



CONTRACTORS ENVIRONMENTAL COVERAGE

Occurrence Coverage

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

Throughout this policy, the words “you” and “your” refer to the “named insured” shown in the Declarations. The words “we,” “us” and “our” refer to the Company providing this insurance. Other words and phrases that appear in “quotes” have special meaning. Refer to Section **II. DEFINITIONS**. The terms and conditions described in this coverage part are specific to this coverage part and are not applicable to any other coverage form or coverage part.

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

I. INSURING AGREEMENT

A. Contractors Environmental Coverage – Occurrence

We will pay on behalf of the “insured” for “loss” or “remediation expense” in excess of the deductible that the “insured” becomes legally obligated to pay as a result of “contamination” caused by “your contracting operations” or “completed operations”, but only if:

1. The “loss” or “remediation expense” is the result of: (i) a claim for “bodily injury, “property damage” or “environmental damage”; or (ii) “contamination” that caused the “insured” to incur “emergency expense”; and
2. The “bodily injury”, “property damage” or “environmental damage” first occurs during the “policy period”; and
3. The “bodily injury”, “property damage” or “environmental damage” is caused by an “occurrence”.

II. DEFINITIONS

A. “Bodily injury” means:

1. Physical injury, sickness or disease including associated medical or environmental monitoring; and

2. Mental anguish, emotional distress or shock sustained by any person;

Including death resulting therefrom.

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

C. “Completed operations” means work from “your contracting operations” that have been completed.

“Your contracting operations” will be deemed completed at the earliest of the following times:

1. When all of “your contracting operations” to be performed in the contract are complete;
2. When all of “your contracting operations” to be done at a “project site” have been completed; or
3. When that part of “your contracting operations” at a “project site” have been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

“Your contracting operations” that may need service, maintenance, correction, repair or replacement, but are otherwise complete, will be deemed complete.

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

E. “Contamination” means:

1. The discharge, dispersal, release or escape of any “contaminants” into or upon land, or any structure on land, the atmosphere or any watercourse or body of water, including groundwater, caused directly by “your contracting operations” or “completed operations”, provided such “contaminants” are not naturally present in the environment in the amounts or concentrations discovered;
2. The presence of “contaminants” that have been disposed of or abandoned at a “project site” in violation of applicable “law” by parties other than an “insured”

provided that prior to the “inception date” no “insured” knew or reasonably should have known of such presence, disposal or abandonment; or

3. The presence of “mold” on, at, or within buildings or structures.
- F.** “Conveyance” means a land motor vehicle, trailer, semi-trailer, aircraft, rolling stock or watercraft.
- G.** “Defense expense” means reasonable and necessary legal fees and expenses incurred in (i) the defense, investigation or adjustment of any “claim” to which this insurance applies or (ii) as a direct result of your discovery of any “contamination” to which this insurance applies. “Defense expense” does not include salaries, wages, overhead or benefit expenses incurred by the “insured”, including but not limited to “employees” or supervisory personnel or monitoring counsel, or legal fees or expenses incurred in connection with any dispute, disagreement or controversy arising out of the formation, interpretation, alleged breach, termination, or invalidity of this policy, or as to any other issue regarding the respective duties and responsibilities of us or any “insured” regarding this policy.
- H.** “Emergency expense” means reasonable and necessary expenses incurred to contain, control or mitigate “contamination” covered under this insurance and that is an imminent and substantial endangerment to:
1. Public health, safety or welfare; or
 2. The environment;
- Provided that: (i) the “insured” discovers such “contamination” within seventy-two (72) hours of the “contamination” first commencing; and (ii) incurs such “emergency expense” within seven (7) days after the “contamination” first commenced; and (iii) the “emergency expense” is incurred pursuant to “laws” that require an immediate response to “contamination”.
- I.** “Employee” includes temporary and leased staff working on behalf of and under direct supervision and control by you, but only while acting within the scope of performing “your operations”, “completed operations” or “transportation”, as applicable.
- J.** “Environmental damage” means direct physical damage to soil, plant or animal life, surface water or groundwater, building or structures, or indoor air caused by “contamination” and resulting in “remediation expense”. “Environmental damage” does not include “property damage”.
- K.** “Environmental professional” means an individual or entity chosen by us, in consultation with the “insured”, who possesses certain minimal levels of education and training and experience and holds valid and applicable licensing, certifications

and qualifications to address the “contamination”, and who maintains certain minimal levels of applicable insurance.

