loss under this insuring agreement, whether sustained by the policyholder or such bank, shall be paid directly to the policyholder in its own name, except in cases where such bank shall have already fully reimbursed the policyholder for such loss. The liability of AIE to such bank for such loss shall be a part of and not in addition to the amount of insurance under this Section applicable to the policyholder's office to which such loss would have been allocated had such loss been sustained by the policyholder.

If the policyholder or such bank shall refuse to pay any of the foregoing instruments made or drawn as hereinbefore set forth, alleging that such instruments are forged or altered, and such refusal shall result in suit being brought against the policyholder of such bank to enforce such payment and AIE shall give its written consent to the defense of such suit, then any reasonable attorneys' fees, court costs or similar legal expenses incurred and paid by the policyholder or such bank in such defense shall be construed to be a loss under this insuring agreement and the liability of AIE for such loss shall be in addition to any other liability under this insuring agreement.

2. GENERAL AGREEMENTS

A. Consolidation - Merger

If through consolidation or merger with, or purchase of assets of, some other concern, any persons shall become employees or if the policyholder shall thereby acquire the use and control of any additional premises, the insurance afforded by this Section shall also apply as respects such employees and premises.

B. Loss Under Prior Bond or Policy

If the coverage of this policy is substituted for any prior bond or policy of insurance carried by the policyholder or by any predecessor in interest of the policyholder, which prior bond or policy is terminated, canceled or allowed to expire as of the time of such substitution, AIE agrees that this policy applies to loss which is discovered as provided in A. Discovery of the conditions and limitations and which would have been recoverable by the policyholder or such predecessor under such prior bond or policy except for the fact that the time within which to discover loss there under had expired; provided:

1. the insurance under this General Agreement B shall be a part of and not in addition to the amount of insurance afforded by this Section;

2. such loss would have been covered under this Section had this Section with its agreements, conditions and limitations as of the time of such substitution been in force when the acts or events causing such loss were committed or occurred; and
3. recovery under this Section on account of such loss shall in no event exceed the amount which would have been recoverable under the coverage of this Section applicable to such loss in the amount for which it is written as of the time of such substitution, had this policy been in force when such acts or events were committed or occurred, except that with respect to such losses discovered after termination of this policy but not later than two years from the time of such termination, recovery under this Section shall not exceed such amount or the amount which would have been recoverable under such prior bond or policy had such prior bond or policy continued in force until the discovery of such loss, if the latter amount is smaller.

3. THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENTS ARE SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS.

A. Discovery

Loss is covered under Section III only if discovered not later than two years from the end of the policy period; but with respect to a loss under a prior bond or policy, loss is covered only if discovered within two years of the termination, cancellation, expiration, or substitution of the prior bond or policy. However, notwithstanding either of the preceding, in the absence of prejudice against AIE in the settlement of a claim, no discovery time period shall apply.

B. Definitions

The following terms, as used in this policy, shall have the respective meanings stated in Section III:

“Money” means currency, coins and bank notes in current use and having a face value; and traveler’s checks, register checks and money orders held for sale to the public.

“Securities” means all negotiable and nonnegotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens and tickets, but does not include money.

“Employee” means any natural person while in the regular service of the policyholder in the ordinary course of the policyholder’s business during the policy period and whom the policyholder compensates by salary, wages or commissions and has the right to govern and direct in the performance of such service, trustees, and the non-salaried officers and collection agents in the services of the policyholder, but does not mean any broker, factor, commission merchant, consignee, contractor or other agent or representative of the same general character. As applied to loss under Insuring Agreement A, the above words “while in the regular service of the policyholder” shall include the first 30 days after termination of service; subject, however, to E. Prior Fraud, Dishonesty or Cancellation as to any Employee and Cancellation of Section III. As applied to loss under Insuring Agreement A, the above words “while in the regular service of the policyholder” shall include employees administering employee welfare or benefit plans.

“Premises” means the interior of that portion of any building which is occupied by the policyholder in conducting its business, provided, that with respect to loss of money and securities under Insuring Agreement B, “Premises” shall include the premises of a collection agent of the policyholder.

“Banking Premises” means the interior of that portion of any building which is occupied by a banking institution in conducting its business.

“Messenger” means any employee who is duly authorized by the policyholder to have the care and custody of the Insured property outside the premises.

“Custodian” means any employee who is duly authorized by the policyholder to have the care and custody of the Insured property within the premises, excluding any person while acting as a watchman, porter, or janitor.

“Wrongful Abstraction” means any act of stealing including theft, burglary and robbery, including via electronic means. Burglary means the taking of property from inside the premises by a person unlawfully entering or leaving the premises as evidenced by marks of forcible entry or exit. Robbery means the taking of Insured property (1) by violence inflicted upon a messenger or a custodian; (2) by putting him in fear of violence; (3) by any other overt felonious act committed in his presence and of which he was actually cognizant; provided such other act is not committed by an employee of the policyholder; (4) from the person or direct care and custody of a messenger or custodian who has been killed or rendered unconscious; or (5) under Insuring Agreement B, from within the premises by means of compelling a messenger or custodian by violence or threat of violence while outside the premises to admit a person into the premises or to furnish him with means of ingress into the premises.

“Discovery by the policyholder” as used herein shall mean, discovery by any officer or employee of the policyholder not in collusion with the employee responsible for the loss discovered.

“Discovery by the Administration” shall mean discovery by an employee, agent or attorney of the Rural Utilities Service of the United States of America (hereinafter called the Administration) not in collusion with the employee responsible for the loss.

C. Exclusions

AIE will not pay for loss as specified below:

1. Loss that is the indirect result of any act or occurrence covered by this Section including, but not limited to, loss resulting from:
 - a. The policyholder’s inability to realize income that the policyholder would have realized had there been no loss of, or loss from damage to, the policyholder’s property.
 - b. Payment of costs, fees or other expenses incurred by the policyholder in establishing either the existence or the amount of loss under this Section.
2. Expenses related to any legal action.
3. Loss resulting from accounting or arithmetical errors or omissions.
4. Loss resulting from the policyholder, or anyone acting on the policyholder’s express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property.
5. Loss resulting from the giving or surrendering of property in any exchange or purchase.
6. Loss of use of money and securities.

D. Loss Caused by Unidentified Employees

If a loss is alleged to have been caused by the fraud or dishonesty of one or more of the employees and the policyholder shall be unable to designate the specific employee or employees causing such loss, the policyholder shall nevertheless have the benefit of Insuring Agreement A, of this policy, provided that the evidence submitted reasonably proves that the loss was in fact due to the fraud or dishonesty of one or more of the said employees, and provided, further, that the aggregate liability of AIE for any such loss shall not exceed the amount of AIE's liability for any one employee.

E. Prior Fraud, Dishonesty or Cancellation as to Any Employee

Section III is canceled and shall not apply to any employee (a) immediately upon discovery by the policyholder or any officer thereof not in collusion with the employee, or by the Administration, of any fraudulent or dishonest act committed by that employee, whether before or after becoming employed by the policyholder; or (b) at the date and hour of cancellation as stated in a written notice mailed by AIE to the policyholder and the Administration by registered mail, at the address stated in the Declarations. No notice as aforesaid shall provide a date and time of termination less than 20 days from the date of mailing of said notice. The mailing of notice as aforesaid shall be sufficient proof of notice. Delivery of such written notice by AIE shall be equivalent to such mailing.

If, prior to the issuance of this policy, any fidelity insurance in favor of the policyholder or any predecessor in interest of the policyholder and covering one or more of the policyholder's employees shall have been canceled as to any of such employees by reason of the giving of written notice of cancellation by the insurer issuing such fidelity insurance, whether AIE or not, and if such employees shall not have been reinstated under the coverage of said fidelity insurance or superseding fidelity insurance, AIE shall not be liable on account of such employees unless AIE shall agree in writing to include such employees within the coverage of Section III.

F. Loss — Notice — Proof

After discovery by the policyholder or by the Administration of any loss covered by Section III, the policyholder or the Administration shall give AIE written notice thereof and shall file affirmative proof of loss, itemized and duly sworn to, within four months after such discovery. Prior discovery of such loss by the policyholder shall not affect the right of the Administration to notify AIE of such loss and to file proof of loss, even though such prior discovery by the policyholder may have occurred more than four months prior to the date of discovery of such loss by the Administration. The policyholder shall cooperate with AIE in the investigation and settlement of any claim.

In the event of any loss covered by Insuring Agreement A of Section III, the Administration is empowered to give notice hereof to AIE, to file proof of such loss and to bring suit therefore against AIE within the respective periods limited therefore in this policy.

Settlement of any claim under Insuring Agreement A of Section III shall be made by check payable to the policyholder, but no such settlement shall be made until prior written approval thereof shall have been given by the Administration to AIE.

Proof of loss under Insuring Agreement E shall include the instrument which is the basis of claim for such loss, or if it shall be impossible to file such instrument, the affidavit of the policyholder or the policyholder's bank of deposit setting forth the amount and cause of loss shall be accepted in lieu thereof.

G. Valuation

AIE's maximum liability for loss related to securities shall be limited to the actual cash value thereof at the close of the business day preceding the day on which the loss was discovered.

H. Recoveries

Any recoveries, less the cost of obtaining them, made after settlement of loss covered by Section III will be distributed first to the policyholder, until the policyholder is reimbursed for any loss that the policyholder sustains that exceeds the limit of insurance and the deductible amount, if any; and then to AIE until AIE is reimbursed for the settlement made. Any recoveries remaining will be distributed to the policyholder, until the policyholder is reimbursed for that part of the loss equal to the deductible amount, if any. Recoveries do not include any recovery from insurance, suretyship, reinsurance, security or indemnity taken by or for the benefit of AIE; or any recovery of original securities after duplicates of them have been issued.

The policyholder must transfer to AIE all of the policyholder's rights of recovery against any person or organization for any loss sustained by the policyholder and for which AIE has paid or settled. The policyholder must also do everything necessary to secure those rights and do nothing after the loss to impair them.

I. Limit of Liability

Payment of loss under Section III shall not reduce the limit of AIE's liability under Section III for other losses, provided however:

1. The most AIE will pay for loss by any one employee is the Limit of Liability shown as Each Employee in Section III of the Declarations.
2. The most AIE will pay for loss in any one occurrence is the Limit of Liability shown as Each Occurrence in Section III of the Declarations. "Occurrence" means all loss caused by or involving one or more employees, whether the result of a single act or a series of acts.
3. The total limit of AIE's liability on account of all losses incidental to an actual or attempted fraudulent, dishonest or criminal act or series of related acts, whether committed by one or more persons, in which no employee is concerned or implicated is the Limit of Liability shown as Each Occurrence in Section III of the Declarations.

Regardless of the number of years this policy shall continue in force and the number of premiums which shall be payable or paid, AIE's total limit of liability shall not be cumulative from year to year or period to period.

J. Limit of Liability Under Section III and Prior Insurance

With respect to loss caused by any person (whether one of the employees or not) or in which such person is concerned or implicated or which is chargeable to any employee as provided in D. Loss Caused By Unidentified Employee and which occurs partly during the policy period and partly during the period of other bonds or policies issued by AIE to the policyholder or to any predecessor in interest of the policyholder and terminated or canceled or allowed to expire and in which the period for discovery has not expired at the time any such loss hereunder is discovered, the total liability of AIE under Section III and under such other bonds or policies shall not exceed, in the aggregate, the amount carried under Section III or such loss or the amount available to the policyholder under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss, if the latter amount be the larger.

K. Other Insurance

This insurance is primary insurance, except when stated to apply in excess of, or to be contingent upon, the absence of other insurance. When both this insurance and the other insurance apply to the loss on the same basis, whether primary, excess or contingent, AIE shall not be liable under this policy for a greater proportion of such loss than the applicable Limit of Liability under this policy for such loss bears to the total applicable Limit of Liability of all valid and collectible insurance against such loss.

L. Cancellation of Section III

Section III may be canceled by the policyholder by mailing to AIE and to the Administration written notice stating when thereafter the cancellation shall be effective. If notice of cancellation of Section III be delivered or mailed by the policyholder, the date of such cancellation shall be not less than ten days after the date of the policyholder's written notice unless an earlier date is approved by the Administration and AIE, and if the Administration shall, within ten days after receipt of notice of cancellation of Section III sent by the policyholder advise AIE that it does not consent to such cancellation, such cancellation shall become inoperative and coverage shall continue as if such notice of cancellation by the policyholder had never been sent.

M. Notices, Approvals and Requests

Notices, approvals and requests required by the provisions of Section III shall be sent as follows:

1. To AIE - addressed to it at its home office in the city of Anchorage, Alaska
2. To the Policyholder - addressed to it at the city or town at which its principal office shall be located.
3. To the Administration - addressed to the Rural Utilities Service, Department of Agriculture, South Building, Washington, D.C.

GENERAL CONDITIONS APPLYING TO THIS POLICY

- A. Premium - All premiums for this insurance shall be computed in accordance with AIE's rules, rates, rating plans, premiums and minimum premiums applicable to the insurance afforded herein.

Subject to the consent of AIE and subject to the premiums, rules and forms then in effect, this policy may be continued in force by payment of the required continuation premium for each successive one year period.

B. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to the Company advance written notice of cancellation.
2. We may cancel this policy by mailing to you, and the agent or broker of record written notice of cancellation. Such notice, stating the reason for cancellation, must be sent by first class mail at least:
 - a. 10 days before the effective date of cancellation if we cancel for:
 - (i) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against; or
 - (ii) Fraud or material misrepresentation by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under this policy; or
 - b. 20 days before the effective date of cancellation if we cancel for:
 - (i) Nonpayment of premium; or
 - (ii) Failure or refusal of the insured to provide the information necessary to confirm exposure or determine the policy premium; or
 - c. 60 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail our notice to the last known addresses of you and the agent or broker of record.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.
6. If this policy is cancelled, we will return any premium refund due to the first Named Insured. If:
 - a. We cancel, the refund will be the pro rata unearned premium. The refund will be returned or credited before the effective date of cancellation. However, if the cancellation is for:
 - (i) Nonpayment of premium;
 - (ii) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;
 - (iii) Discovery of fraud or material misrepresentation made by the insured

or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy; or
(iv) Failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium;

any unearned premium shall be returned or credited within 45 days after the cancellation notice is given.

b. The first Named Insured cancels, the refund will be the pro rata unearned premium minus a cancellation fee of 7.5% of the pro rata unearned premium. However, we will not retain this cancellation fee if this policy is cancelled:

(i) And rewritten with us or in our company group;

(ii) At our request; or

(iii) After the first year for a prepaid policy written for a term of more than one year.

c. Will be returned or credited;

(i) By the effective date of cancellation; or

(ii) Within 45 days of your request to cancel;
whichever is later.

If the policy is selected for audit, we will complete the audit within 45 days of receipt of the request for cancellation. The refund will be returned within 45 days of completion of an audit, or the effective date of cancellation, whichever is later.

C. Nonrenewal

1. If we decide not to renew this policy, we will mail written notice of nonrenewal, by first class mail, to you and the agent or broker of record at least 45 days before:

a. The expiration date; or

b. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.

2. We need not mail notice of nonrenewal if:

a. We have manifested in good faith our willingness to renew; or

b. The First Insured has failed to pay any premium required for this policy; or

c. The First Insured fails to pay the premium required for renewal of this policy.

3. Any notice of nonrenewal will be mailed to the last known addresses of you and the agent or broker of record. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

D. Notice of Premium or Coverage Changes on Renewal - If the premium to renew this policy increases more than 10% for a reason other than an increase in coverage or exposure basis, or if after renewal there will be a material restriction or reduction in coverage not specifically requested by the insured, we will mail written notice by first class mail to your last known address and obtain a certificate of mailing from the United States Postal Service and to the agent or broker of record at least 45 days before:

1. The expiration date; or

2. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.

- E. Policy Period and Time of Inception - This policy shall be effective at 12:01 a.m. (standard time) at the policyholder's address as stated in the Declarations. The policy period is the period from 12:01 a.m. on the inception date to 12:01 a.m. on the expiration date, standard time as to both dates, at the policyholder's address as stated in the Declarations.
- F. Assignment - Assignment of interest under this policy shall not bind AIE until consent is endorsed thereon.
- G. Subrogation - In the event of any payment under this policy, AIE shall be subrogated to all the insured's rights of recovery against any person or organization. An insured shall do nothing after the loss to prejudice such rights. An additional insured shall do nothing before or after the loss to prejudice such rights.
- H. Inspection and Audit - AIE shall be permitted, but not obligated, to inspect the policyholder's property and operations at any time. AIE may examine and audit the policyholder's books and records at any time during the policy period and extension thereof and within three years after the final termination of this policy, as far as they relate to the subject matter of this insurance.
- I. Liberalization Clause - If this insurance form is changed during the policy period so as to afford better coverage for the policyholder, the change will automatically become part of this policy.
j. Other Insurance - This insurance is primary insurance, except when stated to apply in excess of, or to be contingent upon, the absence of other insurance., When both this insurance and the other insurance apply to the loss on the same basis, whether primary, excess or contingent, AIE shall not be liable under this policy for a greater proportion of such loss than the applicable Limit of Liability under this policy for such loss bears to the total applicable Limit of Liability of all valid and collectible insurance against such loss.
- This provision does not apply to any medical expense insurance afforded by this policy.
- K. Waiver or Change of Provisions - The terms of this insurance shall not be waived, changed or modified except by endorsement issued to form a part of this policy.
- L. Conformity With Statute - The terms of this policy and forms attached hereto which are in conflict with the statutes of the state wherein this policy is issued are hereby amended to conform to such statutes.
- M. Rural Utilities Service Clause - AIE agrees with the Administration that such insurance as is afforded by the policy applies subject to the following provisions:
1. AIE agrees that it will not use, either in the adjustment of claims or in the defense of suits against the insured, the immunity of the insured from tort liability unless requested by the insured to interpose such defense.
 2. The insured agrees that the waiver of the defense of immunity shall not subject AIE to liability for any portion of a claim, verdict or judgment in excess of the limits of liability stated in the policy.
 3. AIE agrees that if the insured is relieved of liability because of its immunity, either by interposition of such defense at the request of the insured or by voluntary action of a court, the insurance applicable to the injuries on which suit is based, to the extent to which it would otherwise have been available to the insured, shall apply to officers and employees

of the policyholder in their capacity as such; provided that all defenses, other than immunity from tort liability, which would be available to AIE in suits against the insured or against AIE under the policy, shall be available to AIE with respect to such officers and employees or against AIE under this policy.

