

CONTINENTAL INSURANCE COMPANY OF NEW JERSEY

ACCOUNTANTS PROFESSIONAL LIABILITY POLICY  
PRIVACY AND NETWORK SECURITY RISK ENDORSEMENT

It is understood and agreed that the policy is amended as follows:

I. The Declarations are amended to add the following:

Coverage Schedule

<b>PREMIUM PAID FOR THIS ENDORSEMENT</b>	
<b>Network Security Claims</b>	
Limit applicable to each <b>claim</b>	
Limit applicable to all <b>claims</b> in the aggregate	
Deductible applicable to each <b>claim</b>	
<b>PRIVACY EVENT EXPENSE SCHEDULE</b>	
Limit applicable to all <b>privacy event expenses</b>	No deductible applies to <b>privacy event expenses</b>
<b>Privacy and Network Security Prior Acts Date:</b>	

**A. NETWORK SECURITY INSURING AGREEMENT**

We will pay on **your** behalf those **damages** and **claim expenses**, in excess of the deductible and up to the limit of liability, that **you** shall become legally obligated to pay as the result of any **claim** for **network damage** first made against **you** during the **policy period**, or any **extended claim reporting period**, alleging any **wrongful act** by **you** or by a **rogue employee** for whose **wrongful acts** you are legally liable, provided that:

- a. the **wrongful act** occurs on or after the **prior acts date** indicated in the schedule above and prior to the end of the **policy period**; and
- b. such **claim** is reported to the Insurer in accordance with the requirements of this endorsement; and
- c. prior to the inception date of the **policy period**, **you** did not have knowledge of any such **wrongful act**;
- d. the **wrongful act**, or any **related events** have not been the subject of any notice given under any prior policy; and,
- e. such **claim** is not covered under any other coverage agreement of this Policy or any other coverage issued by the Insurer, or any affiliate of such Insurer.

**B. SUPPLEMENTAL INSURING AGREEMENT—PRIVACY EVENT EXPENSE**

We will pay on **your** behalf any **privacy event expense** as indicated above for **privacy event expenses** that directly respond to a **privacy event** first discovered during the **policy period** up to the applicable limit of liability; provided, however, that all **privacy event expenses** must be:

- a. reported to the Insurer in accordance with the requirements of this endorsement;
- b. incurred within twelve months following the date that **you** reported the **privacy event**; and,
- c. consented to in writing by the Insurer (such consent not to be unreasonably withheld).

II. Solely with respect to the coverage provided by this endorsement, the section entitled **LIMITS OF LIABILITY** is deleted in its entirety and replaced with the following:

**A. Each Claim**

Subject to B below, the limit of liability for **damages** and **claim expenses** for each **claim** shall not exceed the amount set forth in the Coverage Schedule above.

**B. All Claims Aggregate Limit of Liability**

Subject to A. above, the limit of liability for **damages** and **claim expenses** for all **claims** shall not exceed the amount set forth in the Coverage Schedule above.

**C. Supplementary Payments Limit of Liability**

The amount set forth above as the **privacy event expenses** limit is the total amount we will pay **you** for all covered **privacy event expense** arising from a **privacy event**.

**D. Deductible**

Notwithstanding the deductible amount specified in the Declarations, the amount set forth in the Coverage Schedule shall be the deductible amount applicable to each **claim**. No deductible shall apply to **privacy events**.

III. Solely with respect to the coverage provided by this endorsement the definition of **Claim** and **Damages** in the **DEFINITIONS** section are deleted and replaced with the following:

**Claim** means:

- A. a written demand for monetary damages or non-monetary relief (including demands for injunctive or declaratory relief); or
- B. a civil adjudicatory proceeding or arbitration against **you**,

alleging a **wrongful act**.

However, a **claim** does not include any criminal proceeding or investigation or any regulatory proceeding or investigation.

**Damages** means civil awards, settlements and judgments (including any award of pre-judgment or post-judgment interest) which **you** are legally obligated to pay as a result of a covered **claim**. **Damages** shall not include:

- A. return or restitution of the **your** profits, royalties, fees, expenses, taxes or costs;
- B. criminal, civil, administrative or regulatory relief, fines or penalties;
- C. any amounts for which there is no legal recourse against **you**, including those which **you** are not legally obligated to pay;
- D. injunctive or declaratory relief;
- E. matters which are uninsurable as a matter of law; or
- F. plaintiff's attorney fees or expenses associated with items A. through E. above.

IV. Solely with respect to the coverage provided by this endorsement, the section entitled **DEFINITIONS** is amended to add the following definitions:

**Nonpublic corporate information** means proprietary and confidential information including trade secrets, of a third-party entity.

**Privacy event** means any event or series of events or **related events** which in **your** reasonable opinion did cause or is reasonably likely to result in the disclosure or unauthorized use of **protected information**, including **protected information** of clients of the firm or the owners, partners, officers and employees of **you**, in **your** care or custody.

**Privacy event expenses** means all reasonable and necessary fees, costs and expenses incurred by **you** and consented to by the Insurer:

- A. to provide voluntary notification to individuals or entities whose **protected information** may have been subject to a **privacy event**;
- B. to directly effect compliance with a **security breach notice law** including notification to individuals or entities who are required to be notified;
- C. to hire a computer forensics firm to investigate the existence and cause of a **privacy event** and to determine the extent such **protected information** has been or may have been disclosed;
- D. to hire an attorney or expert to negotiate with regulators and determine the applicability of and the actions necessary to comply with **security breach notice laws**;
- E. to minimize harm to **your** reputation from a **privacy event**, including but not limited to the costs to set up a call center or provide a credit monitoring service for those impacted by a **privacy event**.
- F. to remediate any deficiencies that gave rise to the **privacy event**.