- L.** “Inception date” means: (i) the first date shown in ITEM 3. in the Declarations; or (ii) with respect to any endorsement the Company issues after the first date shown in ITEM 3. in the Declarations, the effective date listed in such endorsement.
- M.** “Insured” means:
1. The “named insured”
 2. Any past or present director, officer, partner, member, or “employee” of the “insured”, but only while acting within the scope of his or her employment or authority as such; or
 3. Any joint venture in which you participate as a member or co-venturer, but solely with regard to your liability arising out of “your contracting operations” provided in such joint venture. “Insured” does not include the legal entity itself, the joint venture itself or any other entity that is part of either the legal entity or joint venture.
- N.** “Law” means any federal, state, provincial or local statutes, rules, regulations, ordinances, “Voluntary Clean Up” or “Risk Based Corrective Action Standards” and judicial or administrative orders and directives, and all amendments thereto, that apply to the “insured’s” liability or responsibility for “contamination”.
- O.** “Loss” means monetary awards or settlements, previously agreed to in writing by us, of compensatory damages and, where allowable by law, punitive, exemplary, or multiplied damages, civil fines, penalties and assessments for “bodily injury” or “property damage”, together with related “defense expense” to which this policy applies. “Loss” does not include any non-pecuniary or injunctive relief, the return or withholding of fees or charges for services rendered by or on behalf of the “insured”, costs to correct, re-perform or complete any work, or any “insured’s” overhead, profit or mark up.
- P.** “Low level radioactive waste” and “materials” means: (i) waste as defined in 10 CFR § 61.2; and/or (ii) material regulated by the U.S. Nuclear Regulatory Commission or an Agreement State under a Type A, B or C Specific License of Broad Scope as defined in 10 CFR § 33.11.
- Q.** “Mold” means mold, mildew or any type or form of fungus including mycotoxins, spores, microbial volatile organic compounds or any other by-products produced by or released by fungi.
- R.** “Named insured” means the person or entity named in ITEM 1. of the Declarations and responsible for acting on behalf of all other “insureds”, if any, under this policy

as described in as described in “ J. Sole Agent” of the Common Policy Conditions endorsement.

- S.** “Natural resource damage” means physical injury to or destruction of, including the resulting loss of value of, and assessment of such physical injury to or destruction of: land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other such resources belonging to or managed by, held in trust by, appertaining to, or otherwise controlled by the United States (including the resources of the fishery conservation zone established by the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. §1801a et seq.), any state or local government, any foreign government, any Indian tribe, or, if such resources are subject to a trust restriction on alienation, any member of an Indian tribe.
- T.** “Occurrence” means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
- U.** “Policy period” means the period shown in ITEM 3. in the Declarations, or any shorter period arising as a result of cancellation of this policy.
- V.** “Professional services” means services performed by you or on your behalf for your client that arise out of a vocation, calling, occupation, or employment involving specialized knowledge, labor, or skill, and the labor or skill involved is predominantly mental or intellectual, rather than physical or manual and includes, but is not limited to the following:
1. The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications;
 2. Supervisory, inspection, quality control, architectural or engineering activities;
 3. Any testing, evaluation, analysis, investigation, design, consultation or advice performed or provided by or on the “insured’s” behalf; or
 4. The reporting of any testing, evaluation, analysis, investigation.
- W.** “Project site” means:
1. A site or location at which “your contracting operations” are performed; or
 2. A site which is rented or leased by you and utilized in the direct support of “your contracting operations” for a specific contract or project.
- “Project site” does not include any of the following:
- a. Any location used for the recycling, treatment, storage or disposal of any waste or materials generated by “your contracting operations”;

- b. Any location owned, rented or leased by you or any subsidiary, affiliate or joint venture of yours that is not utilized in the direct support of “your contracting operations” for a specific contract or project.

X. “Property damage” means:

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

“Property damage” does not include “remediation expense” or “environmental damage”.

