

Previous No. **NEW** Authority Ref. No. **B6089PRW171801** Certificate No. **499077**

CYBER INSURANCE MASTER POLICY

THIS MASTER POLICY IS WRITTEN ON AN EVENT DISCOVERED AND REPORTED BASIS, MEANING COVERAGE APPLIES ONLY TO EVENTS DISCOVERED BY AN INSURED DURING THE POLICY PERIOD AND REPORTED TO THE UNDERWRITERS NO LATER THAN SIXTY (60) DAYS AFTER SUCH EVENTS ARE DISCOVERED BY AN INSURED. ALL CLAIMS ARE SUBJECT TO THE APPLICABLE LIMITS OF INSURANCE. PLEASE REVIEW THE COVERAGE AFFORDED UNDER THIS POLICY CAREFULLY.

Item 1. **Policyholder:** Texas Lawyers' Insurance Exchange
Principal Address: 1801 South MoPac Expressway, Suite 300
Austin, Texas 78746

Item 2. **Policy Period:** October 1, 2017 to October 1, 2018
both days at 12:01 a.m. standard time at the Principal Address stated in Item 1.

- Item 3. **Named Coverage(s):**
- I. Privacy Breach Response Costs, Notification Expenses, and Breach Support and Credit Monitoring Expenses
 - II. Network Asset Protection
 - III. Cyber Extortion
 - IV. Cyber Terrorism
 - V. BrandGuard®

Item 4. **Limits of Insurance (per Insured)**

A. Limits of Insurance for Each Named Coverage(s):		Each Claim	Aggregate
I.	Privacy Breach Response Costs, Notification Expenses, and Breach Support and Credit Monitoring Expenses	\$50,000	\$50,000
II.	Network Asset Protection	\$50,000	\$50,000
III.	Cyber Extortion	\$50,000	\$50,000
IV.	Cyber Terrorism	\$50,000	\$50,000
V.	BrandGuard®	\$50,000	\$50,000
B. Annual Aggregate Limit:		1-10 Attorneys:	\$50,000
		11+ Attorney:	\$150,000

Item 5. **Retention, Waiting Period and Period of Indemnity:**

- I. Privacy Breach Response Costs, Notification Expenses, and Breach Support and Credit Monitoring Expenses None
- II. Network Asset Protection None
 - A. Data Recovery None
 - B. Non-Physical Business Interruption and Extra Expense 8 hour **waiting period**
- III. Cyber Extortion None
- IV. Cyber Terrorism 8 hour **waiting period**
- V. BrandGuard®
Waiting Period: 2 weeks
Period of Indemnity: 6 months

Item 6. **Retroactive Date:** Refer to Evidence of Coverage

Item 7. **Premium:** TBD (\$36 per attorney, subject to any applicable surplus lines taxes and fees)
4.85% Texas Surplus Lines Tax – TBD
0.15% Texas Stamping Fee - TBD

Item 8. **Endorsements:** Nuclear Incident Exclusion Clause (E1818NIE-0111)
U.S. Treasury Department's Office of Foreign Assets Control (OFAC) Advisory
Notice to Policyholders

Item 9. **Notice of Claim shall be given to:**
NAS Insurance Services, LLC
16501 Ventura Blvd., Suite 200
Encino, CA 91436
(818) 382-2030
claims@nasinsurance.com

Item 10. Policy form P1818TLIE-1017 is hereby attached and made a part of this Policy. **Wherever the word "Policy" appears in any of the forms, clauses or conditions of this insurance, the word "Policy" shall also mean "Certificate".**

Insurance is effected with certain UNDERWRITERS AT LLOYD'S, LONDON (100%)

Item 11. **Service of Suit:**
FLWA Service Corp.
c/o Foley & Lardner LLP
555 California Street, Suite 1700
San Francisco, CA 94104-1520

Dated September 29, 2017

NAS INSURANCE SERVICES, LLC

By: _____



Correspondent

Important Notice

This Master Policy contains five first-party Named Coverages and is written on an event discovered and reported basis, meaning coverage applies only to events discovered by an **Insured** during the **policy period** and reported to the Underwriters in accordance with Section 6 of this Policy.