**Protected information** means **Nonpublic Corporate Information** or **Non-public Personal Information**.

**Related events** mean all events that are logically or causally connected by any common fact, circumstance, situation, transaction, event, advice or decision.

**Rogue Employee** means any of **your** employees of who acts outside of their scope of employment.

**Security breach notice law** means any statute or regulation that requires an entity that maintains **protected information** to provide notice to specified individuals of any actual or potential unauthorized disclosure or potential disclosure of such **protected information**.

**Wrongful act** means any actual or alleged act, error, omission, neglect or breach of duty that results in any **security breach** of **your network**. Provided, however, **wrongful act** shall not include any act, error, omission, neglect or breach of duty in the rendering or failure to render **professional services**.

V. Solely with respect to the coverage provided by this endorsement, the section entitled **EXCLUSIONS** is deleted and replaced with the following:

This **coverage part** does not apply to any **claim**:

A. **BODILY INJURY/PROPERTY DAMAGE**  
based upon or arising out of any actual or alleged bodily injury (including death), sickness, disease, emotional distress, mental anguish, of any person, or property damage;

B. **CLAIMS BY YOU**

by or on behalf of any of **you** provided, however that this exclusion does not apply to:

1. any **claim** that is in the form of a crossclaim, third-party claim or otherwise for contribution or indemnity which is part of and results directly from a **claim** which is not otherwise excluded under this Policy;
2. any **claim** brought or maintained by or on behalf of a bankruptcy or insolvency trustee, examiner, liquidator, receiver or rehabilitator for **you** or any assignee of such trustee, examiner, liquidator, receiver or rehabilitator;

**C. DISCRIMINATION**

based upon or arising out of any actual or alleged discrimination, humiliation, harassment or misconduct that relate to an individual's race, creed, color, age, sex, national origin, religion, handicap, marital status or sexual preference;

**D. GOVERNMENTAL ORDERS**

as a direct result of any action or order by any domestic or foreign law enforcement, administrative, regulatory or judicial body or other governmental authority;

**E. MECHANICAL OR ELECTRICAL FAILURE AND SERVICE INTERRUPTIONS**

based upon or arising out of any failure of:

1. electrical infrastructure;
2. telecommunications infrastructure; or
3. any satellite,

which is not under **your** operational control;

**F. OVER-REDEMPTION**

based upon or arising out of price discounts, prizes, awards, coupons or any other valuable consideration given in excess of the total contracted or expected amount;

**G. OWNED ENTITY**

made against **you** by any entity, if at the time of the **wrongful act** giving rise to such **claim**:

1. **you** controlled, owned, operated or managed such entity;
2. **you** were an owner, partner, director, officer or employee of such entity;

For the purpose of this exclusion, a 10% or more owner of the equity interest of any such entity shall be deemed to be an owner of such entity.

**H. PATENT INFRINGEMENT**

based upon or arising out of actual or alleged infringement of patent;

**I. UNFAIR COMPETITION/ANTITRUST CLAIMS/RICO CLAIMS**

based upon or arising out of any actual or alleged:

1. unfair competition, dilution, deceptive trade practices, civil actions for consumer fraud or false or deceptive advertising or misrepresentation in advertising;
2. charges of price fixing, monopolization or restraint of trade;

3. violation of:
  - a. the Federal Trade Commission Act;
  - b. the Sherman Act, the Clayton Act, or any federal statutory provision regarding anti-trust, monopoly, price fixing, price discrimination, predatory pricing or restraint of trade;
  - c. the Racketeer Influenced and Corrupt Organizations Act;
  - d. any rules or regulations promulgated under or in connection with the above statutes, or any similar provision of any federal, state, foreign or other law (including common law) or statute,

VI. Solely with respect to the coverage provided by this endorsement, the section entitled **POLICY CONDITIONS** is amended to delete the subsection titled Duties in the event of a **claim** and Duties in the event of a potential **claim** and replace them with the following:

**A. Notice of Claim**

As a condition precedent to our obligations, **you** shall give written notice of any **claim** or **privacy event** to us as soon as reasonably practicable after **you** learn of such **claim** or **privacy event** but in no event later than ten (10) days after termination or expiration of the **policy period** or **extended claim reporting period**, if applicable. All **claims** arising out of the same **wrongful act** or **related events** will be considered as having been made at the time the first **claim** or **privacy event** is made.

**B. Notice of Circumstances**

If during the **policy period**, **you** first become aware of any facts or circumstances which may reasonably be expected to give rise to a **claim** and during such **policy period** give written notice to the Insurer of:

1. the allegations anticipated as the basis of the potential **claim** and the names of any potential claimants;
2. the identity of any of **you** allegedly responsible for such specific facts and circumstances;
3. the consequences which have resulted or may result from such specific facts and circumstances;
4. the amount of the potential monetary damages or the nature of non-monetary relief which may be sought in consequence of such specific facts and circumstances; and
5. the circumstances by which **you** first became aware of such specific facts and circumstances,

then any such covered **Claim** which is subsequently made and which arises out of such facts and circumstances shall be deemed to have been first made against **you** and reported to the Insurer by **you** at the time such written notice was received by the Insurer.

ALL OTHER PROVISIONS OF THE POLICY REMAIN UNCHANGED.

This endorsement, which forms a part of and is for attachment to the Policy issued by the designated Insurers, takes effect on the effective date of said Policy at the hour stated in said Policy, unless another effective date is shown below, and expires concurrently with said Policy.

<i>Must Be Completed</i>	
ENDT. NO.	POLICY NO.

<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT

Countersigned by \_\_\_\_\_  
Authorized Signature