Y. “Remediation expense” means:

- 1. Reasonable and necessary expenses incurred for investigation, removal, abatement, disposal, treatment, clean-up or neutralization, including associated monitoring of “contaminants”:
 - a. To the extent required by “law” or, in the absence of applicable “law”, to the extent recommended by an “environmental professional” taking into account the zoning, land use, geographic conditions, and use restrictions, if any, of the location where the “contamination” occurred, and in conformance with applicable industry or regulatory guidelines, standards or practices; or
 - b. That have been actually incurred by any government department or agency in accordance with applicable “law”;
- 2. Monetary awards or settlements, previously agreed to in writing by us, of compensatory damages that the “insured” is legally obligated to pay for investigation, removal, abatement, disposal, treatment, clean-up or neutralization, including associated monitoring of “contaminants”; and
- 3. Where allowable by law, punitive, exemplary, or multiplied damages, civil fines, penalties and assessments for “environmental damage” to which this policy applies;
- 4. Includes “restoration expense” and “emergency expense”; and
- 5. Includes related “defense expense” to which this policy applies.

However, “remediation expense” does not include “property damage”, or any non-pecuniary or injunctive relief, the return or withholding of fees or charges for services

rendered by or on behalf of the “insured”, costs to correct, re-perform or complete any work, or any “insured’s” or overhead, profit or mark up.

Z. “Responsible individual” means:

1. Any officer, director, partner or project manager of the “insured”;
2. The manager or supervisor of the “insured” who is responsible for environmental or health and safety affairs, compliance or risk management;
3. Any manager of a “project site”.

AA. “Restoration expense” means only those reasonable and necessary costs incurred by an “insured” with our prior written consent to repair, replace or restore physically damaged real or personal property to substantially the same general condition it was in prior to being physically damaged, and only to the extent of such physical damage, provided that:

1. Such real or personal property is not owned by an “insured”; and
2. Such physical damage was directly caused by work performed in responding to “contamination” to which this insurance applies.

However, “restoration expense” does not include:

- a. Any costs associated with betterments or improvements to, or depreciation of, such real or personal property, and will not exceed the actual cash value (replacement cost less depreciation) of such real or personal property; or
- b. Any increased costs to bring any real property into compliance with any ordinance or law that did not apply to such real property before any physical damage was incurred; or
- c. Any profit, overhead or general conditions.

BB. “Transportation” means the movement of goods, materials, products or wastes beyond the boundaries of a “project site”.

CC. “Voluntary Clean Up” or “Risk Based Corrective Action Standards” means those minimum standards adopted by the federal, state, provincial or local regulatory agency (the “Regulatory Authority”) having jurisdiction over the “contamination” and applied in consideration of the applicable zoning, land use, geographic conditions, and use restrictions, if any, of the location where the “contamination” occurred for purposes of obtaining a no further action letter, closure or similar approval from the “Regulatory Authority”.

DD. “Your contracting operations” means only those activities and services performed by you or on your behalf at a project site and includes the means, methods, techniques,

sequence, procedures and safety precautions and programs utilized by you in your operations. “Your contracting operations” does not include “Professional Services”.

- EE.** “Your insured location” means only those properties or locations approved by us and listed in the Premises Environmental Coverage part endorsement or in Your Insured Location Schedule endorsed to this policy.

III. LIMITS OF INSURANCE AND DEDUCTIBLE

The Contractors Environmental Coverage Limits of Insurance and Deductible shown in ITEM 4. C. in the Declarations and the rules below fix the most we will pay regardless of the number of “insureds, contamination” incidents, “occurrences, claims” or claimants and “your insured locations”, as applicable:

- A.** The Aggregate Limits shown in ITEM 4. C. in the Declarations is the most we will pay for the sum of all “loss, remediation expense” or other coverage afforded under this policy for each Insuring Agreement for which a corresponding Aggregate Limit of Insurance is listed in the Declarations. If no Limit of Insurance is listed for a particular Insuring Agreement in the Declarations, then the policy does not provide any coverage under that particular Insuring Agreement.
- B.** Subject to the Paragraph **III. A.**, above, the most we will pay for the sum of all “loss, remediation expense” or other coverage afforded under this policy arising from any single “contamination” incident, is the applicable Per Contamination Limit of Insurance shown in ITEM 4.C in the Declarations, or on an applicable endorsement. If no Limit of Insurance is shown for a particular Insuring Agreement in the Declarations, then no coverage is provided under that particular Insuring Agreement.
- C.** The same, related, similar or continuous “contamination” shall be deemed to be a single “contamination” incident.
- D.** Two or more “claims” arising out of or resulting from the same, related, similar or continuous “contamination” will be deemed to: (i) be a single “claim”; (ii) have been first made at the time the first such “claim” was made; and (iii) be subject to the Contractors Environmental Coverage Per Contamination Limit of Insurance shown in ITEM 4.in the Declarations or applicable endorsement subject to Paragraph **III. E.** below, if applicable. The same, related, similar or continuous “contamination” is “contamination” that is based upon, arises out of, is the result of or is logically or causally connected to the same, similar or related facts, circumstances, or situations.
- E.** If the same, related, similar or continuous “contamination” results in “bodily injury”, “property damage” or “environmental damage” which occurs during policy periods of different Contractors Environmental Coverage policies that we or an affiliated company have issued to the “named insured”, all such “bodily injury”, “property damage” or “environmental damage” will be deemed to have occurred only on the date of first exposure to such “contamination” and only the policy in force on the date of such exposure shall apply. All resulting “loss” or “remediation expense” shall be