All **claims** are subject to the applicable Limits of Insurance, retention, **waiting period**, and **period of indemnity**, as set forth in the Declarations. All payments paid under this Policy will reduce the Limits of Insurance.

No extended reporting period is available for the coverage afforded by this Master Policy.

Throughout this Policy, the words “we”, “us”, and “our” refer to the Underwriters providing this insurance. Terms that appear in **bold face type** are defined in Section 4 (Definitions) of this Policy. Please read this Policy carefully.

In consideration of the premium paid, and subject to all terms, conditions, definitions, exclusions and other provisions of this Master Policy, the Underwriters agree as follows:

1. Named Coverages

Named Coverage I: Privacy Breach Responses Costs, Notification Expenses, and Breach Support and Credit Monitoring Expenses

Subject to the Limits of Insurance, the Underwriters will pay **privacy breach response costs, notification expenses, and breach support and credit monitoring expenses** which an **Insured** incurs as a direct result of an **adverse media report, security breach or privacy breach**, but only if 1) the **adverse media report, security breach or privacy breach** occurs on or after the **retroactive date**, 2) the **adverse media report, security breach or privacy breach** is first discovered by the **Insured** or a principal of the **Insured** during the **policy period**, and 3) the **adverse media report, security breach or privacy breach** is reported to the Underwriters in writing in accordance with Section 6 of this Policy.

Named Coverage II: Network Asset Protection

A. Data Recovery

Subject to the Limits of Insurance, the Underwriters will indemnify an **Insured** for **digital assets loss** and **special expenses** which the **Insured** incurs because of damage, alteration, corruption, distortion, theft, misuse or destruction of **digital assets** directly caused by a **covered cause of loss**, but only if 1) the **covered cause of loss** occurs on or after the **retroactive date**, 2) the **covered cause of loss** is first discovered by the **Insured** or a principal of the **Insured** during the **policy period**, and 3) the **covered cause of loss** is reported to the Underwriters in writing in accordance with Section 6 of this Policy.

The Underwriters will pay for **digital assets loss** and **special expenses** for a period of up to twelve (12) months following the discovery of the damage, alteration, corruption, distortion, theft, misuse or destruction of **digital assets**. The Underwriters will only pay for **digital assets loss** and **special expenses** where there is clear evidence provided by the **Insured** that such **digital assets loss** and **special expenses** directly resulted from a **covered cause of loss**.

Digital assets loss and **special expenses** shall not mean, and the Underwriters shall have no obligation to pay for:

- a. The cost of restoring, updating, or replacing **digital assets** to a level beyond that which existed prior to the **covered cause of loss**;
- b. Physical damage to the **computer hardware** or **data center**, other than accidental physical damage or destruction of **electronic media**, so that stored **digital assets** are no longer machine-readable;
- c. The economic or market value of **digital assets**;
- d. Costs or expenses incurred to identify, patch, or remediate software **programming errors** or **computer system vulnerabilities**;
- e. Costs to upgrade, redesign, reconfigure, or maintain the **Insured computer system** to a level of functionality beyond that which existed prior to the **covered cause of loss**; and
- f. Any losses paid under Named Coverage II. B

Loss Determination

Digital assets loss will be determined as follows:

- a. If the impacted **digital asset** was purchased from a third party, the Underwriters will pay only the lesser of the original purchase price of the **digital asset** or the reasonable and necessary **digital assets loss**.
- b. If it is determined that the **digital assets** cannot be replaced, restored or recreated, then Underwriters will only pay the actual and necessary **digital assets loss** incurred up to such determination.

B. Non-Physical Business Interruption and Extra Expense

Subject to the Limits of Insurance, the Underwriters will indemnify an **Insured** for **income loss, interruption expenses, and special expenses** which the **Insured** incurs during the **period of restoration** because of a total or partial interruption, degradation in service, or failure of the **Insured computer system** that exceeds the **waiting period** and is directly caused by a **covered cause of loss**, but only if 1) the **covered cause of loss** occurs on or after the **retroactive date**, 2) the **covered cause of loss** is first discovered by the **Insured** or a principal of the **Insured** during the **policy period**, and 3) the **covered cause of loss** is reported to the Underwriters in writing in accordance with Section 6 of this Policy.

