

U.S.A. INCLUDING U.S. VIRGIN ISLANDS GENERAL COVER CONDITIONS

(LMA 5058, only to be used in conjunction with LMA Binding Authority Agreements)

(Specific provisions applicable to U.S. business, other than reinsurance, bound under this Agreement.)

To the extent that any provision in these USA General Cover Conditions contradicts or is necessarily inconsistent with any provision in the binding authority agreement into which they are incorporated, the USA General Cover Conditions shall control.

TERRITORIAL EXCLUSIONS AND/OR LIMITATIONS

(a) New York State

No business to be bound by the New York office of any broker owned by or affiliated with the Coverholder or by a New York Coverholder unless:-

- (i) the Coverholder named hereon is an excess line broker licensed in the State of New York; and
- (ii) the business is properly exported surplus lines business, and
- (iii) the Coverholder files with the Excess Line Association of New York (ELANY), at least ten business days prior to exercising the binding authority, a signed copy of the written binding authority agreement between the Coverholder and Underwriters setting forth all terms, conditions, and limitations of the binding authority, including the following:
 - (a) a description of the kind or classes of insurance which the Coverholder may bind;
 - (b) the maximum dollar limits for any policy which the Coverholder may bind and/or a provision requiring the risk to be submitted to Underwriters;
 - (c) the maximum policy period for which the Coverholder may bind;
 - (d) the geographical limits upon the exercise of binding authority by the Coverholder;
 - (e) the name and telephone number of the principal contact person for insurer(s); and
- (iv) the Coverholder files with ELANY a copy of any amendments to, or any notice of cancellation or termination of, the agreement no later than ten business days after the adoption thereof; and
- (v) every certificate or other written evidence of an insurance contract issued under this binding authority agreement contains the following information:
 - (a) description and location of the subject of insurance;
 - (b) coverage provided (by kind/class and limits);
 - (c) conditions of coverage provided;
 - (d) term (policy period) of insurance;
 - (e) gross premium;
 - (f) name and address of excess line broker;
 - (g) name and address of producing broker;
 - (h) name(s) of insurer(s);
 - (i) name and address of insured; and

- (vi) the binding authority agreement does not authorize the Coverholder to issue notice of cancellation of any insurance bound under the agreement except for the following:
 - (a) non-payment of premium;
 - (b) material increase in the hazard insured;
 - (c) discovery of a material misrepresentation in the application for insurance; and
- (vii) the binding authority agreement does not include the authority to handle claims on insurance bound under the binding authority.

(b) Illinois

No insurance is to be bound under Lloyd's Illinois license or on a surplus lines basis covering risks or property resident, located, or to be performed in Illinois unless:

- (i) the Coverholder named hereon is a licensed producer or business entity in Illinois and is approved through Lloyd's Illinois, Inc. to place business with Underwriters either under the Illinois license and/or under the Illinois Surplus Lines Law; or
- ii) the Coverholder named hereon has:-
 - (a) consulted with Lloyd's Illinois, Inc. prior to binding any such business, has executed the prescribed undertaking, and has received Lloyd's Illinois, Inc.'s written approval to place such business with Underwriters; and
 - (b) placed such business through a licensed producer or business entity which is approved via Lloyd's Illinois, Inc. to place business with Underwriters.

"Producer" for purposes herein means a person or firm which is licensed to procure insurance on property or risks located in Illinois.

(c) Kentucky

No Kentucky business to be bound unless:-

- (i) the Coverholder named hereon is resident in Kentucky and licensed through Underwriters' Kentucky Attorney-in-Fact to place business with Underwriters at Lloyd's, or
- (ii) the Coverholder named hereon
 - (a) has consulted with the Kentucky Attorney-in-Fact prior to binding any such business, has executed the prescribed undertaking and has received the Kentucky Attorney-in-Fact's written approval to place such business with Underwriters at Lloyd's, and
 - (b) places such business through a firm which is licensed through Underwriters' Kentucky Attorney-in-Fact, to place business with Underwriters at Lloyd's or holds a non-resident agent's license issued by the Kentucky Office of Insurance to place business with Underwriters at Lloyd's.

'Kentucky business' for purposes herein means insurances covering

- (a) property or other subjects of risk located in Kentucky, or
- (b) operations of Assureds whose Head Offices* are in Kentucky.

(d) US Virgin Islands

No insurance is to be bound under Lloyd's U.S.V.I. license covering risks or property resident, located, or to be performed in the U.S.V.I. unless:-

- (i) the Coverholder is licensed through Underwriters' U.S.V.I. attorney-in-fact as a U.S.V.I. Lloyd's agent to do business on behalf of Underwriters at Lloyd's, or
- (ii) if insurance is bound through a non-resident agent, such agent must be licensed as a non-resident agent by the U.S.V.I.