subject to the Contractors Environmental Coverage Limits of Insurance shown in ITEM 4. C. in the Declarations, as applicable and deductible shown in ITEM 4. C. as applicable to such policy. For “bodily injury”, the date of first exposure is the date any individual is first exposed to “contamination”. For “environmental damage” or “property damage”, the date of first exposure is the date the “contaminants” were first discharged, dispersed, released or escaped. If the date of first exposure is prior to the first Contractors Environmental Coverage policy issued to you by us or an affiliated company, or cannot be determined, and the “bodily injury”, “property damage” or “environmental damage” continues to occur during policy periods of more than one Contractors Environmental Coverage policies, then such “bodily injury”, “property damage” or “environmental damage” will be deemed to have occurred only on the effective date of the first applicable Contractors Environmental Coverage policy issued by us.

- F. We will not pay for “loss”, “remediation expense” or other coverage afforded under this Contractors Environmental Coverage policy unless the amount of “loss”, “remediation expense” or other coverage afforded under this Contractors Environmental Coverage policy exceeds the applicable deductible. In the event that we advance any portion of the deductible, the “insured” must reimburse us for those amounts as soon as possible.
- G. “Defense expense” is included within and will erode the deductible and the applicable Limit of Insurance. “Defense expense” will first be subtracted from the applicable Limit of Insurance, with the remainder of such Limit, if any, being available to pay “loss” or “remediation expense” resulting from a “claim” to which this insurance applies. Our duty to defend and to pay “defense expense” ends upon exhaustion of the applicable Limit of Insurance.

IV. EXCLUSIONS

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

A. Bankruptcy

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

B. Contractual Liability

Based upon or arising out of the “insured’s”:

1. Liability of others assumed under any contract or agreement; or
2. Breach of contract or agreement.

This exclusion does not apply to:

- a. Liability that the “insured” would have in the absence of such contract or agreement; or
- b. Solely with regard to “your contracting operations”, liability assumed in a written contract or agreement for “your contracting operations”, provided that the “bodily injury”, “property damage” or “environmental damage” occurs subsequent to the execution of such contract or agreement and does not arise from the client’s sole negligence.

C. Criminal Fines

Based upon, arising out of, or for any criminal fines, assessments, or penalties.

D. Damage to Insured’s Product

Based upon or arising out of “property damage” or “environmental damage” to the “named insured’s” product or work. However, this exclusion does not apply to “completed operations” or a “claim” for “environmental damage”.

E. Damage to Insured’s Property

Based upon or arising out of physical injury to or destruction of property owned by an “insured” or leased, rented, or loaned to an “insured”, including property in the “insured’s” care, custody and control. This exclusion applies solely with respect to “claims” for “property damage” and does not apply to a “project site” or a client that is added as an additional insured by endorsement to this policy.

F. Discrimination

Based upon or arising out of discrimination by an “insured” on the basis of race, creed, national origin, disability, age, marital status, sex, or sexual orientation.

G. Employers Liability

Based upon or arising out of “bodily injury” to any “employee”, partner or member of any “insured”, or by anyone who has a right to make a “claim” against any “insured” because of any employment, blood, marital or any other relationship with such “employee”. This exclusion applies:

1. Whether the “insured” may be responsible as an employer or in any other capacity; or
2. To any obligation to share damages with or repay someone else who must pay damages because of “claims”.

H. Fiduciary Liability

Based “insured’s” services and/or capacity as:

1. An officer, director, partner, trustee or employee of an organization not identified in ITEM 1. of the Declarations, or charitable organization or pension, welfare, profit sharing, mutual or investment fund or trust; or
2. A fiduciary pursuant to the Employee Retirement Income Security Act of 1974 and its amendments, or any regulation or order issued pursuant thereto; or any other employee benefit plan.