Income loss, interruption expenses, and special expenses shall not mean, and the Underwriters shall have no duty to pay for:

- a. Any loss arising out of updating or replacing **digital assets** to a level beyond that which existed prior to the **covered cause of loss**;
- b. Costs or expenses incurred to identify, patch, or remediate software **programming errors** or **computer system vulnerabilities**;
- c. Loss of goodwill and reputational harm;
- d. Costs to upgrade, redesign, reconfigure, or maintain the **Insured computer system** to a level of functionality beyond that which existed prior to the **covered cause of loss**; and
- e. Any losses paid under Named Coverage II.A.

Loss Determination

Income loss will be determined as a reduction of the **Insured's** income during the **period of restoration**, which is:

- a. The **Insured's** net income (net profit or loss before income taxes), which would have been reasonably projected, but has been lost because of a total or partial interruption, degradation in service, or failure of the **Insured computer system** directly resulting from a **covered cause of loss**. The income projection will consider the prior experience of the **Insured's** business before the date of the **covered cause of loss** and the probable experience had no **covered cause of loss** occurred. Income includes the amount of money paid or payable to the **Insured** for goods, products, or services sold, delivered, or rendered in the normal course of the **Insured's** business. The income projection will be reduced by the extent to which the **Insured** uses substitute methods, facilities or personnel to maintain its revenue stream. The Underwriters will take into consideration the **Insured's** documentation of the trends in the **Insured's** business and variations in, or other circumstances affecting, the **Insured's** business before or after the **covered cause of loss**, which would have affected the **Insured's** business had no **covered cause of loss** occurred; and
- b. Any fixed operating expenses (including ordinary payroll) incurred, but only to the extent that such operating expenses must continue during the **period of restoration**,

Named Coverage III: Cyber Extortion

Subject to the Limits of Insurance, the Underwriters will pay **cyber extortion expenses** and **cyber extortion monies** which an **Insured** incurs as a direct result of a **cyber extortion threat** that is first made against the **Insured** during the **policy period** and reported to the Underwriters in writing in accordance with Section 6 of this Policy.

The **Insured** shall not pay **cyber extortion expenses** and **cyber extortion monies** without the Underwriters' prior consultation and written authorization. The **Insured** must make every reasonable effort to notify the local law enforcement authorities and the Federal Bureau of Investigation or similar equivalent foreign agency before surrendering any **cyber extortion monies** in response to a **cyber extortion threat**.

Named Coverage IV: Cyber Terrorism Coverage

Subject to the Limits of Insurance, the Underwriters will indemnify an **Insured** for **income loss, interruption expenses, and special expenses** which the **Insured** incurs during the **period of restoration** because of a total or partial interruption, degradation in service or failure of the **Insured computer system** that exceeds the **waiting period** and is directly caused by an **act of cyber terrorism**, but only if 1) the **act of cyber terrorism** occurs on or after the **retroactive date**, 2) the **act of cyber terrorism** is first discovered by the **Insured** or a principal of the **Insured** during the **policy period**, and 3) the **act of cyber terrorism** is reported to the Underwriters in writing in accordance with Section 6 of this Policy.

Loss Determination

Income loss will be determined as a reduction of the **Insured's** income during the **period of restoration**, which is:

- a. The **Insured's** net income (net profit or loss before income taxes), which would have been reasonably projected, but has been lost because of a total or partial interruption, degradation in service, or failure of the **Insured computer system** directly resulting from an **act of cyber terrorism**. The income projection will consider the prior experience of the **Insured's** business before the date of the **act of cyber terrorism** and the probable experience had no **act of cyber terrorism** occurred. Income includes the amount of money paid or payable to the **Insured** for goods, products, or services sold, delivered, or rendered in the normal course of the **Insured's** business. The income projection will be reduced by the extent to which the **Insured** uses substitute methods,

facilities, or personnel to maintain its revenue stream. The Underwriters will take into consideration the **Insured's** documentation of the trends in the **Insured's** business and variations in, or other circumstances affecting, the **Insured's** business before or after the **act of cyber terrorism**, which would have affected the **Insured's** business had no **act of cyber terrorism** occurred; and

- b. Any fixed operating expenses (including ordinary payroll) incurred, but only to the extent that such operating expenses must continue during the **period of restoration**.