(e) Texas

With respect to any Texas Coverholder, Underwriters must reserve the duty of final underwriting review.

(f) New Jersey

No New Jersey business to be bound unless:-

- (i) The Coverholder named hereon is, or accepts properly exported business from, a surplus lines agent licensed in the State of New Jersey; and
- (ii) If the Coverholder is a surplus lines agent licensed in the State of New Jersey, prior to exercising the binding authority in New Jersey, the Coverholder files with the Commissioner of Insurance of the State of New Jersey the written binding authority Agreement between the Coverholder and Underwriters setting forth all terms, conditions, and limitations of the binding authority, including the following:
 - (a) A description of the classes of insurance for which the Coverholder has binding authority;
 - (b) The maximum dollar limitation on the binding authority of the Coverholder for any one risk for each class of insurance written by the Coverholder;
 - (c) The maximum policy period for which the Coverholder may bind a risk;
 - (d) The geographical limits upon the exercise of binding authority by the Coverholder;
 - (e) If the binding authority is delegable by the Coverholder, a prohibition against the delegation without the prior written approval of Underwriters.
 - (f) A copy of any amendments to the Agreement and of any notice of cancellation or termination of the Agreement shall be filed by the Coverholder with the Commissioner no later than 10 days after adoption thereof.

(g) Pennsylvania

No Pennsylvania business to be bound unless:-

- (i) The Coverholder named hereon is licensed by, or accepts properly exported business from a producer who is licensed by, the Insurance Department of the Commonwealth of Pennsylvania to place surplus lines insurance; and
- (ii) If the Coverholder is licensed by the Insurance Department of the Commonwealth of Pennsylvania to place surplus lines insurance, prior to exercising the binding authority in Pennsylvania, a written binding authority agreement is in force between the Coverholder and Underwriters setting forth the terms, conditions, and

limitations governing the exercise of the binding authority by the Coverholder, including the following:

- (a) A description of the classes of insurance for which the Coverholder has binding authority;
 - (b) The maximum dollar limitations on the binding authority for any one risk for each class of insurance;
 - (c) The maximum policy period for which the Coverholder may bind a risk;
 - (d) The geographical limits upon the exercise of the binding authority;
 - (e) A prohibition against the delegation of the binding authority by the Coverholder or, if the binding authority is delegable by the Coverholder, a prohibition against delegation of the binding authority by the Coverholder without the prior written approval of Underwriters.
 - (f) A provision in the following or substantially similar language: "It is understood and agreed that all insurance placed pursuant to this agreement on risks resident, located, or to be performed in this Commonwealth, shall be effected and written in accordance with Article XVI of the Act of May 17, 1921, P.L. 682, No. 284 (40 P.S. Section 991.1601-991.1625)";
 - (g) A provision that cancellation or termination of the agreement may not affect the validity of an insurance binder or other instrument of insurance executed by the agent prior to the date of the cancellation or termination; and
- (iii) The Coverholder maintains an executed copy of the written binding authority Agreement between the Coverholder and Underwriters in its office in Pennsylvania or home office, if not applicable, and makes the copy available at all reasonable times for the examination by the Insurance Department without notice for at least 5 years following termination of the binding authority Agreement.

*For the purpose of this Agreement, the Head Office is the place in which the chief executive officers of the Assured have their offices.

CONDITIONS

1. With the exception of licensed business in Illinois, Kentucky and the US Virgin Islands, this (Binding Authority) Agreement is conditional upon the Coverholder:-
 - (a) being and remaining licensed to transact business as an Excess/Surplus Lines Broker/Agent;
 - (b) having paid the appropriate licensing fee for Excess/Surplus Lines Broker/Agents and having complied with applicable State bonding requirements for Excess/Surplus Lines Broker/Agents;
 - (c) complying with all applicable laws and regulations respecting the placement of insurance with non-admitted insurers and the taxation of such placements; and
 - (d) being responsible for the billing, collection and remitting of applicable excess/surplus lines and other premium taxes.
2. The Coverholder shall not enter or permit others to enter into premium finance arrangements in the name of or on behalf of Lloyd's Underwriters. If the Coverholder or any other party enter(s) into a premium finance arrangement in respect of premium(s) for coverage procured under this cover, the arrangements shall be solely in the name and entirely for the account of the Coverholder or such other party and Lloyd's Underwriters will not accept responsibility for any such arrangement(s).