- N. Concealment or Fraud - All statements and descriptions in negotiations for the policy, by or in behalf of the policyholder, shall be considered representations and not warranties. Misrepresentations, omissions, concealment of facts, and incorrect statements may not prevent a recovery under the policy unless either:
1. fraudulent;
 2. material either to the acceptance of the risk, or to the hazard assumed by AIE; or
 3. AIE in good faith would either not have issued the policy or would not have issued a policy in as large an amount, or at the same premium, or would not have provided coverage with respect to the hazard resulting in the loss, if the true facts had been made known to AIE.
- O. Territory – AIE will cover Personal Injury, Property Damage, Advertising Liability or losses that occur during the policy period:
1. In the United States of America, its territories or possessions, Puerto Rico or Canada or while covered property is being transported between any of these places.
 2. Anywhere in the world if the Personal Injury, Property Damage or Advertising Injury is caused by the policyholder's products which are sold for use in the United States of America, its territories or possessions, Puerto Rico or Canada. The original suit for damages resulting from such Personal Injury, Property Damages or Advertising Injury must be brought in one of these places.
- P. War Risk, Government Action and Nuclear Exclusions - This policy shall not apply to bodily injury or property damage caused by or due to any act or condition incident to the following:
1. Hostile or warlike action in the time of peace or war, including action in hindering, combating or defending against an actual, impending or expected attack by :
 - a. Military ground, naval, or air forces;
 - b. Any government or sovereign power (de jure or de facto), or by any authority maintaining or using military, ground, naval, or air forces; or
 - c. An agent of such government, power, authority, or forces.
 2. Insurrection, rebellion, revolution, civil war, usurp of power or action taken by governmental authority in hindering, combating or defending against any of the actions described in subsection 1 above.
 3. Discharge of a nuclear weapon shall be deemed a warlike act, even if accidental.

Applicable to Sections I and III only:

1. Nuclear clause: This policy is not intended to and does not include nuclear reaction or nuclear radiation or radioactive contamination.
2. Nuclear exclusion: Loss by nuclear reaction, radiation or radioactive contamination is not insured against by this policy.

Section II only - It is agreed that this policy does not apply:

1. under any liability coverage, to bodily injury or property damage resulting from the hazardous properties of nuclear material.
 2. under any medical payments coverage or under any supplementary payments provision relating to first aid, to expenses incurred with respect to bodily injury resulting from the hazardous properties of nuclear material.
- Q. Suit - No suit shall be brought on this policy unless the policyholder has complied with all the policy provisions and has commenced the suit within three years after the Breach of contract is discovered by the policyholder.

CONDITIONS APPLICABLE TO SECTIONS I AND III

- A. Duties of the policyholder after a loss - In case of loss, the policyholder shall:
 - 1. Give immediate notice of such loss to AIE.
 - 2. Protect the property from further damage.
- B. Appraisal - If the policyholder and AIE fail to agree on the amount of a covered first party loss, either can make written demand upon the other to submit the dispute for appraisal. If either makes written demand for appraisal, each shall notify the other of the competent appraiser selected. The two appraisers shall promptly select a competent and impartial umpire. Not later than 15 days after the umpire has been chosen, unless the time period is extended by the umpire, each appraiser will separately state in writing the amount of the loss. If the appraisers submit a written report of agreement on the amount of the loss, the agreed amount shall be binding on the policyholder and AIE. If the appraisers fail to agree, the appraisers will promptly submit their differences to the umpire. A decision agreed to by one of the appraisers and the umpire will be binding upon the policyholder and AIE. All expenses and fees, not including counsel or adjuster fees, incurred because of that appraisal shall be paid as determined by the umpire.
- C. AIE's Options - If AIE gives notice within thirty (30) days after it has received a statement of loss, it shall have the option to take all or any part of the property damaged at an agreed value, or to repair, rebuild or replace it with equivalent property.
- D. Payment of Loss – AIE will pay all adjusted claims within thirty (30) days after acceptance of proof of the loss.
- E. Privilege to Adjust with Owner - In the event a claim is made for damage to property of others held by the policyholder, the right to adjust such loss or damages with the owner or owners of the property is reserved to AIE and receipt of payment by such owner or owners in satisfaction thereof shall be in full satisfaction of any claim of the policyholder.
- F. Recoveries - In the event AIE has made a payment for loss under the policy and a subsequent recovery is made of the lost or damaged property, the policyholder shall be entitled to all recoveries in excess of the amount paid by AIE, less the actual cost of effecting such recoveries.
- G. Loss Clause - Any loss hereunder shall not reduce the amount of this insurance.
- H. No Benefit to Bailee - This insurance shall not inure directly or indirectly to the benefit of any carrier or other bailee.
- I. No Control - This insurance shall not be prejudiced:
 - 1. by any act or neglect of the owner of any building if the policyholder is not the owner thereof, or by any act or neglect of any occupant (other than the policyholder) of any building when such act or neglect of the owner or occupants is not within the control of the policyholder, or
 - 2. by failure of the policyholder to comply with any warranty or condition contained in any endorsement attached to this policy with regard to any portion of the premises over which the policyholder has no control.

CONDITIONS APPLICABLE TO SECTION II

- A. Action Against AIE - No action shall lie against AIE unless there shall have been full compliance with all the terms of this policy. Bankruptcy or insolvency of the policyholder shall not relieve AIE of its obligations under this policy.
- B. Financial Responsibility Laws - When this policy is certified as proof of financial responsibility for the future under the provisions of any motor vehicle financial responsibility law, such insurance as is afforded by this policy for bodily injury liability or for property damage liability shall comply with the provisions of such law.
- C. An Insured's Duties in the Event of an Occurrence, Claim or Suit:
 - 1. Give AIE notice as soon as practicable.
 - 2. Immediately forward to AIE every demand, notice, summons or other process received by an insured.
 - 3. All insureds shall cooperate with AIE in the investigation, defense and settlement of any claim or lawsuit.
 - 4. An insured shall not, except at its own cost, voluntarily make any payment, assume any obligation or incur any expense other than for first aid to others at the time of accident.

SUPPLEMENTARY PAYMENTS

AIE will pay, in addition to the Limit of Liability stated in the Declarations:

- 1. All expenses incurred by AIE, all costs taxed against the insured in any suit defended by AIE and all interest on any judgment therein which accrues after entry of the judgment but only for that part of the judgment which does not exceed the Limit of Liability in the Declarations.
- 2. Premiums on appeal bonds and bonds to release attachments in any lawsuit defended by AIE for an amount not in excess of the Limit of Liability stated in the Declarations, and the cost of all bonds required of an insured because of an accident or traffic law violation arising out of the use of any vehicle insured under this policy, not to exceed \$500 per bail bond.
- 3. Cost of first aid to others at the time of an accident.
- 4. The insured's reasonable expenses in assisting AIE in the defense of any claims, including an employee's loss of earnings up to \$150 per day.
- 5. Salvage charges for which the insured becomes legally liable.
- 6. If an owned automobile has comprehensive coverage and is stolen, up to \$75 a day for 30 days for rental of a substitute vehicle.

DEFINITIONS APPLYING TO THIS POLICY

Advertising Injury means liability arising out of the named insured's advertising activities for:

- (a) Libel, slander or defamation;
- (b) Infringement of copyright or of title or of slogan;
- (c) Misappropriation of advertising ideas or style of doing business;
- (d) Invasion of right of privacy;
committed or alleged to have been committed in any advertisement, publicity article, broadcast or telecast but such liability shall not include liability arising out of:
 - (1) failure of performance of contract, other than the unauthorized appropriation of ideas based upon alleged breach of an implied contract;
 - (2) personal injury or property damage;
 - (3) infringement of any patent, trademark, service mark or trade name, other than titles or slogans, by use thereof on or in connection with goods or services sold, offered for sale or advertised;
 - (4) incorrect description or mistake in advertised price of goods or products sold, offered for sale or advertised.

AIE - The insurance company issuing this policy, ARECA Insurance Exchange.

Automobile - Any licensed highway vehicle or trailer and equipment attached thereto

Automobile Business - The business of selling, repairing, servicing, storing, or parking automobiles.

Collision - Contact of an Owned Automobile with another object or its overturn.

Comprehensive - Direct physical damage to an Owned Automobile other than a loss by Collision, or as otherwise excluded.

Hired Automobile - An automobile leased to the policyholder for a period of less than one year.

Implied Warranty - That any products sold or used by the policyholder will be fit for the use intended and that any work performed by or on behalf of the policyholder will be done in a workmanlike manner.

Insured - Any person or organization qualifying as an insured under the "Persons Insured" section.

Loss of Income - All income from members, interest charges, collection expenses, and other expenses in excess of normal and reasonable expenses incurred in reestablishing records of account.

Non-Owned Automobile - An Automobile which is neither an Owned Automobile nor a Hired Automobile.

Occurrence - An accident occurring within the policy period, including continuous or repeated exposure to conditions, which results in Personal Injury, Property Damage or Advertising Injury neither expected or intended from the standpoint of an insured.

Owned Automobile - An Automobile owned by the policyholder or leased to them for a term of not less than one year.

Personal Injury means (1) bodily injury, sickness, disease, disability or shock, including death arising therefrom, or, if arising out of the foregoing, mental anguish and mental injury; (2) false arrest, false imprisonment, wrongful entry, wrongful eviction, wrongful detention, or malicious prosecution; (3) libel, slander, defamation of character, humiliation, or invasion of the rights of privacy, unless arising out of advertising activities, however this policy does not cover dissemination of customer and employee confidential credit or confidential financial information whether written, printed, electronic or by any other means; or (4) accident or mistake in the

administration of Employee Benefit Plans to the extent of giving counsel, interpreting, handling records and enrollment, termination or cancellation.

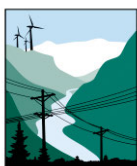
Policyholder - The organization designated in the Declarations.

Property Damage - Physical injury to, or destruction of tangible property including loss of use as a result thereof.

IN WITNESS WHEREOF, ARECA Insurance Exchange has caused this policy to be signed by its Attorney-in-Fact, ARECA Insurance Management, Inc.



EXECUTIVE VICE-PRESIDENT
Crystal Enkvist



ARECA
INSURANCE
EXCHANGE

*This endorsement changes the policy.
Please read it carefully.*

CROSS SUITS EXCLUSION

It is agreed that the coverage afforded by this policy does not apply to a claim for damages arising out of personal injury or property damage as defined, initiated, alleged, or caused to be brought about by a named insured or additional named insured covered by this policy against any other named insured covered by this policy.



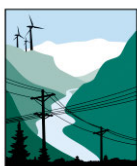
**JOINT LOSS ADJUSTMENT AGREEMENT
FOR FIRE POLICY**

In the event of damage to or destruction of property at a location designated in this policy and also designated in an equipment breakdown insurance policy and there is disagreement between the insurers with respect to: (a) whether such damage or destruction was caused by a peril insured against by this policy or by an accident insured against by such equipment breakdown insurance policy, or (b) the extent of participation of this policy and of such equipment breakdown insurance policy in a loss which may be insured against, partially or wholly, by any one or all of said policies.

AIE shall, upon written request of the policyholder, pay to the policyholder one-half of the amount of loss which is in disagreement, but in no event, more than this Company would have if there had been no equipment breakdown insurance policy in effect, subject to the following conditions:

1. The amount of the loss which is in disagreement is limited to the minimum amount remaining payable under either the equipment breakdown policy(ies) or fire policy(ies) after making provisions for an undisputed claim payable under the said policies and after the amount of the loss is agreed upon by the policyholder and the insurers;
2. The equipment breakdown insurer(s) shall simultaneously pay to the policyholder one-half of said amount which is in disagreement;
3. The equipment breakdown insurer(s) agree(s) with the fire insurer(s) to submit the questions in dispute to arbitration; the arbitrators shall be three in number, one of whom shall be appointed by the equipment breakdown insurer(s) and one of whom shall be appointed by the fire insurer(s) and one of whom shall be appointed by consent of the other two, and the decision of the arbitrators shall be subject to appeal to the appropriate court or courts;
4. Acceptance by the policyholder of sums paid pursuant to the provisions of this endorsement shall not operate to alter, waive, surrender, or in any way affect the rights of the policyholder against any of such insurers;
5. The provisions of this endorsement shall not apply unless such other policy(ies) issued by equipment breakdown insurance company(ies) are similarly endorsed;
6. Acceptance by the policyholder of sums paid pursuant to the provisions of this endorsement, including an arbitration or court award, shall not operate to alter, waive, surrender or in any way affect the rights of the insureds against any of the insurers.

All other terms and conditions remain unchanged.



ARECA
INSURANCE
EXCHANGE

*This endorsement changes the policy.
Please read it carefully.*

PROPERTY DAMAGE LIABILITY COVERAGE DEDUCTIBLE

In consideration of the premium charged, AIE and the Insured agree, subject to all provisions of the policy except as modified herein:

It is agreed that a \$10,000 Deductible, per occurrence, applies under **SECTION II, AUTOMOBILE AND GENERAL LIABILITY INSURANCE Coverage A. Property Damage Liability Coverage**. This Deductible does not apply to any allocated Loss Adjustment Expenses resulting per occurrence. This Deductible does not apply to any loss arising out of the ownership or use of an automobile.



ALASKA CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the All-Risk Blanket Policy. (ARB-1) **GENERAL CONDITIONS APPLYING TO THIS POLICY. Paragraph B. Cancellation**, is hereby amended and modified as follows and supersedes any provision to the contrary.

A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to the Company advance written notice of cancellation.
2. We may cancel this policy by mailing to you, and the agent or broker of record written notice of cancellation. Such notice, stating the reason for cancellation, must be sent by first class mail at least:
 - (1) 10 days before the effective date of cancellation if we cancel for:
 - (a) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against; or
 - (b) Fraud or material misrepresentation by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under this policy; or
 - (2) 20 days before the effective date of cancellation if we cancel for:
 - (a) Nonpayment of premium; or
 - (b) Failure or refusal of the insured to provide the information necessary to confirm exposure or determine the policy premium; or
 - (3) 60 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail our notice to the last known addresses of you and the agent or broker of record.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.
6. If this policy is cancelled, we will return any premium refund due to the first Named Insured. If:

(a) We cancel, the refund will be the pro rata unearned premium. The refund will be returned or credited before the effective date of cancellation. However, if the cancellation is for:

- (1) Nonpayment of premium;
- (2) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;
- (3) Discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy; or
- (4) Failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium;

any unearned premium shall be returned or credited within 45 days after the cancellation notice is given.

(b) The first Named Insured cancels, the refund:

(1) Will be the pro rata unearned premium minus a cancellation fee of 7.5% of the pro rata unearned premium. However, we will not retain this cancellation fee if this policy is cancelled:

- (i) And rewritten with us or in our company group;
- (ii) At our request; or
- (iii) After the first year for a prepaid policy written for a term of more than one year.

(c) Will be returned or credited;

- (i) By the effective date of cancellation; or
- (ii) Within 45 days of your request to cancel; whichever is later.

If the policy is selected for audit, we will complete the audit within 45 days of receipt of the request for cancellation. The refund will be returned within 45 days of completion of an audit, or the effective date of cancellation, whichever is later.

B. The following is added and supersedes any provision to the contrary:

NONRENEWAL

1. If we decide not to renew this policy, we will mail written notice of nonrenewal, by first class mail, to you and the agent or broker of record at least 45 days before:

- a. The expiration date; or
- b. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.

2. We need not mail notice of nonrenewal if:

- a. We have manifested in good faith our willingness to renew; or
- b. The First Insured has failed to pay any premium required for this policy; or
- c. The First Insured fails to pay the premium required for renewal of this policy.

3. Any notice of nonrenewal will be mailed to the last known addresses of you and the agent or broker of record. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

C. The following Condition is added:

NOTICE OF PREMIUM OR COVERAGE CHANGES ON RENEWAL

If the premium to renew this policy increases more than 10% for a reason other than an increase in coverage or exposure basis, or if after renewal there will be a material restriction or reduction in coverage not specifically requested by the insured, we will mail written notice by first class mail to your last known address and obtain a certificate of mailing from the United States Postal Service and to the agent or broker of record at least 45 days before:

- a. The expiration date; or
- b. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.



*This endorsement changes the policy.
Please read it carefully.*

ALASKA MISCELLANEOUS ENDORSEMENT

In consideration of the premium paid and notwithstanding anything contained in this policy to the contrary, it is agreed as follows:

The following amendments, deletions and additions are hereby added under **SECTION I — PROPERTY DAMAGE. C. Losses Not Covered, 2.** is hereby deleted and replaced with the following:

2. Loss, damage, claim, cost, expense, sum or other obligation of any kind or description arising out or directly or indirectly related to, contributing to, or resulting from the actual or alleged presence or actual, alleged or threatened presence of fungi, including, but not limited to mold, fungus, mycotoxins, mildew, spores, wet or dry rot; unless the mold, fungus, mycotoxins, mildew, spores, wet or dry rot are caused by, contributed to, or results from an insured loss or occurrence.