Named Coverage V: BrandGuard®

Subject to the Limits of Insurance, the Underwriters will indemnify an **Insured** for provable and ascertainable **brand loss** which the **Insured** sustains after the **waiting period**, but during the **period of indemnity**, as a direct result of an **adverse media report** or **notification**, but only if 1) the **adverse media report** is first discovered by the **Insured** or the **notification** first occurs, during the **policy period**, 2) the **adverse media report** or **notification** results from a **security breach** or **privacy breach** that occurs on or after the **retroactive date**, 3) the **brand loss** is reported to the Underwriters in writing in accordance with Section 6 of this Policy, and 4) the **Insured** provides clear evidence that the **brand loss** directly resulted from the **adverse media report** or **notification**.

Loss Determination

Brand loss will be determined as follows:

For any and all coverage provided under Named Coverage V, **brand loss** will be calculated by taking into account the prior experience of the **Insured's** business preceding the date of the **adverse media report** or **notification**, whichever applies, and the probable experience had no **adverse media report** been published or **notification** occurred. Income includes the amount of money paid or payable to the **Insured** for services rendered in the normal course of the **Insured's** business. The income projection will be reduced by the extent to which the **Insured** uses substitute methods, facilities, or personnel to maintain its revenue stream. The Underwriters will take into consideration the **Insured's** documentation of the trends in the **Insured's** business and variations in, or other circumstances affecting, the **Insured's** business before or after the **adverse media report** or **notification**, which would have affected the **Insured's** business had no **adverse media report** been published or **notification** occurred. Any fixed operating expenses (including ordinary payroll) incurred will be considered in calculating **brand loss**, but only to the extent that such operating expenses must continue during the **period of indemnity**.

2. Limits of Insurance

- a. The Limits of Insurance set forth in Item 4 of the Declarations apply separately to each **Insured**.
- b. The Limits of Insurance set forth in Item 4.A. of the Declarations are the most the Underwriters will pay per **Insured** for any one **claim** and in the aggregate under each Named Coverage.
- c. The Annual Aggregate Limit of Insurance set forth in Item 4.B. of the Declarations is the most the Underwriters will pay under this Policy per **Insured** for all **claims** under all Named Coverages combined. The Annual Aggregate Limit for an **Insured** is based on the number of lawyers employed by, or contracted with, the **Insured** as of the effective date of the **policy period**.
- d. All amounts paid under this Policy will reduce the Annual Aggregate Limit for an **Insured**. In no event will the Underwriters be obligated to pay more than the Annual Aggregate Limit for an **Insured**. If an **Insured's** Annual Aggregate Limit is exhausted, then the Underwriters' obligations under this Policy with respect to that **Insured** will be deemed completely fulfilled and extinguished.
- e. All **claims** arising out of the same, related, repeated or continuing incidents, events, acts, facts or circumstances will be deemed to be a single **claim**, and only one Limit of Insurance will apply to such **claim**. Such **claim** will be deemed to have been first reported to the Underwriters on the date the first of the related **claims** was reported to the Underwriters. **Claims** will be deemed related if the Underwriters determine that they are logically or causally connected by a common incident, event, act, fact or circumstance or a series of incidents, events, acts, facts or circumstances.
- f. If a **claim** is covered under more than one Named Coverage, only one Limit of Insurance set forth in Item 4.A. of the Declarations will apply to such **claim**. The Underwriters have the sole discretion to allocate **claims** paid, if any, against the appropriate Limit of Insurance.

3. Territorial Limits

This insurance applies to **first party insured events** that occur anywhere in the world, except countries where the United States of America has declared or imposed sanctions or trade embargoes.