3. The Coverholder shall comply with any applicable unfair claims settlement practice law and regulation concerning claims practices and adjuster licensing.
4. No Group Scheme, Association Coverage, Master Policy or any other form of mass merchandising programmes shall be bound without the prior written approval of all subscribing Lloyd's Underwriters and prior written approval from LeBoeuf, Lamb, Greene & MacRae LLP. Blanket personal accident coverage for employees of an assured shall not be subject to this requirement.
5. The grant of authority to bind insurances and issue documents evidencing insurances bound shall not be delegated by the Coverholder to any other person, firm, company or any branch office. If any authority(ies) or responsibility(ies), other than those previously described, is(are) delegated to a third party(ies), any such delegation must be in writing and the Underwriters must be a party to the written contract of delegation to the third party(ies).
6. Unless Underwriters specifically agree to the contrary this Binding Authority will be automatically terminated in the event the Coverholder shall:-
 - (a) become the subject of voluntary or involuntary rehabilitation or liquidation proceedings;
 - (b) become the subject of an action in bankruptcy;
 - (c) make or propose any composition with its creditors or make any assignment for the benefit of its creditors or otherwise acknowledge its insolvency;
 - (d) be merged with, acquired by or otherwise absorbed by any individual, corporation or other business entity or organisation of any kind unless agreed in writing by the Underwriters;
 - (e) being a partnership, be dissolved by agreement between the partners or by operation of law;
 - (f) have any relevant licence to conduct business suspended, removed or impaired by any order or decree of any judicial or regulatory authority;
 - (g) have imposed by a court of competent jurisdiction the appointment of an administrator or administrative receiver or equivalent office holder;
 - (h) have a receiver or equivalent office holder appointed for the whole or any part of the Coverholder's business.
7. If the Coverholder shall fail to comply with any of the provisions of the Binding Authority, Underwriters reserve the right to cancel the Agreement at any time with immediate effect. The Underwriters shall give written notice of such cancellation and the Agreement shall terminate at the date specified in the notice.

8. Joint Certificates

The Coverholder shall not issue a Joint Certificate showing security co-subscribed by Underwriters at Lloyd's and any insurance company(ies).

'Joint Certificate' means a certificate or other document which evidences insurance bound, in any proportion, under an agreement with Underwriters at Lloyd's and, in the remaining proportion, with:-

- (a) any insurance company or companies, or
- (b) Underwriters at Lloyd's under another Binding Authority, or
- (c) any Underwriters (whether or not at Lloyd's) doing business on an open market basis.

A Joint Certificate may only be issued:-

- (a) for all those portions of any insurance which are:-
 - (i) in co-insurance on the same interest and on the same terms and conditions; or
 - (ii) written as separate sections of a composite insurance; or
- (b) in respect of layers which are contiguous;

Provided that

- (i) all such portions or layers are subscribed wholly by Lloyd's Underwriters, and
- (ii) in the case of layers
 - (a) all interested Underwriters shall have agreed to the issue of a Joint Certificate, and
 - (b) the Joint Certificate shall specify, separately in respect of each layer, the cover number, the amount or limit of coverage or liability, the premium or rate and the minimum (and/or provisional or deposit) premium if any.

9. In respect of non-moveable property business, the following shall apply.

The Coverholder shall not wittingly bind hereunder any U.S. Physical Damage Insurance or Reinsurance, whether renewal or new risk, effective on or after the 1st January, 1959, covering:-

- (a) Any interest covered by A.N.I. or M.A.E.R.P. (the Stock Companies' and Mutuals' atomic pools).
- (b) Nuclear reactor power plants including all auxiliary property on the site.
- (c) Any other nuclear reactor installation including laboratories handling radioactive materials in connection with reactor installations, and critical facilities as such.
- (d) Installations for fabricating complete fuel elements or for processing substantial quantities of "special nuclear material" and for reprocessing, salvaging, chemically separating, storing or disposing of spent nuclear fuel or waste materials.
- (e) Installations other than those listed in (d) above using substantial quantities of radioactive isotopes or other products of nuclear fission. (The Coverholder may bind other interests using radioactive isotopes provided the nuclear exposure is not the primary hazard).
- (f) Property on the same site as a nuclear installation unless radioactive contamination is specifically excluded.

(g) Any insurance which covers radioactive contamination as a named hazard.

N.B. For the general guidance of the Coverholder the term "special nuclear material" shall have the meaning given it in the U.S.A. Atomic Energy Act of 1954 or any law amendatory thereof. In case of doubt the Coverholder should refer to Underwriters before binding the risk in question.

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26/09/2006

Form approved by Lloyd's Market Association