The following amendments, deletions and additions are hereby added under **GENERAL CONDITIONS APPLYING TO THIS POLICY. Paragraph O.** is hereby deleted and replaced with the following:

- O. Suit - No suit shall be brought on this policy unless the policyholder has complied with all the policy provisions and has commenced the suit within three years after the loss is discovered by the policyholder.

The following amendments, deletions and additions are hereby added under **CONDITIONS APPLICABLE TO SECTIONS I AND III. Paragraph B.** is hereby deleted and replaced with the following:

- B. Appraisal - If the policyholder and AIE fail to agree on the amount of a covered first party loss, either can make written demand upon the other to submit the dispute for appraisal. If either makes written demand for appraisal, each shall notify the other of the competent appraiser selected within twenty (20) days of the receipt of written demand. The two appraisers shall promptly select a competent and impartial umpire. Not later than fifteen (15) days after the umpire has been chosen, unless the time period is extended by the umpire, each appraiser will separately state in writing the amount of the loss. If the appraisers submit a written report of agreement on the amount of the loss, the agreed amount shall be binding on the policyholder and AIE. If the appraisers fail to agree, the appraisers will promptly submit their differences to the umpire. A decision agreed on by one of the appraisers and the umpire will be binding upon the policyholder and AIE. All expenses and fees, not including counsel or adjuster fees, incurred because of that appraisal shall be paid as determined by the umpire.



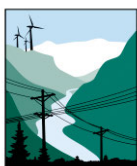
*This endorsement changes the policy.
Please read it carefully.*

In consideration of the premium charged, AIE and the Insured agree, subject to all provisions of the policy except as modified herein, as follows:

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2007 and reauthorized in 2015, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury--in concurrence with the Secretary of State, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been 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. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The federal share of insured losses exceeding the statutorily established deductible will decrease 1% per year beginning January 1, 2016 until it reaches 80% on January 1, 2020. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

The portion of your annual premium that is attributable to coverage for acts of terrorism is \$0, and does not include any charges for the portion of losses covered by the United States Government under the Act.



ALASKA RULE 82 COVERAGE LIMITATION NOTICE

**THIS POLICY LIMITS COVERAGE FOR ATTORNEY FEES
UNDER ALASKA RULES OF CIVIL PROCEDURE 82**

In any suit in Alaska in which AIE has a right or duty to defend an insured in addition to the limits of liability, our obligation to pay attorney’s fees taxable as costs against the insured is limited as follows:

Alaska Rule of Civil Procedure 82 provides that if you are held liable, some or all the attorney fees of the person making a claim against you must be paid by you. The amount that must be paid by you is determined by Alaska Rule of Civil Procedure 82. AIE provides coverage for attorney fees for which you are liable under Alaska Rule of Civil Procedure 82 subject to the following limitations:

AIE will not pay that portion of any attorney’s fees that is in excess of fees calculated by applying the schedule for contested cases in Alaska Rule of Civil Procedure 82(b)(1) to the limit of liability of the applicable coverage.

This limitation means the potential costs that may be awarded against you as attorney fees may not be covered in full. You will have to pay any attorney fees not covered directly.

For example, the attorney fees provided by the schedule for contested cases in Alaska Rule of Civil Procedure 82(b)(1) are:

- 20% of the first \$25,000 of a judgment;
- 10% of the amounts over \$25,000 of a judgment.

Therefore, if a court awards a judgment against you in the amount of \$125,000, in addition to that amount you would be liable under Alaska Rule of Civil Procedure 82(b)(1) for attorney fees of \$15,000 calculated as follows:

20% of \$25,000	\$5,000
10% of 100,000	\$10,000
Total Award \$125,000	Total Attorney Fees \$15,000

If the limit of liability of the applicable coverage is \$100,000, we would pay \$100,000 of the \$125,000 award, and \$12,500 for Alaska Rule of Civil Procedure 82(b)(1) attorney fees, calculated as follows:

20% of \$25,000	\$ 5,000
10% of \$75,000	\$ 7,500

Total Limit of Liability \$100,000

Total Attorney Fees Covered \$12,500

You would be liable to pay, directly and without our assistance, the remaining \$25,000 in liability plus the remaining \$2,500 for attorney fees under Alaska Rule of Civil Procedure 82 not covered by this policy.



*This endorsement changes the policy.
Please read it carefully.*

MISCELLANEOUS ENDORSEMENT

Effective **07/01/2017** 12:01 a.m. standard time, this endorsement forms a part of Policy No. **ARB170010320** issued by ARECA Insurance Exchange to **Alaska Energy Authority c/o Alaska Industrial Development & Export Authority for the account of Bradley Lake Hydroelectric Project**

In consideration of the premium charged, AIE and the Insured agree, subject to all provision of the policy except as modified herein, as follows:

It is agreed that under **SECTION I - PROPERTY DAMAGE**, the following change is made:

Item #3 and **Items #4 (a), (b) and (c)** of Part **C. Losses Not Covered** are removed in their entirety.

It is further agreed that under Part **E. Coverage Extensions** is amended to include new item #8:

8. This policy is extended to insure direct physical loss or damage caused by the perils of flood, earthquake, mud slide, sinkhole, subsidence, volcanic eruption and any other earth movement.

Earthquake means earth movement due to seismic activity.

Flood means rising water, surface water, waves, backup of sewers, tidal water, tidal wave, tsunami, overflow of streams or other bodies of water or spray from any of the foregoing, all whether driven by wind or not.

EARTHQUAKE AND FLOOD

Each loss by earthquake or flood will constitute a single occurrence. If more than one earthquake occurs within any period of 72 hours during the term of this policy, such earthquake shocks shall be deemed a single occurrence. The Insured may elect the moment when the 72-hour period will begin.

EXCLUSIONS

This endorsement does not insure loss or damage caused by any earthquake or flood occurring before the inception date and time of this policy, nor for any loss occurring after the expiration date and time of this policy.

DEDUCTIBLE

As respect to "earthquake", the following shall be applied separately at each location for which claim is being made:

For Property Damage, \$10,000,000 (flat) of the value, per the Valuation Clause of this policy, of the property insured at the "location" where the physical damage occurred.

As respect to "flood", the following shall be applied separately at each location for which claim is being made:

For Property Damage, \$10,000,000 (flat) of the value, per the Valuation Clause of this policy, of the property insured at the "location" where the physical damage occurred.

The above are subject to a minimum of \$100,000 Property Damage and Extra Expense loss combined for each "location" per "earthquake or flood".

Limit of Liability **\$50,000,000**



*This endorsement changes the policy.
Please read it carefully.*

MISCELLANEOUS ENDORSEMENT

Effective **07/01/2017** 12:01 a.m. standard time, this endorsement forms a part of Policy No. **ARB170010320** issued by ARECA Insurance Exchange to **Alaska Energy Authority c/o Alaska Industrial Development & Export Authority for the account of Bradley Lake Hydroelectric Project**

In consideration of the premium charged, AIE and the Insured agree, subject to all provision of the policy except as modified herein, as follows:

SECTION I – PROPERTY DAMAGE, B. Property Not Covered, 8. is amended as below for all Hydroelectric Facilities.

8. Bridges, tunnels, canals, underground mines, caverns, tanks, wells, piping, mains, sewers and drains, including personal property unless endorsed herein. Except coverage is specifically provided for the following property; bridges that support penstock piping; dam associated with the hydroelectric facility; penstocks, power tunnels and tailraces; powerhouses and the equipment contained therein.

All other terms and conditions of the policy remain unchanged.



*This endorsement changes the policy.
Please read it carefully.*

MISCELLANEOUS ENDORSEMENT

Effective **07/01/2017** 12:01 a.m. standard time, this endorsement forms a part of Policy No. **ARB170010320** issued by ARECA Insurance Exchange to **Alaska Energy Authority c/o Alaska Industrial Development & Export Authority for the account of Bradley Lake Hydroelectric Project**

In consideration of the premium charged, AIE and the Insured agree, subject to all provisions of the policy except as modified herein, as follows:

It is hereby agreed the following are named as Additional Named Insureds, Loss Payees, and Mortgagees as their interest may appear:

**Corporate Trust Agency
Bank of America State Trust Company
P.O. Box 24425
Seattle, WA 98124-0425**

**Homer Electric Association, Inc.
3977 Lake Street
Homer, AK 99603**



*This endorsement changes the policy.
Please read it carefully.*

MISCELLANEOUS ENDORSEMENT

Effective **07/01/2017** 12:01 a.m. standard time, this endorsement forms a part of Policy No. **ARB170010320** issued by ARECA Insurance Exchange to **Alaska Energy Authority c/o Alaska Industrial Development & Export Authority for the account of Bradley Lake Hydroelectric Project**

In consideration of the premium charged, AIE and the Insured agree, subject to all provisions of the policy except as modified herein, as follows:

It is hereby understood and agreed that notwithstanding any policy provision or subscriber agreement to the contrary, no governments, governmental agencies, state and/or political subdivisions (collectively referred to as "Governmental Entities") shall be personally liable for any debt or obligation of AIE, its successors or assigns, and will not be assessed for such.



DECLARATIONS

Directors, Officers and Managers Liability and Corporate Indemnification Policy

ARECA Insurance Exchange

703 West Tudor Road, Suite 101, Anchorage, AK 99503-6650

(907) 771-5700

Fax: (907) 561-6206

THIS IS A CLAIMS MADE POLICY- PLEASE READ IT CAREFULLY

<p>Item 1. Name of Insured: The Directors, Officers, Managers and Employees of: Bradley Lake Management Committee</p> <p>the Entity and the following Subsidiary(ies):</p> <p>Item 2. Named Insured Address: 813 W. Northern Lights Blvd. Anchorage, AK 99503</p>	<p>POLICY NUMBER: DO170020327</p> <p>Replaced or Transferred from POLICY NUMBER: DO160010327</p> <hr/> <p>Item 3. 1st Annual Premium: ██████████ 2nd Annual Premium: subject to rerate</p>
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<p>Item 4. Limits of Liability: \$5,000,000 each Policy Period and this limit shall be a combined maximum Limit of Liability for both Insuring Agreements A and B. Any and all costs, charges and expenses of defense payable by the company are a part of, and not in addition to, the Limit of Liability and Aggregate Limit of Liability.</p>	<p>Item 4a. Aggregate Limit of Liability: for the Insurer for all losses during the policy period is: \$5,000,000</p>
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<p>Item 5. Deductible: \$10,000 per Claim and will apply to all expense and judgments incurred as a result of a claim.</p>	
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<p>Item 6. Policy Period: From 7/1/2017 to 7/1/2018 12:01 a.m. standard time at the address shown in ITEM 2 above</p>	
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<p>Item 7. Limit of Liability: N/A If no Limit of Liability is shown in this section, there is no coverage for claims alleging a breach of fiduciary duties arising out of the Employee Retirement and Securities Act of 1974 and amendments thereto.</p>	
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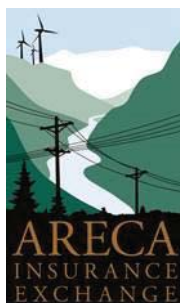
<p>Item 8. The declarations page and the forms listed below and attached hereto, together with the completed and signed application, shall constitute the contract between the Insured(s) and the Company: DOM25AK AIE(8/16) DOM75AK AIE(8/16) DOM81AK AIE(8/16) DOM82AK AIE(8/16) DOM98AK AIE(8/16) DOM100AK AIE(9/16) DOM126AK AIE(8/16) DOM PD-1AK AIE(8/16)</p>	
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Anchorage, AK

Countersigned At

By:

Authorized Representative



ARECA Insurance Exchange

703 West Tudor Road, Suite 101 Anchorage, Alaska 99503 (907) 771-5750

Directors, Officers and Managers Liability and Corporate Indemnification Policy

IMPORTANT NOTE: THIS IS A CLAIMS-MADE POLICY

Policy Conditions, Declarations, Forms and Endorsements, if any,
issued to form a part hereof, complete this Policy.

THIS IS AN ASSESSABLE POLICY

ARECA Insurance Exchange (“AIE”) is a reciprocal insurance company. This Policy is issued by AIE, acting by and through its attorney-in-fact, ARECA Insurance Management, Inc.

The Entity designated in Item 1 of the Declarations is a Subscriber of AIE. Subscribers are bound by the terms and conditions of AIE’s current Subscriber’s Agreement and Power of Attorney, (including AIE’s Bylaws which are incorporated therein) (the “Agreement”), which is on file with ARECA Insurance Management, Inc. and the Alaska Division of Insurance. Subscribers are also bound by any modification of the terms of the Agreement which is jointly made by AIE’s Board of Directors and ARECA Insurance Management, Inc., to the extent permitted by law.

Subscribers shall be entitled to distributions as may be declared by the Board of Directors, subject, however, to any approval which may be required in accordance with the applicable provisions of the Alaska Statutes as amended.

AIE is an assessable reciprocal insurance company as is required by Alaska law. Thus, AIE Subscribers are personally liable for the payment of AIE’s debts or obligations.

INSURING AGREEMENTS

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer by application, a copy of which is attached hereto and forms a part of the policy, and subject to the Declarations, Insuring Agreements, Terms, Conditions, Limitations and Amendments or Endorsements as hereinafter provided, **ARECA Insurance Exchange** (hereinafter called the Company) agrees as follows:

Coverages A and B

- A. The Company will pay on behalf of the **Insureds** all **Loss** which the **Insureds** shall be legally obligated to pay for any claim or claims first made against them because of a **Wrongful Act**, provided that the claim is a result of events or circumstances during the **Policy Period** and the claim or claims are first made during the **Policy Period** by written notice received by the Company during the **Policy Period**.
- B. The Company will reimburse the **Entity** for all **Loss** for which the **Entity** shall be required by law to indemnify individual **Insureds** for any civil claim or claims first made against them and arising out of events or circumstances during the **Policy Period** because of a **Wrongful Act**, provided that the claim is first made during the **Policy Period** and written notice of said claim is received by the Company during the **Policy Period**.

In the event that **Insureds** renew this policy of insurance, any claims arising out of events or occurrences during prior consecutive **Policy Periods** insured by the Company will be considered claims arising during the **Policy Period**.

TERMS, CONDITIONS AND LIMITATIONS

Section 1. Definitions

- A. The term **Insureds** shall mean the **Entity** and any individual who was, now is, or shall be a Director, Officer, Trustee, Employee, Seasonal, Temporary or Leased Employee, Volunteer or Staff Member of the **Entity** and shall include any Executive, Officer, Board Member or Committee Member, whether salaried or not.

The lawful spouse of an individual **Insured** shall be considered an **Insured** under this policy only as concerning claims arising solely out of his or her status as the spouse of an individual **Insured**, including claims that seek damages recoverable from marital community property, property jointly held by the individual **Insured** and the spouse, or property transferred from the individual **Insured** to the spouse, provided however, that coverage shall not apply to any claim for any actual or alleged **Wrongful Act** of the spouse.

- B. The term **Entity** shall mean only that Organization, Association or Corporation which is named in **ITEM 1** of the Declarations and is legally constituted at the inception date of this policy and any **Subsidiary** that existed at the time the application was completed. Coverage will automatically

apply to any **Subsidiary** formed or acquired after the inception date of this policy, subject to: (1) written advice to the Company within 90 days of acquisition or formation and 2) payment of any additional premium required.

- C. The term **Subsidiary** shall mean any Organization, Association or Corporation of which the **Entity** owns more than 50 percent of the outstanding voting stock.
- D. The term **Wrongful Act** shall mean any actual or alleged error, mis-statement, misleading statement, omission, neglect or breach of duty by one or more of the **Insureds** while acting in their individual or collective capacities as authorized representatives of the **Entity**, including Wrongful Acts which are alleged, arising out of, based upon or attributable to, in part or in whole, from **employment-related claims**, or if a Limit of Liability is shown on the declarations page for fiduciary liability arising out of the ERISA Act of 1974 and subsequent amendment thereto; subject to the Terms, Conditions and Limitations of this policy.
- E. The term **Loss** means damages, judgments (including pre- and post-judgment interest) settlements, defense costs, charges and expenses (excluding salaries of officers or employees of the corporation) incurred in the defense of actions, suits or proceedings and appeals therefrom for **Wrongful Acts**, subject to the applicable limit, Insuring Agreements, Terms, Conditions and Limitations of this policy; provided always that **Loss** shall not include; costs, charges and expenses of grand jury or criminal proceedings; or matters or damages which may be deemed uninsurable under law.

The term **Loss** does not mean any amount not indemnified by the **Entity** for which an individual **Insured** is absolved from payment by reason of any covenant, agreement or court order.

- F. The term **Policy Period** shall mean the term in accordance with **ITEM 6** of the Declarations or Amendments thereto.
- G. **Employment-related claim** means a claim alleging an employment practices violation, and that is defined as any actual or alleged:
1. wrongful dismissal, discharge or termination (either actual or constructive) of employment, including breach of an implied contract; or breach of an employment contract;
 2. Employment-related harassment (including sexual harassment whether “quid pro quo”, hostile work environment or otherwise);
 3. Employment-related discrimination, including but not limited to: age, gender, race, color, national origin, religion, sexual orientation or preference, pregnancy or disability);
 4. Employment-related retaliation (including lockouts);
 5. Employment-related misrepresentation;
 6. Employment-related libel, slander, humiliation, defamation, invasion of privacy;
 7. Wrongful failure to employ or promote;
 8. Wrongful deprivation of career opportunity, wrongful demotion or negligent employee evaluation;
 9. Wrongful discipline;
 10. Failure to provide or enforce adequate or consistent organization policies and procedure

relating to any employment practice violation;

11. Violation of an individual's civil rights relating to any of the above but only if the employment practices violation relates to an Employee or applicant for employment whether direct, indirect, intentional or unintentional.