I. Hostile Acts

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

J. Insurance and Suretyship

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

K. Insured versus Insured

Based upon or arising out of a “claim” by any “insured” against any other “insured” under this policy. This exclusion does not apply to a “claim” made by clients who are added as additional insureds by endorsement to this policy.

L. Known Conditions

Based upon or arising out of any:

1. “Contamination”, including any subsequent dispersal, movement or migration of such “contamination”; or
2. Fact, circumstance, event or situation that could reasonably be expected to give rise to a “claim” under this policy;

any of which was in existence prior to the applicable “inception date” and known by or reasonably should have been known by any “responsible individual”.

This exclusion, does not apply to “contamination” at a “project site” provided such “contamination” was in existence prior to the “named insured” first performing “your contracting operations” at such “project site” and was caused or exacerbated by “your contracting operations”.

M. Personal Injury

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

N. Prior Claims

Based upon or arising from "claims" or circumstances reported or required to be reported by you or on your behalf under any other insurance that: (i) was in effect prior to the applicable "inception date"; and (ii) was not issued by us or one of our affiliates.

O. Product Liability

Based upon or arising out of goods or products manufactured, sold, handled or distributed by the "insured" or others trading under the "insured's" name, after possession of such goods or products has been relinquished by the "insured" or others trading under their name, as applicable, unless such "claim", "loss", "remediation expense" or any other coverage afforded under the policy arises out of the assembly, fabrication or installation of such product as part of "your contracting operations".

P. Property Damage to Conveyance

Based upon or arising out of "property damage" to any "conveyance". This exclusion does not apply to "claims" made by third party carriers for such "property damage" caused by the "insured's" negligence within the boundaries of a "project site".

Q. Professional Liability

Based upon or arising out of the performance or failure to perform "professional services".

R. Related Entities

Based upon or arising out of an "insured's" involvement: (i) in "your contracting operations" performed by, or on behalf of, any organization, or subsidiary or affiliate thereof, not named in the Declarations, which an "insured" controls, manages, operates or holds more than a 25% ownership interest in, or which controls, manages, operates or holds more than a 25% ownership interest in an insured or (ii) as a partner, officer, director, stockholder, employer or "employee" of a business enterprise not named in the Declarations.

S. Securities Violations

Based upon or arising out of any violation of the Securities Act of 1933 as amended or the Securities Exchange Act of 1934 as amended or any state Blue Sky or

securities law or similar State, Federal, or other governmental law, statute, regulation or order issued pursuant to any of the foregoing statutes.

T. Separately Insured Project

Based upon or arising out of any project that is insured under a valid and collectible project specific insurance policy, including but not limited to a project specific policy, owner protective insurance policy, owner controlled insurance program, contractor controlled insurance program, wrap-up policy or other similar policy or program, under which an “insured” is provided coverage similar to this policy. This exclusion does not apply to projects specifically scheduled as an insured project in an endorsement to this policy.

U. Transportation

Based upon or arising out of the movement of goods, materials, products or wastes beyond the boundaries of a “project site”. This exclusion does not apply to “claims” arising out of the movement of goods, materials, products or wastes within the boundaries of a “project site” by “conveyance” in direct support of or in the performance of “your contracting operations”.

V. Vehicles

Based upon or arising out of the ownership, use, maintenance or operation of an automobile, aircraft, watercraft or other “conveyance”. This exclusion shall not apply to the ownership, use, maintenance or operation of an automobile, aircraft, watercraft or other “conveyance” within the boundaries of a “project site”.

W. Warranties and Guarantees

Based upon or arising out of any express warranty or guarantee. This exclusion does not apply to a warranty or guarantee by the “insured” that “your contracting operations” conform to generally accepted standards or a legal obligation that you would have in absence of such warranty or guarantee.

X. Waste Disposal, Transfer, Treatment or Recycling Facility

Based upon or arising out of any wastes, products or materials which have been delivered to a location beyond the boundaries of the “project site”.

Y. Willful Non-Compliance and Dishonest Acts

Based upon or arising out of any “contamination” based upon or attributable to:

1. A “responsible individual’s” intentional, willful or deliberate noncompliance with or intentional disregard of any statute, regulation, ordinance, administrative complaint, notice of violation, notice letter, executive order, or instruction of any governmental agency or body; or

2. Actual or alleged fraudulent, dishonest, knowingly wrongful or malicious conduct by or at the direction of the “responsible individual”.