4. Definitions

Act of cyber terrorism means the premeditated use of information technology to organize and execute attacks, or the threat thereof, against computers, **computer systems**, networks or the **internet** by any person or group, whether acting alone, on behalf of, or in connection with any organization or government, which is committed for political, religious, or ideological purposes, with the intention to influence any government, put the public in fear, or cause destruction or harm to critical infrastructure or **data**.

Adverse media report means a report or communication of an actual or potential **security breach** or **privacy breach** which has been publicized through any media channel, including, but not limited to, television, **print media**, radio or electronic networks, the **internet**, or electronic mail, and which threatens material damage to the **reputation** of the **Insured**.

BPO service provider means any third party independent contractor that provides business process outsourcing services for the benefit of an **Insured** under a written contract with the **Insured**, including but not limited to, call center services, fulfillment services, and logistical support.

Brand loss means an **Insured's** net profit as could have been reasonably projected immediately prior to **notification** or, in the event of an **adverse media report**, immediately prior to the publication of an **adverse media report**, but which has been lost as a direct result of such **notification** or **adverse media report**.

Breach support and credit monitoring expenses means those reasonable and necessary expenses an **Insured** incurs, with the Underwriters' prior written consent, for the provision of support activity in the event of a **privacy breach**, including the provision of credit file monitoring services and identity theft education and assistance for up to a period of twelve (12) months from the date of enrollment in such services.

Claim means:

1. With respect to Named Coverage I, an **Insured's** written report to the Underwriters of an **adverse media report**, **security breach** or **privacy breach**.
2. With respect to Named Coverage II, an **Insured's** written report to the Underwriters of a **covered cause of loss**.
3. With respect to Named Coverage III, an **Insured's** written report to the Underwriters of a **cyber extortion threat**.
4. With respect to Named Coverage IV, an **Insured's** written report to the Underwriters of an **act of cyber terrorism**.
5. With respect to Named Coverage V, an **Insured's** written report to the Underwriters of an **adverse media report** or **notification** that has resulted or may result in **brand loss**.

Computer hardware means the physical components of any computer system including CPUs, memory, storage devices, storage media, and input/output devices and other peripheral devices and components, including, but not limited to, cable, connectors, fiber optics, wire, power supply units, keyboards, display monitors and audio speakers.

Computer program means an organized set of instructions that, when executed, causes a computer to behave in a predetermined manner. **Computer program** includes, but is not limited to, communications, networking, operating system and related **computer programs** used to create, maintain, process, retrieve, store, and/or transmit electronic **data**.

Computer system means interconnected electronic, wireless, web, or similar systems (including all **computer hardware** and software) used to process and store **data** or information in an analogue, digital, electronic or wireless format including, but not limited to, **computer programs**, **data**, operating systems, **firmware**, servers, media libraries, associated input and output devices, mobile devices, networking equipment, websites, extranets, off line storage facilities (to the extent that they hold **data**), and electronic backup equipment.

Computer virus means a program that possesses the ability to create replicas of itself (commonly known as 'auto-reproduction' program) within other programs or operating system areas, or which can spread copies of itself wholly

or partly to other **computer systems**.

Covered cause of loss means, and is limited to, the following:

1. Accidental Damage or Destruction

- a. Accidental physical damage or destruction of **electronic media**, so that stored **digital assets** are no longer machine-readable;
- b. Accidental damage or destruction of **computer hardware**, so that stored **data** is no longer machine-readable;
- c. Failure in power supply or under/over voltage, only if such power supply, including back-up generators, is under the direct operational control of the **Insured**;
- d. **Programming error of delivered programs**; or
- e. Electrostatic build-up and static electricity.