Employment-related claim does not mean any wage claim or inquiries or actions arising from unemployment benefits.

Section 2. Exclusions

The Company shall not be liable to make any payment of **Loss** in connection with any claim or claims made against the **Insureds**:

- A. Where all or part of such claim is directly based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged profit, gain, advantage, or unjust enrichment or restitution.
- B. For the return by the **Insureds** of any remuneration paid to **Insureds** without the previous approval of the stockholders or membership of the **Entity**, when payment without such previous approval shall be held by the courts to have been illegal;
- C. Which is insured by another valid policy or policies;
- D. For an accounting of profits made in fact from the purchase or sale by the **Insureds** of the securities of the **Entity** within the meaning of Section 16 (b) of the Securities Exchange Act of 1934 and amendments thereto, or similar provisions of any other federal or state law;
- E. For bodily injury, sickness, disease, death, or emotional distress of any person; for damage to or destruction of any tangible or intangible property or loss of use of property; for violation of a person's right of privacy; or for libel or slander or defamation of character, false arrest, detention or imprisonment, malicious prosecution, wrongful entry or eviction, or other invasion of the right of private occupancy; or for dissemination of confidential credit, health, financial or any other personally identifiable information whether written, printed, electronic or by any other means; or for the inability of the **Insured's** computer system's security to prevent an electronic or computer attack, unauthorized access, unauthorized use, or use by an authorized person in an unauthorized manner, including such inability caused by theft of a password or access code by non-electric means. A computer system's security includes, but is not limited to, firewalls, filters, DMZ's, computer virus protection software, intrusion detection, the use of passwords or other identification of authorized users.

However, coverage shall apply for emotional distress, or for injury from libel or slander, false arrest, wrongful detention, humiliation, or defamation or disparagement, or for injury from a violation of a person's right of privacy; but only if arising out of **employment-related claims**;
- F. Arising out of controversies or claims between **Insureds** involving the operation of the **Entity** or any other matter; except an **employment-related claim** that is and brought by or on behalf of a past, present, or future employee of the **Entity** which is not a labor or grievance proceeding subject to a collective bargaining agreement. Board members, Trustees, Committee Members and Volunteers are not considered employees for purposes of this exclusion.
- G. Arising from charges of seepage, pollution or contamination and based upon or attributable to

violations or alleged violation of any federal, state, or municipal law or ordinance prohibiting or providing for the control or regulation of emissions or effluents of any kind into the atmosphere or into or on any body of land, water, waterway or watercourse; or arising from any action or proceeding brought for enforcement purposes by any public official, agency, commission, or board of pollution control administration pursuant to any such statutes, regulations or ordinances or arising from any suits alleging seepage, pollution or contamination based upon common law nuisance or trespass;

- H. For **Wrongful Acts** of the **Insureds** while acting in the capacity of director or officer for any corporation, **Subsidiary** or other organizations not named in **ITEM 1** of the Declarations. However; coverage afforded under this policy shall extend to Directors, Officers, and Managers who were or now are or may hereafter become, at the direction of the **Insured**, a Director, Officer or Manager of any non-profit charitable or civic organization for any alleged **Wrongful Acts** in their respective capacities as Directors, Officers or Managers of such non-profit charitable or civic organization. The term non-profit charitable or civic organization shall include any non-profit charitable or civic entity other than the **Insured**. Coverage afforded to Directors, Officers, and Managers of any such non-profit charitable or civic organization shall be excess of any insurance in force as respects to these non-profit charitable or civic organizations and any indemnification provided by these non-profit charitable or civic organizations; No coverage is provided to any non-profit, charitable or civic entity or any of its other directors, managers, employees, staff or volunteers.
- I. Under Insuring Agreement A, where the **Insureds**, individually or collectively, are entitled to be indemnified by the **Entity**;
- J. Involving, arising out of, in consequence of, or in any way involving the construction, maintenance, use, operation or termination of any nuclear facility, or the disposal, handling or storage of nuclear or radioactive materials;
- K. Arising out of any negligent act, error, or omission in the administration of the **Insureds'** weatherization or energy audit program;
- L. Arising out of the sale or purchase of the **Entity** or substantially all of its assets except in the case of a hostile takeover attempt by a third party;
- M. Based upon, or attributable to, any failure or omission to effect and maintain insurance;
- N. Brought about or contributed to by the fraudulent, dishonest or criminal acts of the **Insureds**; however, the provisions of this exclusion shall not apply unless a judgment or other final adjudication thereof adverse to the **Insureds** shall establish fraud, dishonesty or criminal acts;
- O. Where all or part of such claim is directly based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged failure, inability or refusal of the **Insureds** to fulfill, in whole or in part, any financial or other obligation it has under any contract or agreement. This exclusion shall not apply to employment contracts;
- P. Where all or part of such claim is directly based on, attributable to, arising out of, resulting from or in any manner related to any actual or alleged violation of any common, federal, state or provincial laws or statutes enacted to protect trade and commerce from unfair competition, unlawful restraints, monopolies or fixing of prices, including but not limited to the Sherman Act, the Clayton Act or any similar legislation or common law;

- Q. Where all or part of such claim is directly based on, attributable to, arising out of, resulting from or in any manner related to the **Insureds** performance of or failure to perform professional services for others, including but not limited to engineering services, whether for a fee or not, or any act, error or omission relating thereto;
- R. For any actual or alleged:
1. direct infringement of any patent, copyright, trademark, trade secret, or any other intellectual or licensing rights, or
 2. unauthorized taking or use of any trade name, service mark, service name, mask work, title, slogan, trade secret, know-how or confidential or proprietary business information or other material or information in violation of any right under any patent, copyright or trademark registration, license, lease, franchise, permit, authorization or agreement (including secrecy and non-disclosure agreements).
- S. Where all or part of such claim is directly based on, attributable to, arising out of, resulting from or in any manner related to the return and or the refund of patronage capital, capital credits, patronage dividends, equity allocations, distributions of excess revenues or demands for restitution or disgorgement of funds, or rate reductions.

Section 3. Limits of Liability

- A. The Company shall be liable to pay all **Loss** in excess of the amount of the Deductible as shown in **ITEM 5** of the Declarations up to the Limit of Liability shown in **ITEM 4** and **ITEM 4a** of the Declarations.
- B. The maximum combined Limit of Liability stated in **ITEM 4a** of the Declarations as the Annual Aggregate Limit of Liability for the Company for all **Losses** during the **Policy Period** is the total limit of the Company's liability hereunder for all **Losses** during the **Policy Period**.
- C. In the event a **Loss** is reported in accordance with provisions of Section 5 below, the Company's total liability shall not exceed the Annual Aggregate Limit of Liability for the **Policy Period**.
- D. Any **Loss** incurred because of a series of related events occurring over more than one **Policy Period** shall be treated as a single claim. Actions or suits against more than one of the **Insureds** arising out of the same circumstances will be considered a single claim. The claim will be subject to the Limits of Liability in **ITEM 4** and **4a** of the Declarations.

Section 4. Defense Costs, Charges and Expenses (included in the Limit of Liability)

- A. The Company shall have the right and duty to defend any suit against the **Insureds** to which this policy applies, even though the allegations of the suit may be groundless. The Company may investigate and settle any claim as it deems expedient. The Company has the right to select defense counsel. The Company's right and duty to defend ends when the Limit of Liability stated in Section 3 is exhausted.

Any and all costs, charges and expenses of defense payable by the Company are a part of, and not in addition to, the Limit of Liability. **Loss** includes costs, charges and expenses of defense and as such is subject to the provisions of Section 3.

- B. Only those costs, charges, expenses and settlements consented to by the Company shall be recoverable as **Loss** under the terms of this policy. The Insureds agree not to settle or offer to settle any claim, incur any costs, charges and expenses or otherwise assume any contractual obligation or admit any liability with respect to any claim without the prior written consent of the Insurer, such consent not to be unreasonably withheld. The Company shall not be liable for any settlement, costs, charges and expenses, assumed obligation or admission to which it has not consented. The Insureds shall promptly send to ARECA Insurance Exchange all settlement demands or offers received by any Insured from the claimant(s).
- C. The words —“costs, charges and expenses” shall include the cost of any appeal, attachment or similar bonds. The Company shall not be obligated to provide appeal, attachment, or similar bonds.

Section 5. Notice and Loss Provision

If during the **Policy Period** or Discovery Period:

- A. The **Entity** or any **Insureds** shall receive written or oral notice from any party that it is the intention of such party to hold the **Entity** or any **Insureds** responsible for the results of any specified **Wrongful Act** done or alleged to have been done by the **Insureds** while acting in the capacity aforementioned; or
- B. The **Entity** or any one of the individual **Insureds** shall become aware of any circumstances which may subsequently give rise to a claim being made against an **Insured** with respect to any such alleged **Wrongful Act**;

The **Insureds** shall give written notice by certified mail, return receipt requested, to the Company of the receipt of such written or oral notice under Section 5A or of such circumstances under Section 5B.

- C. The **Insureds** shall give the Company such information and cooperation as the Company may reasonably require as shall be in the **Insureds'** power.
- D. All notices required by this section shall be by certified mail, return receipt requested, to ARECA INSURANCE EXCHANGE, Claims Department, 703 West Tudor Road, Suite 101, Anchorage, Alaska 99503.

Section 6. Cancellation

This policy may be canceled by the **Insureds** at any time only by mailing written prior notice to the Company or by surrender of this policy to the Company or its authorized agent. This policy may also be canceled by or on behalf of the Company only as provided in Section 8 of this policy by deliveries to the **Entity** or mailing to the **Entity**, by registered, certified or first class mail, written notice stating when, not less than sixty (60) days thereafter, the cancellation shall be effective. The making of such notice as aforesaid shall be sufficient proof of notice. The **Policy Period** terminates at the date and hour indicated in such notice, or at the date and time of surrender.

The Company shall not be held liable for **Loss** to any **Insureds** resulting from the failure or omission of any other **Insureds** or the **Entity** to promptly notify all **Insureds** of the cancellation or non-renewal of this policy.

If this policy is canceled by the **Insureds**, the Company shall retain the customary short-rate proportion of the premium hereon.

If this policy is canceled by the Company, the Company shall retain the prorata proportion of the premium hereon.

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

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction thereof, such period shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

Section 7. Discovery Period

- A. If the Company cancels or refuses to renew this policy, the **Insureds** shall have the right, upon payment of additional 25 percent of the premium hereunder, to an extension of the coverage granted by this policy to report any claim or claims in accordance with Section 5, which claim or claims are made against the **Insureds** during the period of ninety (90) days after the effective date of cancellation or non-renewal, herein called the Discovery Period, but only for any **Wrongful Act** committed before the effective date of such cancellation or non-renewal and otherwise covered by this policy.
- B. In the event that **Insureds** elect the Discovery Period as set out in A above, the Aggregate Limit of Liability of the **Policy Period** and the Discovery Period will be the same as is set out in **ITEM 4a** of the Declarations Page of this policy. The purchase by the **Insureds** of the Discovery Period in no way increases the Company's liability under the terms of this policy.

The **Insureds** must provide written notice of such election together with the payment of the additional premium due, and the notice and premium must be received by the Company at the address shown on this policy within ten (10) days after the effective date of cancellation or non-renewal, or this right shall terminate.

The provision of this Section 7 and the right granted herein to the **Insureds** shall not apply to any cancellation resulting from non-payment of premium.

Section 8. Representations and Severability Clause

The **Insureds** represent that the particulars and statements contained in the application herein incorporated and made a part of this policy, are true, accurate and complete, and agree that this policy is issued in reliance on the truth of that representation, and are the basis of this policy.

No knowledge or information possessed by an **Insured** person will be imputed to any other individual **Insured** person.

In the event that any of the particulars and statements in the application are untrue, coverage under this policy will be void with respect to any individual **Insured** person who knew of such untruth.

Only those particulars and statements known by any past, present or future general manager, chief executive officer, chief financial officer, board president or chair, or person completing the

application, which are untrue will void the coverage afforded by this policy with respect to the **Entity** or any **Subsidiary**.

Except for the forgoing conditions and compliance with applicable state regulations, this policy shall not be rescinded except for non-payment of premium.

Nothing in this Section shall be construed to increase the Company's maximum liability as set forth in Section 3 of this policy.

Section 9. Subrogation Clause

In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all rights of recovery therefore, and the **Insureds** shall execute all papers required and shall do everything that may be necessary to secure and preserve such rights including the execution of such documents necessary to enable the Company to effectively bring suit in the name of the **Insureds**.

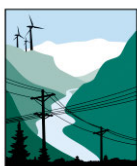
Section 10. Notice and Authority

It is hereby agreed that the **Entity** shall act on behalf of all **Insureds** with respect to giving and receiving of notice of claim or cancellation, the payment of premiums and the receiving of any return premiums that may become due under the policy, the receipt and acceptance of any endorsements issued to form a part of this policy and the exercising or declining to exercise any right to a Discovery Period.

IN WITNESS WHEREOF, ARECA Insurance Exchange has caused this policy to be signed by its Attorney-in-Fact, ARECA Insurance Management, Inc.



EXECUTIVE VICE-PRESIDENT
Crystal Enkvist



**DIRECTORS OFFICERS MANAGERS LIABILITY AND CORPORATE
INDEMNIFICATION POLICY**

**NUCLEAR INCIDENT EXCLUSION
(BROAD FORM)**

It is agreed that the policy does not apply:

- I. Under any Liability Coverage, to
 - { injury, sickness, disease, death or destruction
 - { bodily injury or property damage
 - (a) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
 - (b) resulting from the hazardous properties of nuclear material and with respect to which (1) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (2) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

- II. Under any Medical Payments Coverage, or under any Supplementary Payments Provision relating to
 - { immediate medical or surgical relief,
 - { first aid, to expenses incurred with respectto
 - { bodily injury, sickness, disease or death
 - { bodily injury resulting from the hazardous properties of nuclear materialand
arising out of the operation of a nuclear facility by any person or organization.

- III. Under any Liability Coverage, to
 - { injury, sickness, disease, death or destruction
 - { bodily injury or property damageresulting from the hazardous properties of nuclear material, if:
 - (a) the nuclear material (1) is at any nuclear facility owned by, or operated by or on behalf of, an insured or (2) has been discharged or dispersed therefrom;

(b) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or

(c) the { injury, sickness, disease, death or destruction
{ bodily injury or property damage
arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories, or possessions or Canada, this exclusion (c) applies only
to { injury to or destruction of property at such nuclear facility.
{ property damage to such nuclear facility and any property thereat.

IV. As used in this endorsement:

"hazardous properties" include radioactive, toxic or explosive properties: "nuclear material" means source material, special nuclear material or byproduct material: "source material", "special nuclear material", and byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor: "waste" means any material (1) containing byproduct material other than tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content, and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; "nuclear facility" means

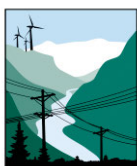
(a) any nuclear reactor,

(b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,

(c) any equipment or device used for processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235.

(d) any structure, basin, excavation, premises or place prepared or used for the storage of disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material. With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property and the term "property damage" includes all forms of radioactive contamination of property.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned policy, other than as above stated. This Exclusion applies to both Coverage A and B of the policy.



ARECA
INSURANCE
EXCHANGE

*This endorsement changes the policy.
Please read it carefully.*

**DIRECTORS OFFICERS MANAGERS LIABILITY CORPORATE
INDEMNIFICATION POLICY**

ALASKA MANDATORY ENDORSEMENT TO DOM 100 AK AIE (09-16)

ARECA Insurance Exchange and the Named Insured agree that the following amendments are incorporated into and made a part of the policy:

Section 2. Exclusions, Exclusion C is hereby deleted in its entirety.

Section 2. Exclusions, Exclusion J. is hereby deleted in its entirety and replaced with the following:

J. Arising out of the planning, financing, construction, maintenance, use, participation or termination of any nuclear facility, or the disposal, handling or storage of nuclear materials;

Section 8. Warranty and Severability Clause is hereby deleted in its entirety and replaced with the following:

It is represented that the particulars and statements contained in the written Application, a copy of which is attached hereto, and the Declarations are the basis of this policy and are to be considered as incorporated in and constituting part of the policy. Nothing in this paragraph shall be construed to increase the Company's maximum liability as set forth in Section 3 of this policy.

Section 11, Other Insurance is hereby added to the policy as follows:

This insurance is primary insurance, except when stated to apply in excess of, or to be contingent upon the absence of other insurance. When both this insurance and the other insurance apply to the loss on the same basis, whether primary, excess or contingent, ARECA Insurance Exchange shall not be liable under this policy for a greater proportion of such loss than the applicable Limit of Liability under this policy for such loss bears to the total applicable Limit of Liability of all valid and collectible insurance against such loss.



ALASKA DISCOVERY PERIOD CHANGES

This endorsement modifies insurance provided under the Directors, Officers and Managers Liability and Corporate Indemnification Policy. Section 7, Discovery Period, is hereby deleted and replaced as follows and supersedes any provision to the contrary.