Z. Workers Compensation/Employment Practices

Based upon or arising out of:

1. The Merchant Marine Act of 1920 (Jones Act) or any workers compensation, unemployment compensation, disability, employee benefits, profit sharing, ERISA law or similar or related laws; or
2. Any type of employment relationship, terms of conditions of employment, or law relating to the employment of any person, including but not limited to: (i) termination of employment; (ii) refusal to employ; or (iii) any employment-related practices, policies, procedures, acts or omissions.

V. DEFENSE AND SETTLEMENT

- A. We shall have the right and duty to defend any “insured” against any “claim” to which this insurance applies, even if such “claim” is groundless, false or fraudulent. For any “claim” we defend or for any “loss” or “remediation expense” to which this insurance applies, we will pay “defense expense” in excess of the deductible: (i) for the investigation or defense of such claim; or (ii) incurred in connection with the payment of such “loss” or “remediation expense”, as applicable. “Defense expense” is included within and will erode the Limits of Insurance and is included within the deductible shown in ITEM 4.C. in the Declarations, or applicable endorsement. Our duty to defend and to pay “defense expense” ends once the applicable Limit of Insurance is exhausted or tendered into a court of applicable jurisdiction or once the “insured” refuses a settlement offer as provided in Paragraph VI. C below. We shall have no duty to defend any “claim”, or to pay “defense expense” for any “loss” or “remediation expense”, to which this insurance does not apply.
- B. We shall have the right to select counsel for the investigation, adjustment and defense of “claims” to which this insurance applies. The “insured” shall have the right to propose such counsel and we will consult with the “insured” on the selection. If more than one “insured” is involved in a “claim” to which this insurance applies, we may, in our sole discretion, appoint separate counsel for one or more of such “insureds” if there is a material (actual or potential) conflict of interest among any such “insureds”.
- C. We reserve the right, but not the duty, to at any time, with the “insured’s” consent, settle any “claim” to which this insurance applies as we deem expedient. If with respect to any “claim” to which this insurance applies, the “insured” refuses to consent to the first settlement acceptable to the claimant which we recommend to the “insured” in writing, and elects to further contest the “claim”, then our total liability for such “claim” shall not exceed the amount for which such “claim” could have been settled, including “defense expense” incurred, up to the date of such refusal, plus fifty percent (50%) of covered “loss, remediation expense” or other coverage afforded

under this policy in excess of such first settlement amount. It being a condition precedent of this insurance that the remaining fifty percent (50%) of such “loss, remediation expense” or other coverage afforded under this policy in excess of the first settlement amount is uninsured and shall be borne by the “insured” at the “insured’s” own risk. Notwithstanding the foregoing, this paragraph shall not apply until the settlement amount exceeds the deductible amount shown in ITEM 4.C. in the Declarations, or applicable endorsement. In addition, if we recommend a first settlement of a “claim” to which this insurance applies within the policy’s applicable Limit of Insurance that is acceptable to the claimant, and the “insured” consents to such settlement, then the “insured’s” applicable deductible for such “claim” shall be retroactively reduced by ten percent (10%). It shall be a condition precedent to such reduction that you must consent to the first settlement amount within thirty (30) days after the date we recommend to the “insured” such first settlement amount, or in the case of a first settlement amount which arises from a first settlement offer by the claimant, then within the time permitted by the claimant to accept such first settlement offer, but in all events no later than thirty (30) days after we recommend to the “insured” such first settlement offer. If the “insured” does not consent to the first settlement within the time prescribed above, the applicable deductible amount shall remain the respective amount shown in ITEM 4. C. in the Declarations, or applicable endorsement, even if consent is given to a subsequent settlement.