- A. If the Company cancels or refuses to renew this policy, the **Insureds** shall have the right to an extension of the coverage granted by this policy to report any claim or claims in accordance with Section 5, which claim or claims are made against the **Insureds** during the period of sixty (60) days after the effective date of cancellation or non-renewal, herein called the Discovery Period, but only for any **Wrongful Act** committed before the effective date of such cancellation or non-renewal and otherwise covered by this policy.
- B. If the Company cancels or refuses to renew this policy, the **Insureds** shall have the right, upon payment of additional 175 percent of the premium hereunder, to an extension of the coverage granted by this policy to report any claim or claims in accordance with Section 5, which claim or claims are made against the **Insureds** during the period of five (5) years after the effective date of cancellation or non-renewal, herein called the Discovery Period, but only for any **Wrongful Act** committed before the effective date of such cancellation or non-renewal and otherwise covered by this policy.
- C. In the event that **Insureds** elect a Discovery Period as set out in A or B above, the Aggregate Limit of Liability of the **Policy Period** and the Discovery Period will be the same as is set out in **ITEM 4a** of the Declarations Page of this policy. The election or purchase by the **Insureds** of a Discovery Period in no way increases the Company's liability under the terms of this policy.

The **Insureds** must provide written notice of such election together with the payment of the additional premium due, and the notice and premium must be received by the Company at the address shown on this policy within sixty (60) days after the effective date of cancellation or non-renewal, or this right shall terminate.

The provision of this Section 7 and the right granted herein to the **Insureds** shall not apply to any cancellation resulting from non-payment of premium.



**THIS POLICY LIMITS COVERAGE FOR ATTORNEY FEES
UNDER ALASKA RULE OF CIVIL PROCEDURE 82**

In any suit in Alaska in which we have neither a right nor a duty to provide a defense but we have agreed to indemnify an insured for the costs of defense within the limits of liability, our obligation under the applicable coverage to pay attorney fees taxable as costs against the insured is limited as follows:

Alaska Rule of Civil Procedure 82 provides that if you are held liable, some or all of the attorney fees of the person making a claim against you must be paid by you. The amount that must be paid by you is determined by Alaska Rule of Civil Procedure 82. We provide coverage for attorney fees for which you are liable under Alaska Rule of Civil Procedure 82 subject to the following limitation:

If the limit of liability of the applicable coverage is \$1,000,000 or more, we will not indemnify you for any combination of judgment or claim settlement and attorney fees under Alaska Rule of Civil Procedure 82 that exceeds the limit of liability of the applicable coverage.

If the limit of liability of the applicable coverage is less than \$1,000,000, we will not pay more than the greater of

(1) that portion of any attorney's fees that is calculated By applying the schedule for contested cases in Alaska Rule of Civil Procedure 82 (b)(1) to the limit of liability of the applicable coverage; or

(2) \$10,000.

This limitation means the potential costs that may be awarded against you as attorney fees may not be covered in full. You will have to pay any attorney fees not covered directly.

Example 1:

The attorney fees provided by the schedule for contested cases in Alaska Rule of Civil Procedure 82 (b)(1) are:

- 20% of the first \$25,000 of a judgment;
- 10% of the amounts over \$25,000 of a judgment;

Therefore, if a court awards a judgment against you in the amount of \$1,250,000, in addition to that amount you would be liable for attorney fees of \$127,500 under Alaska Rule of Civil Procedure 82(b)(1), calculated as follows:

20% of	\$25,000	\$5,000
10% of	\$1,225,000	\$122,500

Total Award \$1,250,000

Total Attorney Fees \$127,500

If the limit of liability of the applicable coverage is \$1,000,000, we would indemnify you for \$1,00,000 of the total of the \$1,250,000 award and your costs of defense, but we would indemnify you for none of the attorney fees under Alaska Rule of Civil Procedure 82(b)(1).

You would be liable to pay, directly and without our assistance, the remaining judgment in excess of the remaining policy limit plus the \$127,500 attorney fees under Alaska Rule of Civil Procedure 82.

Example 2:

The attorney fees provided by the schedule for contested cases in Alaska Rule of Civil Procedure 82 (b)(1):

20% of the first \$25,000 of a judgment;
10% of the amounts over \$25,000 of a judgment.

Therefore, if a court awards a judgment against you in the amount of \$650,000, in addition to that amount you would be liable under Alaska Rule of Civil Procedure 82(b)(1) for attorney fees of \$67,500, calculated as follows:

20% of \$25,000	\$5,000
10% of \$625,000	\$62,500
Total Award \$650,000	Total Attorney Fees \$67,500

If the limit of liability of the applicable coverage is \$500,000, we would indemnify you for \$500,000 of the total of the \$650,000 award and your costs of defense, and we would also indemnify you for \$52,500 for the attorney fees under Alaska Rule of Civil Procedure 82(b)(1), calculated as follows:

20% of \$25,000	\$5,000
10% of \$475,000	\$47,500
Total Limit of Liability \$500,000 \$52,500	Total Attorney Fees Covered

You would be liable to pay, directly and without our assistance, the judgment in excess of the remaining policy limit plus the remaining \$15,000 for attorney fees under Alaska Rule of Civil Procedure 82 not indemnified by this policy.

Example 3:

The attorney fees provided by the schedule for contested cases in Alaska Rule of Civil Procedure 82 (b)(1) are:

- 20% of the first \$25,000 of a judgment;
- 10% of the amounts over \$25,000 of a judgment.

Therefore, if a court enters a judgment against you in the amount of \$500,000, in addition to that amount you would be liable for attorney fees of \$52,500 under Alaska Rule of Civil Procedure 82(b)(1), calculated as follows:

20% of \$25,000	\$5,000
10% of \$475,000	\$47,500
Total Award \$500,000	Total Attorney Fees \$52,500

If the limit of liability of the applicable coverage is \$50,000, we would indemnify you for \$50,000 of the total of the \$500,000 award and your costs of defense, and we would also indemnify you for \$10,000 of the attorney fees under Alaska Rule of Civil Procedure 82(b)(1), calculated as follows:

20% of \$25,000	\$5,000
10% of \$25,000	\$2,500
	Minimum limit: \$10,000
Total Limit of Liability \$50,000	Total Attorney Fees Covered \$10,000

You would be liable to pay, directly and without our assistance, the judgment in excess of the remaining policy limit plus the remaining \$42,500 for attorney fees under Alaska Rule of Civil Procedure 82 not covered by this policy.



ALASKA CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the Directors, Officers and Managers Liability and Corporate Indemnification Policy. Section 6, Cancellation, is hereby amended and modified as follows and supersedes any provision to the contrary.

A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to the Company advance written notice of cancellation.
2. We may cancel this policy by mailing to you, and the agent or broker of record written notice of cancellation. Such notice, stating the reason for cancellation, must be sent by first class mail at least:
 - (1) 10 days before the effective date of cancellation if we cancel for:
 - (a) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against; or
 - (b) Fraud or material misrepresentation by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under this policy; or
 - (2) 20 days before the effective date of cancellation if we cancel for:
 - (a) Nonpayment of premium; or
 - (b) Failure or refusal of the insured to provide the information necessary to confirm exposure or determine the policy premium; or
 - (3) 60 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail our notice to the last known addresses of you and the agent or broker of record.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

6. If this policy is cancelled, we will return any premium refund due to the first Named Insured. If:
 - (1) We cancel, the refund will be the pro rata unearned premium. The refund will be returned or credited before the effective date of cancellation. However, if the cancellation is for:
 - (a) Nonpayment of premium;
 - (b) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;
 - (c) Discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy; or
 - (d) Failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium;

any unearned premium shall be returned or credited within 45 days after the cancellation notice is given.

- (2) The first Named Insured cancels, the refund:
 - (a) Will be the pro rata unearned premium minus a cancellation fee of 7.5% of the pro rata unearned premium. However, we will not retain this cancellation fee if this policy is cancelled:
 - (i) And rewritten with us or in our company group; (ii) At our request; or
 - (iii) After the first year for a prepaid policy written for a term of more than one year.
- (3) Will be returned or credited;
 - (a) By the effective date of cancellation; or
 - (b) Within 45 days of your request to cancel; whichever is later.

If the policy is selected for audit, we will complete the audit within 45 days of receipt of the request for cancellation. The refund will be returned within 45 days of completion of an audit, or the effective date of cancellation, whichever is later.

B. The following is added and supersedes any provision to the contrary:
NONRENEWAL

1. If we decide not to renew this policy, we will mail written notice of nonrenewal, by first class mail, to you and the agent or broker of record at least 45 days before:
 - (1) The expiration date; or
 - (2) The anniversary date if this policy has been written for more than one year or with no fixed expiration date.
2. We need not mail notice of nonrenewal if:
 - (1) We have manifested in good faith our willingness to renew; or

- (2) The First Insured has failed to pay any premium required for this policy;
or
- (3) The First Insured fails to pay the premium required for renewal of this policy.

- 3. Any notice of nonrenewal will be mailed to the last known addresses of you and the agent or broker of record. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

C. The following Condition is added:

NOTICE OF PREMIUM OR COVERAGE CHANGES ON RENEWAL

If the premium to renew this policy increases more than 10% for a reason other than an increase in coverage or exposure basis, or if after renewal there will be a material restriction or reduction in coverage not specifically requested by the insured, we will mail written notice to your last known address and the agent or broker of record at least 45 days before:

- (1) The expiration date; or
- (2) The anniversary date if this policy has been written for more than one year or with no fixed expiration date.



*This endorsement changes the policy.
Please read it carefully.*

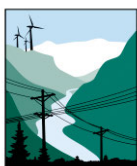
In consideration of the premium charged, AIE and the Insured agree, subject to all provisions of the policy except as modified herein, as follows:

**ALASKA POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2015, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: The term "act of terrorism" means any act or acts that are certified by the Secretary of the Treasury--in consultation with the Secretary of Homeland Security, and the Attorney General of the United States--to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been 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. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017; 82% beginning on January 1, 2018; 81% beginning on January 1, 2019 and 80% beginning on January 1, 2020, of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

The portion of your annual premium that is attributable to coverage for acts of terrorism

is \$0, and does not include any charges for the portion of losses covered by the United States Government under the Act.



ARECA
INSURANCE
EXCHANGE

*This endorsement changes the policy.
Please read it carefully.*

DIRECTORS, OFFICERS & MANAGERS LIABILITY INSURANCE

It is agreed that coverage under Section II the Policy shall include all sums which the policyholder shall legally become obligated to pay as punitive damages arising from any claim that is otherwise covered, subject to the policy limits, provisions and stipulations applying to section II. Further, the following limitations apply.

1. This endorsement shall not apply where the payment of punitive damages by AIE is prohibited by the law of the jurisdiction involved.
2. Fines and penalties imposed by courts or governmental agencies are not included in this coverage.



ARECA
INSURANCE
EXCHANGE

DECLARATIONS
Equipment Breakdown Insurance Policy

ARECA Insurance Exchange 703 West Tudor Road, Suite 101, Anchorage, AK 99503 Phone: (907) 771-5750 Fax: (907) 561-6206

Name of Insured:

Alaska Energy Authority c/o Alaska Industrial Development
& Export Authority for the account of Bradley Lake
Hydroelectric Project
813 W. Northern Lights Blvd.
Anchorage, AK 99503

POLICY NUMBER: EB170070326

Total Premium: [REDACTED]

Policy Period: from 07/01/2017 to 07/01/2018

12:01 a.m. Standard Time at the Address of the Insured Stated herein

Coverage Limit Per Breakdown

Limits of Insurance or Day/Hours

Property Damage	\$50,000,000
Expediting Expense	\$100,000
Business Income	N/A
Extra Expense	\$500,000
Newly Acquired Premises	\$500,000 (90 Days)
Ordinance or Law	N/A
Ammonia Contamination	\$100,000
Consequential Loss	\$100,000
Data and Media	N/A
Hazardous Substances	\$100,000
Water Damage	\$100,000

Deductibles

Engines	N/A
Generators	N/A
Transformers over 100 MTA	\$100,000
HydroTurbine Generators	\$2.50 per KW
All Other Objects	\$50,000
Extra Expense	N/A

Covered Premises:

Bradley Lake hydroelectric plant near Homer, AK per schedule provided.

Forms Applicable to This Policy:

EB0020 0113; EB0130 0907; EB0138 0907; EB9959 0907; EB9963 0910; IL0003 0908; IL0017 1198; IL0280 0908;
IL0952 0115; MISCEND (1)

Mortgage Holder Loss Payee:

Corporate Trust Agency
Bank of America State Trust Company
P.O. Box 24425
Seattle, WA 98124-0425

Homer Electric Association, Inc.
3977 Lake Street
Homer, AK 99603

In consideration of the premium, insurance is provided for the policyholder described in these declarations, subject to all the terms of this policy including forms and endorsements made a part hereof.

Anchorage, AK
Countersigned at

By:

Authorized Representative

EQUIPMENT BREAKDOWN PROTECTION COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy, the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F. Definitions.

A. Coverage

1. Covered Cause Of Loss

Covered Cause of Loss is a "Breakdown" to "Covered Equipment".

2. Coverages Provided

Each of the following coverages is provided if either a limit or the word INCLUDED is shown for that coverage in the Declarations. If neither a limit nor the word INCLUDED is shown, then that coverage is not provided.

These coverages apply only to that portion of the loss or damage that is a direct result of a Covered Cause of Loss.

a. Property Damage

We will pay for direct damage to "Covered Property" located at the premises described in the Declarations.

b. Expediting Expenses

With respect to direct damage to "Covered Property", we will pay for the extra cost you necessarily incur to:

- (1) Make temporary repairs; and
- (2) Expedite the permanent repairs or replacement of the damaged property.

c. Business Income And Extra Expense Or Extra Expense Only

(1) We will pay:

- (a) Your actual loss of "Business Income" during the "Period of Restoration"; and
- (b) The "Extra Expense" you necessarily incur to operate your business during the "Period of Restoration".

However, if coverage for "Extra Expense" only is indicated in the Declarations, then coverage for "Business Income" is not provided.

We will consider the experience of your business before the "Breakdown" and the probable experience you would have had without the "Breakdown" in determining the amount of our payment.

(2) If you have coverage for "Business Income" and "Extra Expense" or "Extra Expense" only and:

(a) If a number of days is shown in the Declarations for Extended Period Of Restoration Coverage, it will replace the five consecutive days in the definition of "Period of Restoration".

(b) If you have coverage for Ordinance or Law, then the "Period of Restoration" is extended to include the additional period of time required for demolition, removal, repair, remodeling or reconstruction.

(c) If "Media" are damaged or "Data" are lost or corrupted, we will pay your actual loss of "Business Income" and/or "Extra Expense" during the time necessary to:

(i) Research, replace or restore the damaged "Media" or lost or corrupted "Data"; and

(ii) Reprogram instructions used in any covered "Computer Equipment".

There shall be no coverage for any "Media" or "Data" that we determine are not or cannot be replaced or restored.

Unless a higher limit is shown in the Declarations, we will pay the lesser of your actual loss of "Business Income" and/or "Extra Expense" up to 30 days after the "Period of Restoration", or \$25,000.

d. Spoilage Damage

- (1) We will pay for the spoilage damage to raw materials, property in process or finished products, provided all of the following conditions are met:
 - (a) The raw materials, property in process or finished products must be in storage or in the course of being manufactured;
 - (b) You must own or be legally liable under written contract for the raw materials, property in process or finished products; and
 - (c) The spoilage damage must be due to the lack or excess of power, light, heat, steam or refrigeration.
- (2) We will also pay any necessary expenses you incur to reduce the amount of loss under this coverage. We will pay such expenses to the extent that they do not exceed the amount of loss that otherwise would have been payable under this Coverage Form.

e. Utility Interruption

If you have coverage for "Business Income" and "Extra Expense", "Extra Expense" only or Spoilage Damage, that coverage is extended to include loss resulting from the interruption of utility services, provided all of the following conditions are met:

- (1) The interruption is the direct result of a "Breakdown" to "Covered Equipment" owned, operated or controlled by the local private or public utility or distributor that directly generates, transmits, distributes or provides utility services which you receive;
- (2) The "Covered Equipment" is used to supply electric power, communication services, air conditioning, heating, gas, sewer, water or steam to your premises; and
- (3) The interruption of utility service to your premises lasts at least the consecutive period of time shown in the Declarations. Once this waiting period is met, coverage will commence at the initial time of the interruption and will be subject to all applicable deductibles.

f. Newly Acquired Premises

We will automatically provide coverage at newly acquired premises you have purchased or leased. This coverage begins at the time you acquire the property and continues for a period not exceeding the number of days indicated in the Declarations for Newly Acquired Premises, under the following conditions:

- (1) You must inform us, in writing, of the newly acquired premises as soon as practicable;
- (2) You agree to pay an additional premium as determined by us;
- (3) The coverage for these premises will be subject to the same terms, conditions, exclusions and limitations as other insured premises; and
- (4) If the coverages and deductibles vary for existing premises, then the coverages for the newly acquired premises will be the broadest coverage and highest limits and deductible applicable to the existing premises.

g. Ordinance Or Law Coverage

The following applies despite the Ordinance Or Law Exclusion and provided these increases in loss are necessitated by the enforcement of or compliance with any ordinance or law that is in force at the time of the "Breakdown", which regulates the demolition, construction, repair or use of the building or structure. With respect to the building or structure that was damaged as a result of a "Breakdown":

- (1) We will pay for:
 - (a) The loss in value of the undamaged portion of the building or structure as a consequence of enforcement of or compliance with an ordinance or law that requires the demolition of undamaged parts of the same building or structure;
 - (b) Your actual cost to demolish and clear the site of the undamaged parts of the same building or structure as a consequence of enforcement of or compliance with an ordinance or law that requires the demolition of such undamaged property; and

- (c) The increased cost actually and necessarily expended to:
 - (i) Repair or reconstruct the damaged or destroyed portions of the building or structure; and
 - (ii) Reconstruct or remodel the undamaged portion of that building or structure with buildings or structures of like materials, height, floor area and style for like occupancy, whether or not demolition is required on:
 - i. The same premises or on another premises if you so elect. However, if you rebuild at another premises, the most we will pay is the increased cost of construction that we would have paid to rebuild at the same premises; or
 - ii. Another premises if the relocation is required by the ordinance or law. The most we will pay is the increased cost of construction at the new premises.
- (2) We will not pay for any:
- (a) Demolition or site clearing until the undamaged portions of the buildings or structures are actually demolished;
 - (b) Increase in loss until the damaged or destroyed buildings or structures are actually rebuilt or replaced and approved by the regulating government agency;
 - (c) Loss due to any ordinance or law that:
 - (i) You were required to comply with before the loss, even if the building was undamaged; and
 - (ii) You failed to comply with;
 - (d) Increase in loss, excess of the amount required to meet the minimum requirement of any ordinance or law enforcement at the time of the "Breakdown";
 - (e) Increase in loss resulting from a substance declared to be hazardous to health or environment by any government agency;
- (f) Loss or expense sustained due to the enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to the presence, growth, proliferation, spread or any activity of "Fungus", wet or dry rot; or
 - (g) Costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "Fungus", wet or dry rot.
- (3) If:
- (a) The building or structure is damaged by a "Breakdown" that is covered under this policy;
 - (b) There is other physical damage that is not covered under this policy; and
 - (c) As a result of the building damage in its entirety, you are required to comply with the ordinance or law;
- then we will not pay the full amount of the loss under this coverage. Instead, we will pay only that proportion of such loss, meaning the proportion that the covered "Breakdown" loss bears to the total physical damage.
- But if the building or structure sustains direct physical damage that is not covered under this policy and such damage is the subject of the ordinance or law, then there is no Ordinance Or Law Coverage under this Coverage Part even if the building has also sustained damage by a covered "Breakdown".

h. Errors And Omissions

We will pay for any loss or damage, which is not otherwise payable under this Coverage Part, solely because of the items listed below:

- (1) Any error or unintentional omission in the description or location of property as insured under this Coverage Part or in any subsequent amendments;
- (2) Any failure through error to include any premises owned or occupied by you at the inception date of this Coverage Part; or

- (3) Any error or unintentional omission by you that results in cancellation of any premises insured under this policy.

No coverage is provided as a result of any error or unintentional omission by you in the reporting of values or the coverage you requested.

It is a condition of this coverage that such errors or unintentional omissions shall be reported and corrected when discovered. The policy premium will be adjusted accordingly to reflect the date the premises should have been added had no error or omission occurred.

i. Brands And Labels

- (1) If branded or labeled merchandise that is "Covered Property" is damaged by a "Breakdown", we may take all or any part of the property at an agreed or appraised value. If so, you may:
- (a) Stamp the word SALVAGE on the merchandise or its containers if the stamp will not physically damage the merchandise; or
 - (b) Remove the brands or labels if doing so will not physically damage the merchandise. You must relabel the merchandise or its containers to comply with any law.
- (2) We will pay reasonable costs you incur to perform the activity described in Paragraphs (1)(a) and (1)(b), but the total we pay for these costs and the value of the damaged property will not exceed the applicable Limit of Insurance on such property.

j. Contingent Business Income And Extra Expense Or Extra Expense Only Coverage

- (1) Subject to the same terms and conditions, the "Business Income" and "Extra Expense" or "Extra Expense" only coverage provided by this Coverage Part is extended to cover your loss, if any, resulting from a "Breakdown" to "Covered Equipment" at a premises shown in the Declarations, that is not owned or operated by you which:
- (a) Wholly or partially prevents the delivery of services or materials shown in the Declarations to you or from you to others for your account; or
 - (b) Results in the loss of sales at your premises shown in the Declarations.

- (2) You shall use your influence to induce the contributing or recipient premises to make use of any other machinery, equipment, supplies or premises available in order to resume operations and delivery of services or materials to you, or the acceptance of products or services from you. You shall cooperate with the contributing or recipient premises to this effect in every way, but not financially unless authorized by us.

B. Exclusions

We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded, regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

The exclusions apply whether or not the loss event results in widespread damage or affects a substantial area.

1. Ordinance Or Law

Increase in loss from the enforcement of or compliance with any ordinance, law, rule, regulation or ruling which restricts or regulates the repair, replacement, alteration, use, operation, construction, installation, cleanup or disposal of "Covered Property".

However, the words use and operation shall be eliminated as respects a covered "Breakdown" to electrical supply and emergency generating equipment located on the premises of a hospital.

2. Earth Movement

Earth movement, including, but not limited to, earthquake, tremors and aftershocks relating to earthquake, landslide, land subsidence, mine subsidence or volcanic action.

3. Water

- a. Flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
- b. Mudslide or mudflow;
- c. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- d. Water damage caused by the discharge or leakage of a sprinkler system or domestic water piping;

- e. Water under the ground surface pressing on, or flowing or seeping through:
 - (1) Foundations, walls, floors or paved surfaces;
 - (2) Basements, whether paved or not;
 - (3) Doors, windows or other openings; or
- f. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph a., c. or e., or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies, regardless of whether any of the above, in Paragraphs a. through f., is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system fails in whole or in part, for any reason, to contain the water.

4. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

5. War Or Military Action

- a. War, including undeclared or civil war;
- b. Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or
- c. Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

6. An explosion. However, we will pay for loss or damage caused by an explosion of "Covered Equipment" of a kind specified in a. through g. below, if not otherwise excluded in this Section B.:

- a. Steam boiler;
- b. Electric steam generator;
- c. Steam piping;
- d. Steam turbine;
- e. Steam engine;
- f. Gas turbine; or
- g. Moving or rotating machinery when such explosion is caused by centrifugal force or mechanical breakdown.

7. Fire or combustion explosion including those that:

- a. Result in a "Breakdown";
- b. Occur at the same time as a "Breakdown"; or

c. Ensur from a "Breakdown".

8. "Fungus", Wet Rot And Dry Rot

Presence, growth, proliferation, spread or activity of "Fungus", wet or dry rot. However, if a "Breakdown" occurs, we will pay the resulting loss or damage.

This exclusion does not apply to the extent that coverage for "Fungus", wet rot or dry rot is provided elsewhere in this Coverage Form and then only for that portion of any loss or damage resulting from the presence, growth, proliferation, spread or activity of "Fungus", wet or dry rot as a result of a "Breakdown".

9. Any virus, bacterium or other microorganism that induces or is capable of inducing physical distress, illness or disease. However:

- a. If a "Breakdown" occurs, we will pay the resulting loss or damage;
- b. This exclusion does not apply to loss or damage caused by or resulting from "Fungus", wet rot or dry rot. Such loss or damage is addressed in Exclusion B.8.;
- c. Regardless of the application of this exclusion to any particular loss, the provisions of this Exclusion 9. do not serve to create coverage for any loss that would otherwise be excluded under this Coverage Form.

10. Explosion within the furnace of a chemical recovery type boiler or within the passage from the furnace to the atmosphere.

11. Damage to "Covered Equipment" undergoing a pressure or electrical test.

12. Water or other means used to extinguish a fire, even when the attempt is unsuccessful.

13. Depletion, deterioration, corrosion, erosion or wear and tear. However, if a "Breakdown" occurs, we will pay the resulting loss or damage.

14. A "Breakdown" that is caused by any of the following causes of loss if coverage for that cause of loss is provided by another policy of insurance you have, whether collectible or not:

- a. Aircraft or vehicles;
- b. Freezing caused by cold weather;
- c. Lightning;
- d. Sinkhole collapse;
- e. Smoke;
- f. Riot, civil commotion or vandalism; or
- g. Weight of snow, ice or sleet.

15. A "Breakdown" that is caused by windstorm or hail.
16. A delay in, or an interruption of, any business, manufacturing or processing activity except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only and Utility Interruption Coverages.
17. With respect to "Business Income" and "Extra Expense", "Extra Expense" only and Utility Interruption Coverages, the following additional exclusions shall apply:
 - a. The business that would not or could not have been carried on if the "Breakdown" had not occurred;
 - b. Your failure to use due diligence and dispatch and all reasonable means to operate your business as nearly normal as practicable at the premises shown in the Declarations; or
 - c. The suspension, lapse or cancellation of a contract following a "Breakdown" extending beyond the time business could have resumed if the contract had not lapsed, been suspended or canceled.
18. Any indirect loss following a "Breakdown" to "Covered Equipment" that results from the lack or excess of power, light, heat, steam or refrigeration except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only, Spoilage Damage and Utility Interruption Coverages.
19. With respect to Utility Interruption Coverage, any loss resulting from the following additional causes of loss whether or not coverage for that cause of loss is provided by another policy you have:
 - a. Acts of sabotage;
 - b. Collapse;
 - c. Deliberate act(s) of load-shedding by the supplying utility;
 - d. Freezing caused by cold weather;
 - e. Impact of aircraft, missile or vehicle;
 - f. Impact of objects falling from an aircraft or missile;
 - g. Lightning;
 - h. Riot, civil commotion or vandalism;
 - i. Sinkhole collapse;
 - j. Smoke; or
 - k. Weight of snow, ice or sleet.

20. Any indirect result of a "Breakdown" to "Covered Equipment" except as provided by the "Business Income" and "Extra Expense", "Extra Expense" only, Spoilage Damage and Utility Interruption Coverages.
21. Neglect by you to use all reasonable means to save and preserve "Covered Property" from further damage at and after the time of the loss.

C. Limits Of Insurance

1. The most we will pay for any and all coverages for loss or damage from any "One Breakdown" is the applicable Limit Of Insurance shown in the Declarations.
2. Any payment made will not be increased if more than one insured is shown in the Declarations.
3. For each coverage in Paragraph **A.2.**, if:
 - a. INCLUDED is shown in the Declarations, the limit for such coverage is part of, not in addition to, the Limit per Breakdown.
 - b. A limit is shown in the Declarations, we will not pay more than the Limit of Insurance for each such coverage.
4. For any "Covered Equipment" that is:
 - a. Used solely to supply utility services to your premises;
 - b. Owned by a public or private utility;
 - c. Not in your care, custody or control and for which you are legally liable; and
 - d. Covered under this Coverage Form;
 the Limit Of Insurance for Property Damage stated in the Declarations is replaced by the sum of one dollar.
 If you are a public or private utility, **4.b.** is replaced by the following:
 - b. Owned by a public or private utility other than you.
5. Unless a higher limit or INCLUDED is shown in the Declarations, the most we will pay for direct damage as a direct result of a "Breakdown" to "Covered Equipment" is \$25,000 for each of the following. The limits are part of, not in addition to, the Limit of Insurance for Property Damage or Limit per Breakdown.
 - a. **Ammonia Contamination**
 The spoilage to "Covered Property" contaminated by ammonia, including any salvage expense.

b. Consequential Loss

The reduction in the value of undamaged "Stock" parts of a product which becomes unmarketable. The reduction in value must be caused by a physical loss or damage to another part of the product.

c. Data And Media

Your cost to research, replace or restore damaged "Data" or "Media" including the cost to reprogram instructions used in any "Computer Equipment".

d. Hazardous Substance

Any additional expenses incurred by you for the cleanup, repair or replacement or disposal of "Covered Property" that is damaged, contaminated or polluted by a "Hazardous Substance".

As used here, additional expenses means the additional cost incurred over and above the amount that we would have paid had no "Hazardous Substance" been involved with the loss.

Ammonia is not considered to be a "Hazardous Substance" as respects this limitation.

This coverage applies despite the operation of the Ordinance Or Law Exclusion.

e. Water Damage

The damage to "Covered Property" by water including any salvage expenses.

If "Fungus", wet or dry rot results from damage by water as limited in this paragraph, loss or damage attributable to "Fungus", wet or dry rot will be:

- (1) Limited as described in Paragraphs **C.6.a.(1)** through **C.6.a.(5)**; and
- (2) Part of the Water Damage limit, not in addition to it.

6. Limited Coverage For "Fungus", Wet Rot And Dry Rot

a. Property Damage

We will pay for loss or damage by "Fungus", wet or dry rot only when the "Fungus", wet or dry rot is the direct result of a "Breakdown" to "Covered Equipment" that occurs during the policy period. As used in this Limited Coverage, the term loss or damage means:

- (1) Direct physical loss or damage to "Covered Property" caused by "Fungus", wet or dry rot including the cost of removal of the "Fungus", wet or dry rot:
 - (a) The cost to tear out and replace any "Covered Property" as needed to gain access to the "Fungus", wet or dry rot; and
 - (b) The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "Fungus", wet or dry rot is present.
- (2) The coverage described under Paragraph **6.a.(1)** of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "Breakdown" to "Covered Equipment" which take place within the 12-month period starting with the beginning of the present annual policy period. With respect to a particular occurrence of loss which results in "Fungus", wet or dry rot, we will not pay more than a total of \$15,000 even if the "Fungus", wet or dry rot continues to be present or active or recurs in a later policy period.
- (3) The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any "Covered Property". If a particular occurrence results in loss or damage by "Fungus", wet or dry rot, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected "Covered Property".

If there is covered loss or damage to "Covered Property" not caused by "Fungus", wet or dry rot, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "Fungus", wet or dry rot causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

- (4) If a Revised Limit is shown in the Declarations, the amount of \$15,000 in Paragraph **6.a.(2)** is replaced by the amount indicated in the Declarations.
- (5) If the Declarations indicates that the Separate Premises Option applies, then the amount of coverage (\$15,000, unless a higher amount is shown in the Declarations) is made applicable to separate premises as described in the Declarations. For each premises so described, the amount of coverage is an annual aggregate limit, subject to the terms set forth in Paragraph **6.a.(2)**.

b. Business Income And Extra Expense Or Extra Expense Only

- (1) If you have coverage for "Business Income" and "Extra Expense" or "Extra Expense" only, then Paragraph **b.(1)(a)** or **b.(1)(b)** applies, provided that the incurred loss or expense satisfies the terms and conditions applicable to the "Business Income" and "Extra Expense" or "Extra Expense" only coverage.

(a) If:

- (i) The "Breakdown"; or
- (ii) Any damage from water resulting from the "Breakdown";

which resulted in "Fungus", wet or dry rot, does not in itself generate a loss of "Business Income" or an "Extra Expense", but the loss of "Business Income" or "Extra Expense" is solely due to loss or damage to property caused by "Fungus", wet or dry rot, then our payment under "Business Income" and "Extra Expense" or "Extra Expense" only is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

(b) If a covered loss of "Business Income" or an "Extra Expense" was caused by loss or damage other than "Fungus", wet or dry rot, but remediation of "Fungus", wet or dry rot prolongs the "Period of Restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "Period of Restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

(2) If a Revised Number of Days is shown in the Declarations, the number of days (30) in Paragraph **b.(1)(a)** or **b.(1)(b)** is replaced by the number of days indicated in the Declarations.

c. If you have coverage for Ordinance Or Law, then with respect to Property Damage, "Business Income" and "Extra Expense" or "Extra Expense" only, we will not pay under the Ordinance Or Law Coverage for:

- (1) Loss or expense sustained due to the enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to the presence, growth, proliferation, spread or any activity of "Fungus", wet or dry rot; or
- (2) The costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "Fungus", wet or dry rot.

7. Increased Cost Of Loss And Related Expenses For "Green" Upgrades

a. Property Damage

Coverage is extended to include the additional loss or damage and related expenses incurred by you that are attributable to "Green" upgrades as a direct result of a "Breakdown" to "Covered Equipment" that occurs during the policy period. As provided in this "Green" upgrades coverage, we will pay for:

- (1) Additional expense to repair or replace the damaged "Covered Property" except raw materials, property in process, finished goods and "Stock";

- (2) Related additional expenses to:
- (a) Reuse or salvage the damaged "Covered Property";
 - (b) Remove, transport and dispose of the recyclable damaged "Covered Property" and its construction waste to appropriate sites; and
 - (c) Replace the damaged portions of roof section(s) of buildings or structures with a vegetated roof in accordance with the recommended procedures of a "Green standards-setter";
- (3) Additional reasonable and customary expense to hire the services of an accredited architect or engineer with respect to any necessary design and engineering recommendations in the course of repair or replacement of damaged portions of the building; and
- (4) Additional reasonable expense to pay:
- (a) Fees imposed by the "Green standards-setter" in order to determine if certification or recertification is appropriate according to the organization's standard;
 - (b) Fees to test "Covered Equipment" following its repair or installation as replacements, when such testing is undertaken in the course of submitting to the certification or recertification process; and
 - (c) After repair or reconstruction is completed, to flush out the renovated space and/or conduct air quality testing of the renovated space in accordance with the recommended procedures of a "Green standards-setter" and for the purpose of mitigating indoor air quality deficiencies resulting from the repair or reconstruction of the "Covered Property".

As used here, additional expenses are limited to the additional cost incurred over and above the amount that we would have paid had no "Green" upgrades been involved with the loss.

In addition, we will not pay for any:

- (i) Further modification if the "Covered Property" fails to obtain certification, recertification or a specific level of certification; or

- (ii) Additional cost to repair or replace damaged property solely for the purpose of achieving points toward certification or recertification of the property by a "Green standards-setter".