VI. NOTICE AND CLAIM REPORTING PROVISIONS

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

1. In writing to us at:

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

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

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

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

B. If during the “policy period”, the “insured” first becomes aware of any “contamination, occurrence”, or incurs “emergency expense” which could reasonably be expected to give rise to a “claim, remediation expense, loss”, or other coverage under this policy, the “insured” must give written notice to us regarding all particulars of such incident. Notice must be provided to us as soon as practicable after the “insured” discovers such “contamination” or “occurrence”, or incurs such

“emergency expense”, but in no event later than the expiration of the “policy period”. Oral notification must be followed with a written notice to us as soon as practicable, but in no event later than the expiration of the “policy period”. Such notice of any “contamination, occurrence or emergency expense” must include:

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

VII. DUTIES IN THE EVENT OF A CLAIM OR REMEDIATION EXPENSE OR DISCOVERY OF CONTAMINATION

A. The Insured’s Duties

As a condition precedent to our obligations under this policy, in the event of a “claim”, “loss”, “remediation expense”, other coverage afforded under this policy, or the discovery of “contamination”, and pursuant to **VI. NOTICE AND CLAIM REPORTING PROVISIONS** above, the “insured” must:

1. Give sufficient notice containing all reasonable ascertainable information including but not limited to the particulars sufficient to identify the “insured”, witnesses, injured parties, time, place and underlying circumstances to us;
2. Give sufficient notice to us regarding the specific particulars of any “contamination” and reasonably anticipated response to such “contamination” and extent of expected “remediation expense” that may reasonably be anticipated to be incurred as a result of any “contamination”;
3. Immediately forward to us every demand, notice, summons, or other process received by the “insured” or the “insured’s” representatives;
4. Authorize us to obtain records and other information on an “insured’s” behalf
5. Take reasonable measures to protect its interests and to mitigate “remediation expense” or “loss”.
6. Except at the insured’s sole expense, admit no liability, make no payments, assume no obligation and incur no expense without our prior written consent, except in the case of “emergency expense”;
7. Fully cooperate with us and, upon our request, assist in investigations, making settlements and in the conduct and defense of “claims” or “contamination”

incidents, including but not limited to securing any rights of indemnity, contribution or apportionment that an “insured” may have. Upon our request, the “insured” shall, at the “insured’s” sole cost, provide us with a sworn proof of loss (we will provide forms), submit to an examination by our representatives, under oath, and shall attend inquiries, interviews, hearings, trials and depositions and shall assist in securing and giving evidence and in obtaining the attendance of witnesses and employees; and

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

B. Rights and Duties Concerning Contamination

1. The “insured” shall have the right and duty to retain an “environmental professional”, subject to our consent, to associate with the “insured’s” investigation or remediation of “contamination” covered by this insurance after the “insured” discovers and notifies us of the existence of such “contamination”. We have the right, but not the duty, to review and approve all aspects of any such investigation or remediation.
2. In the event of “emergency expense”, the “insured” may select an “environmental professional” without our prior consent. Except for “emergency expense”, any costs incurred without our consent will not be covered under this policy or credited against the deductible. As a condition precedent for coverage of “emergency expense” under this policy, the “insured” must notify us as soon as practicable, but in no event after expiration of the “policy period”, of such “emergency expense”.
3. In addition, we shall retain the right but not the duty to investigate or remediate “contamination” on behalf of the “insured” after receipt of notice of such “contamination”. Any expenses incurred in such investigation or remediation shall be deemed to be incurred by the “insured” and applied against the Limits of Insurance and credited against the deductible.
4. Subject to Paragraph VII. B.2., above, in the event that the “insured”, subject to our prior consent, retains a remediation contractor to investigate and remediate “contamination” to which this policy applies, the “remediation expense” we must pay to such remediation contractor is limited to the unit rates and material costs we would actually pay to remediation contractors that we retain in the ordinary course of business in the investigation or remediation of similar “contamination” in the location where the “contamination” took place. We have the right to require that such remediation contractors have certain minimum qualifications with respect to competency, including experience in investigation and remediation “contamination” similar to the “contamination” at issue, and to require that such remediation contractors have acceptable limits of errors and omissions insurance

coverage. The “insured” warrants that such remediation contractors will timely respond to our requests for information regarding any “contamination”.

5. Subject to Paragraph VII. B.2., above, in the event that the “insured”, subject to our prior consent, directly undertakes the investigation and remediation of “contamination” resulting directly or indirectly from “your contracting operations” to which this policy applies, the “remediation expense” we must pay to such “insured” is limited to the unit rates and material costs we would actually pay to remediation contractors that we retain in the ordinary course of business in the investigation or remediation of similar “contamination” in the location where the “contamination” took place, but in no event will we be obligated to pay the “insured” for any element of overhead or profit with respect to any “remediation expense” it incurs under this subparagraph.

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

SPECIMEN