Unless a different limit or INCLUDED is shown in the Declarations, the most we pay under this "Green" upgrades coverage is an amount equal to 25% of the total Property Damage loss otherwise recoverable, subject to a maximum limit of \$100,000.

b. Business Income And Extra Expense Or Extra Expense Only

If you have coverage for "Business Income" and "Extra Expense" or "Extra Expense" only and the terms and conditions applicable to the "Business Income" and "Extra Expense" or "Extra Expense" only coverage are satisfied, then:

- (1) If the remediation of the damaged "Covered Property" using "Green" upgrades prolongs the "Period of Restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "Period of Restoration"), but such coverage is limited to 30 days. The days need not be consecutive.
- (2) If a Revised Number of Days is shown in the Declarations, the number of days (30) in Paragraph **b.(1)** is replaced by the number of days indicated in the Declarations.
- (3) As used here, the prolonged "Period of Restoration" is limited to the additional days incurred over and above the amount needed had no "Green" upgrades been involved with the loss.

c. The coverage provided under this "Green" upgrades coverage:

- (1) Does not increase any of the applicable Limits of Insurance;
- (2) Applies despite the operation of the Ordinance Or Law Exclusion; and
- (3) Does not reduce the coverage otherwise applicable for repair or replacement of "Covered Property" that qualified as "Green" prior to loss or damage, with comparable materials and products.

D. Deductibles

1. Application Of Deductibles

We will not pay for loss or damage resulting from any "One Breakdown" until the amount of covered loss or damage exceeds the deductible shown in the Declarations for each applicable coverage. We will then pay the amount of covered loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

Deductibles apply separately for each applicable coverage except if:

- a. A deductible is shown as COMBINED for any of the coverages in the Declarations, then we will first subtract the combined deductible amount from the aggregate amount of any loss to which the combined deductible applies; or
- b. More than one "Covered Equipment" is involved in "One Breakdown", then only one deductible, the highest, shall apply for each of the applicable coverages.

2. Determination Of Deductibles

a. Dollar Deductible

If a dollar deductible is shown in the Declarations, we will first subtract the deductible amount from any loss we would otherwise pay.

b. Time Deductible

If a time deductible is shown in the Declarations, we will not be liable for any loss under that coverage that occurs during that specified time period immediately following a "Breakdown". If a time deductible is shown in days, each day shall mean 24 consecutive hours.

c. Multiple Of Daily Value Deductible

If a multiple of daily value is shown in the Declarations, this deductible will be calculated as follows:

- (1) For the entire premises where the loss occurred, determine the total amount of "Business Income" that would have been earned during the "Period of Restoration" had no "Breakdown" taken place.
- (2) Divide the result in Paragraph (1) by the number of days the business would have been open during the "Period of Restoration". The result is the daily value.

- (3) Multiply the daily value in Paragraph (2) by the number of days shown in the Declarations. We will first subtract this deductible amount from any loss we would otherwise pay. We will then pay the amount of loss or damage in excess of the deductible, up to the applicable Limit of Insurance.

d. Percentage Of Loss Deductible

If a deductible is expressed as a percentage of loss in the Declarations, we will not be liable for the indicated percentage of gross amount of loss or damage (prior to the applicable deductible or coinsurance) insured under the applicable coverage.

e. Minimum Or Maximum Deductibles

(1) If:

- (a) A minimum dollar amount deductible is shown in the Declarations; and
- (b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is less than the Minimum Deductible;

then the Minimum Deductible amount shown in the Declarations will be the applicable deductible.

(2) If:

- (a) A maximum dollar amount deductible is shown in the Declarations; and
- (b) The dollar amount of the Multiple of Daily Value or the Percentage of Loss Deductible is greater than the Maximum Deductible;

then the Maximum Deductible amount shown in the Declarations will be the applicable deductible.

E. Equipment Breakdown Protection Conditions

The following conditions apply in addition to the Common Policy Conditions:

1. Loss Conditions

a. Abandonment

There can be no abandonment of any property to us.

b. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that the selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding.

Each party will:

- (1) Pay its chosen appraiser; and
- (2) Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

c. Defense

We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

d. Duties In The Event Of Loss Or Damage

- (1) You must see that the following are done in the event of loss or damage to "Covered Property":
 - (a) Give us a prompt notice of the loss or damage. Include a description of the property involved.
 - (b) As soon as possible, give us a description of how, when and where the loss or damage occurred.
 - (c) Allow us a reasonable time and opportunity to examine the property and premises before repairs are undertaken or physical evidence of the "Breakdown" is removed. But you must take whatever measures are necessary to protect the property and premises from further damage.
 - (d) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also, permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (e) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

- (f) Cooperate with us in the investigation or settlement of the claim.

- (2) We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

e. Insurance Under Two Or More Coverages

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

f. Legal Action Against Us

No one may bring a legal action against us under this Coverage Part unless:

- (1) There has been full compliance with all the terms of this Coverage Part; and
- (2) The action is brought within two years after the date of the "Breakdown"; or
- (3) We agree in writing that you have an obligation to pay for damage to "Covered Property" of others or until the amount of that obligation has been determined by final judgment or arbitration award. No one has the right under this policy to bring us into any action to determine your liability.

g. Loss Payable Clause

- (1) We will pay you and the loss payee shown in the Declarations for loss due to a "Breakdown" to "Covered Equipment", as interests may appear. The insurance covers the interest of the loss payee unless the loss results from conversion, secretion or embezzlement on your part.
- (2) We may cancel the policy as allowed by the Cancellation Condition. Cancellation ends this agreement as to the loss payee's interest. If we cancel, we will mail you and the loss payee the same advance notice.

- (3) If we make any payment to the loss payee, we will obtain their rights against any other party.

h. Other Insurance

- (1) You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
- (2) If there is other insurance covering the same loss or damage, other than that described in Paragraph (1), we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

i. Privilege To Adjust With Owner

In the event of loss or damage involving property of others in your care, custody or control, we have the right to settle the loss or damage with the owner of the property. A receipt for payment from the owner of that property will satisfy any claim of yours against us.

j. Reducing Your Loss

As soon as possible after a "Breakdown", you must:

- (1) Resume business, partially or completely;
- (2) Make up for lost business within a reasonable period of time. This reasonable period does not necessarily end when operations are resumed; and
- (3) Make use of every reasonable means to reduce or avert loss, including:
 - (a) Working extra time or overtime at the premises or at another premises you own or acquire to carry on the same operations;
 - (b) Utilizing the property and/or services of other concerns;
 - (c) Using merchandise or other property, such as surplus machinery, duplicate parts, equipment, supplies and surplus or reserve stock you own, control or can obtain; or

- (d) Salvaging the damaged "Covered Property".

k. Transfer Of Rights Of Recovery Against Others To Us

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment.

That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

- (1) Prior to a loss to your "Covered Property" or covered income.
- (2) After a loss to your "Covered Property" or covered income only if, at time of loss, that party is one of the following:
 - (a) Someone insured by this insurance;
 - (b) A business firm:
 - (i) Owned or controlled by you; or
 - (ii) That owns or controls you; or
 - (c) Your tenant.

This will not restrict your insurance.

l. Valuation

- (1) We will determine the value of "Covered Property" in the event of loss or damage as follows:
 - (a) The cost to repair, rebuild or replace the damaged property with property of the same kind, capacity, size or quality on the same site or another site, whichever is the less costly; or
 - (b) The cost actually and necessarily expended in repairing, rebuilding or replacing on the same site or another site, whichever is the less costly;

except we will not pay for such damaged property that is obsolete and useless to you.

- (2) If you elect or we require that the repair or replacement of the damaged "Covered Equipment" be done in a manner that enhances safety while maintaining the existing function, then we will pay, subject to the limit of insurance, up to an additional 25% of the property damage amount for the "Covered Equipment" otherwise recoverable.

- (3) If:
- (a) Any damaged "Covered Property" is protected by an extended warranty, or maintenance or service contract; and
 - (b) That warranty or contract becomes void or unusable due to a "Breakdown";

we will reimburse you for the unused costs of nonrefundable, nontransferable warranties or contracts.

- (4) Unless we agree otherwise in writing, if you do not repair or replace the damaged property within 24 months following the date of the "Breakdown", then we will pay only the smaller of the:
- (a) Cost it would have taken to repair or replace; or
 - (b) Actual cash value at the time of the "Breakdown".
- (5) If all of the following conditions are met, property held by you for sale will be valued at the selling price as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had:
- (a) The property was manufactured by you;
 - (b) The selling price of the property is more than the replacement cost of the property; and
 - (c) You are unable to replace the property before its anticipated sale.
- (6) We will pay for loss to damaged "Data" or "Media" as follows:
- (a) Replacement cost for "Data" or "Media" that are mass produced and commercially available; and
 - (b) The cost you actually spend to reproduce the records on blank material for all other "Data" or "Media", including the cost of gathering or assembling information for such reproduction.

However, we will not pay for "Data" or "Media" that we determine are not or cannot be replaced with "Data" or "Media" of like kind and quality or property of similar functional use.

- (7) We will determine the value of "Covered Property" under Spoilage Damage Coverage as follows:

- (a) For raw materials, the replacement cost;
- (b) For property in process, the replacement cost of the raw materials, the labor expended and the proper proportion of overhead charges; and
- (c) For finished products, the selling price, as if no loss or damage had occurred, less any discounts you offered and expenses you otherwise would have had.

- (8) Any salvage value of property obtained for temporary repairs or use following a "Breakdown" which remains after repairs are completed will be taken into consideration in the adjustment of any loss.

- m. The following additional conditions apply to the "Business Income" and "Extra Expense" Coverage:

(1) Annual Reports

You must complete an Annual Report of Values form approved by us once each year. Your reports must reach us within three months of the annual report date shown in the Declarations and each anniversary of that date.

(2) Adjustment Of Premium

Upon receipt of the annual reports of values you furnish us, we will determine the amount of premium we earned for the past year. If the amount determined is more than the premium we have already charged for this coverage, you must pay the difference. If the amount determined is less than the premium we originally charged, we will refund the difference. However, the amount we return will not exceed 75% of the premium we originally charged.

(3) Coinsurance

This Coinsurance Condition applies only if we did not receive your Annual Report of Values form within three months of the due date as outlined in Paragraph (1).

- (a) We will not pay the full amount of any loss if:
 - (i) The "Business Income Actual Annual Value" at the time of loss is greater than the "Business Income Estimated Annual Value" shown in your latest report; or
 - (ii) Your report was received by us more than three months after the due date, or your report is overdue.
- (b) Instead, we will determine the most we will pay using the following steps:
 - (i) Divide the "Business Income Estimated Annual Value" by the "Business Income Actual Annual Value" at the time of the "Breakdown";
 - (ii) Multiply the total amount of the covered loss of "Business Income" by the figure determined in Step (i); and
 - (iii) Subtract any applicable deductible from the amount determined in Step (ii).

We will pay the amount determined in Step (iii) or the "Business Income" and "Extra Expense" limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

If coverage is provided for more than one premises, then this Coinsurance Condition applies separately to each premises.

2. General Conditions

a. Additional Insured

If a person or organization is designated in this Coverage Part as an additional insured, we will consider them to be an insured under this Coverage Part to the extent of their interest.

b. Bankruptcy

The bankruptcy or insolvency of you or your estate will not relieve us of our obligation under this Coverage Part.

c. Concealment, Misrepresentation Or Fraud

This Coverage Part is void in any case of fraud, intentional concealment or misrepresentation of a material fact by you or any other insured, at any time, concerning:

- (1) This Coverage Part;
- (2) The "Covered Property";
- (3) Your interest in the "Covered Property"; or
- (4) A claim under this Coverage Part.

d. Liberalization

If we adopt any standard form revision for general use that would broaden coverage in this Coverage Part without additional premium, the broadened coverage will immediately apply to this Coverage Part if the revision is effective within 45 days prior to or during the policy period.

e. Mortgageholder

- (1) The term mortgageholder includes trustee.
- (2) We will pay for direct damage to "Covered Property" due to a "Breakdown" to "Covered Equipment" to each mortgageholder shown in the Declarations in their order of precedence, as interests may appear.
- (3) The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the "Covered Property".
- (4) If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:
 - (a) Pays any premium due under this Coverage Part at our request if you have failed to do so;
 - (b) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
 - (c) Has notified us of any change in ownership or material change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

(5) If we pay the mortgageholder for any loss and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:

- (a) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and
- (b) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

(6) If we cancel this policy, we will give written notice to the mortgageholder at least:

- (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
- (b) 30 days before the effective date of cancellation if we cancel for any other reason.

(7) If we do not renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

(8) If we suspend coverage, it will also be suspended as respects the mortgageholder. We will give written notice of the suspension to the mortgageholder.

f. No Benefit To Bailee

No person or organization, other than you, having custody of "Covered Property" will benefit from this insurance.

g. Policy Period, Coverage Territory

Under this Coverage Part:

- (1) We cover loss or damage commencing:
 - (a) During the policy period shown in the Declarations; and
 - (b) Within the coverage territory.
- (2) The coverage territory is:
 - (a) The United States of America (including its territories and possessions);

(b) Puerto Rico; and

(c) Canada.

h. Premium And Adjustments

You shall report to us 100% of the total insurable values at each premises every year as of the anniversary date. The values shall be reported separately for each of the coverages provided. Premium for each anniversary will be promulgated for the ensuing period on the basis of rates in effect at the anniversary date and for all values at risk.

You agree to keep the applicable records for each policy year available for inspection by our representatives at all times during business hours, during the respective policy year, and for a period of 12 months after the end of the respective policy year or after cancellation of this Coverage Part.

i. Suspension

Whenever "Covered Equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from a "Breakdown" to that "Covered Equipment". This can be done by delivering or mailing a written notice of suspension to:

- (1) Your last known address; or
- (2) The address where the "Covered Equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "Covered Equipment".

If we suspend your insurance, you will get a pro rata refund of premium for that "Covered Equipment". But the suspension will be effective even if we have not yet made or offered a refund.

3. Joint Or Disputed Loss Agreement

a. This condition is intended to facilitate payment of insurance proceeds when:

- (1) Both a commercial property policy and this equipment breakdown protection policy are in effect;
- (2) Damage occurs to "Covered Property" that is insured by the commercial property policy and this equipment breakdown protection policy; and
- (3) There is disagreement between the insurers as to whether there is coverage or as to the amount of the loss to be paid, if any, by each insurer under its own policies.

- b. This condition does not apply if:
 - (1) Both the commercial property insurer(s) and we do not admit to any liability; and
 - (2) Neither the commercial property insurer(s) nor we contend that coverage applies under the other insurer's policy.
- c. The provisions of this condition apply only if all of the following requirements are met:
 - (1) The commercial property policy carried by the Named Insured, insuring the "Covered Property", contains a similar provision at the time of the loss or damage, with substantially the same requirements, procedures and conditions as contained in this condition;
 - (2) The damage to the "Covered Property" was caused by a loss for which:
 - (a) Both the commercial property insurer(s) and we admit to some liability for payment under the respective policies; or
 - (b) Either:
 - (i) The commercial property insurer(s) does not admit to any liability for payment, while we contend that:
 - i. All liability exists under the commercial property policy; or
 - ii. Some liability exists under both the commercial property policy and this equipment breakdown protection policy;
 - (ii) We do not admit to any liability for payment, while the commercial property insurer(s) contends that:
 - i. All liability exists under this equipment breakdown protection coverage policy; or
 - ii. Some liability exists under both the commercial property policy and this equipment breakdown protection policy; or
 - (iii) Both the commercial property insurer(s) and we:
 - i. Do not admit to any liability for payment; and
 - ii. Contend that some or all liability exists under the other insurer's policy; and
- (c) The total amount of the loss is agreed to by you, the commercial property insurer(s) and us.
- d. If the requirements listed in Paragraph c. above are satisfied, we and the commercial property insurer(s) will make payments to the extent, and in the manner, described as follows:
 - (1) We will pay, after your written request, the entire amount of loss that we have agreed as being covered, if any, by this equipment breakdown protection policy and one-half (1/2) the amount of the loss that is in disagreement.
 - (2) The commercial property insurer(s) will pay, after your written request, the entire amount of loss that they have agreed as being covered, if any, by the commercial property policy and one-half (1/2) the amount of loss that is in disagreement.
 - (3) Payments by the insurers of the amounts that are in disagreement, as described in Paragraphs (1) and (2), do not alter, waive or surrender any rights of any insurer against any other with regard to the portion of the loss for which each insurer is liable.
 - (4) The amount in disagreement to be paid by us under this condition shall not exceed the amount payable under the equivalent Loss Agreement(s) of the commercial property policy.
 - (5) The amount to be paid under this condition shall not exceed the amount we would have paid had no commercial property policy been in effect at the time of loss. In no event will we pay more than the applicable Limit Of Insurance shown in the Declarations.
 - (6) Acceptance by you of sums paid under this condition does not alter, waive or surrender any other rights against us.
- e. **Arbitration**
 - (1) If the circumstances described in Paragraph c.(2)(a) exist and the commercial property insurer(s) and we agree to submit our differences to arbitration, the commercial property insurer(s) and we will determine the amount each will pay and will pay the insured within 90 days. Arbitration will then take place within 90 days after payment of the loss under the terms of this condition.

- (2) If any of the circumstances described in Paragraph **c.(2)(b)** exist, then the commercial property insurer(s) and we agree to submit our differences to arbitration within 90 days after payment of the loss under the terms of this condition.
- (3) You agree to cooperate with any arbitration procedures. There will be three arbitrators: one will be appointed by us, and another will be appointed by the commercial property insurer(s). The two arbitrators will select a third arbitrator. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. A decision agreed to by two of the three arbitrators will be binding on both parties. Judgment on any award can be entered in any court that has jurisdiction.

f. Final Settlement Between Insurers

The insurer(s) found responsible for the greater percentage of the ultimate loss must return the excess contribution to the other insurer(s). In addition, the insurer(s) found responsible for the greater portion of the loss must pay Liquidated Damages to the other insurer(s) on the amount of the excess contribution of the other insurer(s). Liquidated Damages are defined as interest from the date the insured invokes this Agreement to the date the insurer(s) that contributed the excess amount is reimbursed. The interest is calculated at 1.5 times the highest prime rate from the Money Rates column of the Wall Street Journal during the period of the Liquidated Damages. Arbitration expenses are not a part of the excess contribution for which Liquidated Damages are calculated. Arbitration expenses will be apportioned between insurers on the same basis that the ultimate loss is apportioned.

F. Definitions

1. "Breakdown":

- a. Means the following direct physical loss that causes damage to "Covered Equipment" and necessitates its repair or replacement:
 - (1) Failure of pressure or vacuum equipment;
 - (2) Mechanical failure including rupture or bursting caused by centrifugal force; or
 - (3) Electrical failure including arcing;

unless such loss or damage is otherwise excluded within this Coverage Form.

b. Does not mean or include:

- (1) Malfunction including but not limited to adjustment, alignment, calibration, cleaning or modification;
- (2) Defects, erasures, errors, limitations or viruses in computer equipment and programs including the inability to recognize and process any date or time or provide instructions to "Covered Equipment";
- (3) Leakage at any valve, fitting, shaft seal, gland packing, joint or connection;
- (4) Damage to any vacuum tube, gas tube, or brush;
- (5) Damage to any structure or foundation supporting the "Covered Equipment" or any of its parts;
- (6) The functioning of any safety or protective device; or
- (7) The cracking of any part on an internal combustion gas turbine exposed to the products of combustion.

2. "Business Income" means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

3. "Business Income Actual Annual Value" means the sum of the Net Income and continuing normal operating expenses incurred, including payroll that would have been earned had the "Breakdown" not occurred.

4. "Business Income Estimated Annual Value" means the sum of the Net Income and continuing normal operating expenses incurred, including payroll as estimated by you in the most recent Annual Report of Values form on file with us.

5. "Computer Equipment" means:

- a. Your programmable electronic equipment that is used to store, retrieve and process data; and
- b. Associated peripheral equipment that provides communication including input and output functions such as printing or auxiliary functions such as data transmission.

It does not include "Data" or "Media".

6. "Covered Equipment":

a. Means and includes any:

- (1)** Equipment built to operate under internal pressure or vacuum other than weight of contents;
- (2)** Electrical or mechanical equipment that is used in the generation, transmission or utilization of energy;
- (3)** Communication equipment and "Computer Equipment"; and
- (4)** Equipment in Paragraphs **(1)**, **(2)** and **(3)** that is owned by a public or private utility and used solely to supply utility services to your premises.

However, if Coverage **A.2.e.** Utility Interruption is provided, then Paragraph **6.a.(4)** does not apply.

Except for Paragraph **6.a.(4)**, Utility Interruption and Contingent "Business Income" and "Extra Expense" or "Extra Expense" only coverages, the "Covered Equipment" must be located at a premises described in the Declarations and be owned, leased or operated under your control.

b. Does not mean or include any:

- (1)** "Media";
- (2)** Part of pressure or vacuum equipment that is not under internal pressure of its contents or internal vacuum;
- (3)** Insulating or refractory material, but not excluding the glass lining of any "Covered Equipment";
- (4)** Nonmetallic pressure or vacuum equipment, unless it is constructed and used in accordance with the American Society of Mechanical Engineers (A.S.M.E.) code or another appropriate and approved code;
- (5)** Catalyst;
- (6)** Vessels, piping and other equipment that is buried belowground and requires the excavation of materials to inspect, remove, repair or replace;
- (7)** Structure, foundation, cabinet or compartment supporting or containing the "Covered Equipment" or part of the "Covered Equipment" including penstock, draft tube or well casing;

(8) Vehicle, aircraft, self-propelled equipment or floating vessel including any "Covered Equipment" that is mounted upon or used solely with any one or more vehicle(s), aircraft, self-propelled equipment or floating vessel;

(9) Dragline, excavation or construction equipment including any "Covered Equipment" that is mounted upon or used solely with any one or more dragline(s), excavation or construction equipment;

(10) Felt, wire, screen, die, extrusion plate, swing hammer, grinding disc, cutting blade, nonelectrical cable, chain, belt, rope, clutch plate, brake pad, nonmetal part or any part or tool subject to periodic replacement;

(11) Machine or apparatus used solely for research, diagnosis, medication, surgical, therapeutic, dental or pathological purposes including any "Covered Equipment" that is mounted upon or used solely with any one or more machine(s) or apparatus unless Diagnostic Equipment is shown as INCLUDED in the Declarations; or

(12) Equipment or any part of such equipment manufactured by you for sale.

7. "Covered Property" means any property that:

- a.** You own; or
- b.** Is in your care, custody or control and for which you are legally liable.

8. "Data" means:

- a.** Programmed and recorded material stored on "Media"; and
- b.** Programming records used for electronic data processing, or electronically controlled equipment.

9. "Extra Expense" means the additional cost you incur to operate your business during the "Period of Restoration" over and above the cost that you normally would have incurred to operate the business during the same period had no "Breakdown" occurred.

10. "Fungus" means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungi.

11. "Green" means enhanced energy efficiency or use of environmentally-preferable, sustainable materials, products or methods in design, construction, manufacture or operation, as recognized by a "Green standards-setter".
12. "Green standards-setter" means an organization or governmental agency which produces and maintains guidelines related to "Green" products and practices. "Green standards-setters" include but are not limited to:
 - a. The Leadership in Energy and Environmental Design (LEED®) program of the U.S. Green Building Council;
 - b. ENERGY STAR, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy; and
 - c. Green Globes™, a program of the Green Building Initiative.
13. "Hazardous Substance" means any substance other than ammonia that has been declared to be hazardous to health by a government agency.
14. "Media" means electronic data processing or storage media such as films, tapes, discs, drums or cells.
15. "One Breakdown" means if an initial "Breakdown" causes other "Breakdowns", all will be considered "One Breakdown". All "Breakdowns" at any one premises that manifest themselves at the same time and are the direct result of the same cause will be considered "One Breakdown".
16. "Period of Restoration" means the period of time that:
 - a. Begins at the time of the "Breakdown" or 24 hours before we receive notice of "Breakdown", whichever is later; and
 - b. Ends five consecutive days after the date when the damaged property at the premises described in the Declarations is repaired or replaced with reasonable speed and similar quality.
17. "Stock" means merchandise held in storage or for sale, raw materials, property in process or finished products including supplies used in their packing or shipping.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ALASKA CHANGES

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

- A.** Equipment Breakdown Protection Loss Condition **Duties In The Event Of Loss Or Damage**, Paragraph (2) is replaced by the following:
- (2) We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed. Any insured has the right to have legal counsel present at the examination.
- B.** Equipment Breakdown Protection Loss Condition **Legal Action Against Us**, Paragraph (2) is replaced by the following:
- (2) The legal action is brought within three years from the date you learned that the claim was denied; or
- C.** Equipment Breakdown Protection General Condition **Concealment, Misrepresentation Or Fraud** is replaced by the following:
- CONCEALMENT, MISREPRESENTATION OR FRAUD**
- We will not pay for any loss or damage in any case of fraud by you relating to it. We also will not pay for any loss or damage if you intentionally conceal or misrepresent a material fact concerning:
1. This Coverage Part;
 2. The "Covered Property"; or
 3. Your interest in the "Covered Property".
- D.** Equipment Breakdown Protection General Condition **Suspension** is replaced by the following:
- SUSPENSION**
- Whenever "Covered Equipment" is found to be operated or operating in such a manner that the continued use of the "Covered Equipment" will result in or contribute to its "Breakdown", we or any of our representatives may immediately suspend the insurance against loss from a "Breakdown" to that "Covered Equipment". This can be done by delivering or mailing a written notice of suspension to:
- (1) Your last known address; or
 - (2) The address where the "Covered Equipment" is located.
- Once suspended in this way, your insurance can be reinstated upon your making the necessary corrections to the "Covered Equipment", and at our option either furnishing us with proof that the corrections were made or allowing us to inspect the "Covered Equipment" and then our issuing to you an endorsement reinstating coverage for that "Covered Equipment" to be attached to the policy.
- If we suspend your insurance, you will receive a pro rata refund of premium for that "Covered Equipment". But the suspension will be effective even if we have not yet made or offered a refund.
- E.** The following is added to this Coverage Part or Policy and supersedes any provision to the contrary:
- A loss may be caused by a chain of causes. If a "Breakdown" to "Covered Equipment" is the dominant cause of such a loss, we will not deny coverage on the basis that a secondary cause in that chain is not a "Breakdown" to "Covered Equipment".

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ALASKA CHANGES – ATTORNEY'S FEES

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

SCHEDULE

Attorney's Fees For A Judgment Not To Exceed	Additional Premium
\$	\$
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

In any "suit" we defend in Alaska, our obligation to pay attorney's fees taxed against you is as follows:

- A.** We will pay an amount which does not exceed the amount allowed for a contested case in the schedule of attorney's fees contained in Alaska Civil Rule 82 for a judgment equal to the applicable Limit of Insurance.
- B.** However, if a premium and a judgment amount are shown in the Schedule, instead of the attorney's fees provided in Paragraph **A.**, we will pay an amount which does not exceed the amount allowed for a contested case in Civil Rule 82 for the judgment amount shown in the Schedule.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ACTUAL CASH VALUE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

SCHEDULE

Premises: All

"Covered Equipment": All "Covered Equipment" older than 25 years from the date of manufacture.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

Condition **I.(1) Property Damage Valuation** of the Coverage Form is deleted in its entirety and replaced by the following for any listed "Covered Equipment":

I. Valuation

(1) Property Damage

We will pay you the amount you spend to repair or replace "Covered Property" directly damaged by a "Breakdown" on the following basis:

- (a)** Our payment will be the lesser of the:
 - (i)** Cost to repair or replace the damaged property with property of same kind, capacity, size or quality on the same site or another site whichever is less costly; or

- (ii)** Actual cash value of the damaged property.

The valuation of "Covered Property" will be as of the time of "Breakdown".

However, we will not pay for such damaged property that is obsolete and useless to you.



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OFF-PREMISES EQUIPMENT COVERAGE

This endorsement modifies insurance provided under the following:

EQUIPMENT BREAKDOWN COVERAGE PART

- A.** Coverage is extended for loss or damage to "Covered Property" as a direct result of a "Breakdown" to "Covered Equipment" while such equipment is away from the premises described in the Declarations, and is:
1. Operated under your control;
 2. Situated at a fixed location and not in transit;
and
 3. In use or connected and ready for use.
- B.** Paragraph **6.b.(8)** of Section **F. Definitions** does not apply to coverage provided by this endorsement to the extent that "Covered Equipment" may be mounted upon or used solely with a vehicle or self-propelled equipment, unless such "Covered Equipment" is used in the operation or propulsion of the vehicle or self-propelled equipment.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CALCULATION OF PREMIUM

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
COMMERCIAL AUTOMOBILE COVERAGE PART
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
CRIME AND FIDELITY COVERAGE PART
EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
EQUIPMENT BREAKDOWN COVERAGE PART
FARM COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
MEDICAL PROFESSIONAL LIABILITY COVERAGE PART
OWNERS AND CONTRACTORS PROTECTIVE LIABILITY COVERAGE PART
POLLUTION LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
RAILROAD PROTECTIVE LIABILITY COVERAGE PART

The following is added:

The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation, or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

COMMON POLICY CONDITIONS

All Coverage Parts included in this policy are subject to the following conditions.

A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. 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 may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

B. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

C. Examination Of Your Books And Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

D. Inspections And Surveys

1. We have the right to:
 - a. Make inspections and surveys at any time;

- b. Give you reports on the conditions we find; and
- c. Recommend changes.

2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
 - a. Are safe or healthful; or
 - b. Comply with laws, regulations, codes or standards.

3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

E. Premiums

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

F. Transfer Of Your Rights And Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ALASKA CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
 COMMERCIAL AUTOMOBILE COVERAGE PART
 COMMERCIAL GENERAL LIABILITY COVERAGE PART
 COMMERCIAL INLAND MARINE COVERAGE PART
 COMMERCIAL LIABILITY UMBRELLA COVERAGE PART
 COMMERCIAL PROPERTY COVERAGE PART
 CRIME AND FIDELITY COVERAGE PART
 EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
 EQUIPMENT BREAKDOWN COVERAGE PART
 FARM COVERAGE PART
 FARM UMBRELLA LIABILITY POLICY
 LIQUOR LIABILITY COVERAGE PART
 MEDICAL PROFESSIONAL LIABILITY COVERAGE PART
 POLLUTION LIABILITY COVERAGE PART
 PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

- A.** The **Cancellation** Common Policy Condition is replaced by the following:
1. The first Named Insured shown in the Declarations may cancel this policy by mailing to us advance written notice of cancellation.
 2. We may cancel this policy by mailing to you and the agent or broker of record written notice of cancellation. Such notice, stating the reason for cancellation, must be sent by first class mail at least:
 - a. 10 days before the effective date of cancellation if we cancel for:
 - (1) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against; or
 - (2) Fraud or material misrepresentation by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under this policy; or
 - b. 20 days before the effective date of cancellation if we cancel for:
 - (1) Nonpayment of premium; or
 - (2) Failure or refusal of the insured to provide the information necessary to confirm exposure or determine the policy premium; or
 - c. 60 days before the effective date of cancellation if we cancel for any other reason.
 3. We will mail our notice to your last known address and the last known address of the agent or broker of record.
 4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
 5. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

6. If this policy is cancelled, we will return any premium refund due to the agent or broker of record, or directly to the first Named Insured, or, if applicable, to the premium finance company. If:

a. We cancel, the refund will be the pro rata unearned premium. The refund will be returned or credited before the effective date of cancellation. However, if cancellation is for:

- (1) Nonpayment of premium;
- (2) Conviction of the insured of a crime having as one of its necessary elements an act increasing a hazard insured against;
- (3) Discovery of fraud or material misrepresentation made by the insured or a representative of the insured in obtaining the insurance or by the insured in pursuing a claim under the policy; or
- (4) Failure or refusal of the insured to provide the information necessary to confirm exposure or necessary to determine the policy premium;

any unearned premium shall be returned or credited within 45 days after the cancellation notice is given; or

b. The first Named Insured cancels, the refund:

(1) Will be the pro rata unearned premium minus a cancellation fee of 7.5% of the pro rata unearned premium. However, we will not retain this cancellation fee if this policy is cancelled:

- (a) And rewritten with us or in our company group;
- (b) At our request;
- (c) Because you no longer have a financial or insurable interest in the property or business operation that is the subject of this insurance; or
- (d) After the first year for a prepaid policy written for a term of more than one year; or

(2) Will be returned or credited:

- (a) By the effective date of cancellation; or

(b) Within 45 days of your request to cancel;

whichever is later.

If the policy is selected for audit, we will complete the audit within 45 days of receipt of the request for cancellation. The refund will be returned within 45 days of completion of an audit, or the effective date of cancellation, whichever is later.

B. The following is added and supersedes any provision to the contrary:

Nonrenewal

1. If we decide not to renew this policy, we will mail written notice of nonrenewal, by first class mail, to you and the agent or broker of record at least 45 days before:

- a. The expiration date; or
- b. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.

2. We need not mail notice of nonrenewal if:

- a. We have manifested in good faith our willingness to renew; or
- b. The first Named Insured has failed to pay any premium required for this policy; or
- c. The first Named Insured fails to pay the premium required for renewal of this policy.

3. Any notice of nonrenewal will be mailed to your last known address and the last known address of the agent or broker of record. A post office certificate of mailing or certified mail receipt will be sufficient proof of mailing of notice.

C. The following Condition is added:

Notice Of Premium Or Coverage Changes On Renewal

If the premium to renew this policy increases more than 10% for a reason other than an increase in coverage or exposure basis, or if after the renewal there will be a material restriction or reduction in coverage not specifically requested by the insured, we will mail written notice to your last known address and the last known address of the agent or broker of record at least 45 days before:

1. The expiration date; or
2. The anniversary date if this policy has been written for more than one year or with no fixed expiration date.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
 COMMERCIAL INLAND MARINE COVERAGE PART
 COMMERCIAL PROPERTY COVERAGE PART
 EQUIPMENT BREAKDOWN COVERAGE PART
 FARM COVERAGE PART
 STANDARD PROPERTY POLICY

A. Cap On Certified Terrorism Losses

"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.

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we 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.

B. Application Of 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 Coverage Part or Policy, such as losses excluded by the Nuclear Hazard Exclusion or the War And Military Action Exclusion.



*This endorsement changes the policy.
Please read it carefully.*

MISCELLANEOUS ENDORSEMENT

Effective **07/01/2017** 12:01 a.m. standard time, this endorsement forms a part of Policy No. **EB170070326** issued by ARECA Insurance Exchange to **Alaska Energy Authority c/o Alaska Industrial Development & Export Authority for the account of Bradley Lake Hydroelectric Project**

In consideration of the premium charged, AIE and the Insured agree, subject to all provision of the policy except as modified herein, as follows:

Property Damage Deductible Aggregate

It is hereby agreed that as respects the following locations an annual aggregate property damage deductible of \$300,000 applies to this policy. The portion of each property damage loss, reported and adjusted under the terms of this policy, in excess of \$10,000 and up to the applicable deductible per loss shall be accrued until the annual aggregate is reached. Thereafter, each future loss occasioned by an "accident" as defined, occurring within the same annual policy period as the accident occasioned the aforementioned losses shall be subject to a \$10,000 deductible.

Applicable Locations:

Bradley Lake, AK

All other terms and conditions of the policy remain unchanged.