2. Administrative or Operational Mistakes

An accidental, unintentional or negligent act, mistake, error or omission by an **Insured**, an **employee**, a **BPO service provider** or an **outsourced IT service provider** in:

- a. The entry or modification of an **Insured's** electronic **data**, which causes damage to such **data**;
- b. The creation, handling, development, modification, or maintenance of **digital assets**; or
- c. The on-going operation or maintenance of the **Insured computer system**, excluding the design, architecture, or configuration of the **Insured computer system**;

3. Computer Crime and Computer Attacks

An act, mistake, negligent error or omission by an **Insured**, an **employee**, a **BPO service provider** or an **outsourced IT service provider** in the operation of the **Insured computer system** or in the handling of **digital assets**, which fails to prevent or hinder any of the following attacks on the **Insured computer system**:

- a. A **denial of service attack**;
- b. **Malicious code**;
- c. **Unauthorized access**; or
- d. **Unauthorized use**.

Cyber extortion expenses means all reasonable and necessary costs and expenses an **Insured** incurs, with the Underwriters' prior written consent, as a direct result of a **cyber extortion threat**, other than **cyber extortion monies**.

Cyber extortion monies means any funds or property paid by an **Insured**, with the Underwriters' prior written consent, to a person or group reasonably believed to be responsible for a **cyber extortion threat**, for the purpose of terminating such a **cyber extortion threat**.

Cyber extortion threat means a credible threat or series of related credible threats, including but not limited to a demand for **cyber extortion monies**, directed at an **Insured** to:

1. Release, divulge, disseminate, destroy or use confidential information taken from an **Insured** as a result of **unauthorized access** to, or **unauthorized use** of, the **Insured computer system**;
2. Introduce **malicious code** into the **Insured computer system**;
3. Corrupt, damage or destroy the **Insured computer system**;
4. Restrict or hinder access to the **Insured computer system**, including, but not limited to the threat of a **denial of service attack**; or
5. Electronically communicate with the **Insured's** clients and falsely claim to be the **Insured** or to be acting under the **Insured's** direction to falsely obtain personal or confidential information of the **Insured's** clients (also known as "pharming," "phishing," or other types of false communications).

Data means any machine-readable information, including ready for use programs, applications, account information or electronic information subject to back up procedures, irrespective of the way it is used and rendered including, but not limited to, text or digital media.

Delivered programs means programs, applications, and software where the development stage has been finalized, having passed all test-runs and been proven successful in a live environment.

Denial of service attack means an event caused by unauthorized or unexpected interference or a malicious attack intended by the perpetrator to overwhelm the capacity of a **computer system** by sending an excessive volume of electronic **data** to such **computer system** to prevent authorized access to such **computer system**.

Digital assets means **data** and **computer programs** that exist in an **insured computer system**. **Digital assets** do not include **computer hardware**.

Digital assets loss means reasonable and necessary expenses and costs an **Insured** incurs to replace, recreate or restore **digital assets** to the same state and with the same contents immediately before it was damaged, destroyed, altered, misused, or stolen, including expenses for materials and machine time. **Digital assets loss** also includes amounts representing **employee** work time to replace, recreate or restore **digital assets** which shall be determined on a predefined billable hour or per hour basis as based upon the **Insured's** schedule of **employee** billable hours.

Electronic media means floppy disks, CD ROM's, hard drives, magnetic tapes, magnetic discs, or any other media on which electronic **data** is recorded or stored.

Employee means any individual whose labor or service is engaged by and directed by an **Insured**, including part-time, seasonal, temporary and leased personnel and volunteers. **Employee** includes any lawyer who is an associate, independent contractor, or Of Counsel to the **Insured**, but only until that lawyer's relationship with the **Insured** terminates and only while acting within the scope of his or her duties on behalf of the **Insured**.

Firmware means the fixed programs that internally control basic low-level operations in a device.

First party insured event means:

1. With respect to Named Coverage I, an **adverse media report**, **security breach** or **privacy breach**;
2. With respect to Named Coverage II a **covered cause of loss**;
3. With respect to Named Coverage III, a **cyber extortion threat**;
4. With respect to Named Coverage IV, an **act of cyber terrorism**; and
5. With respect to Named Coverage V, a **privacy breach** or **security breach**.

First party insured event only pertains to loss sustained by an **Insured** and does not include any demand, charge, allegation, lawsuit or proceedings of any type made or brought against an **Insured**.

Income loss means financial loss sustained by an **Insured**, as determined in accordance with the provisions of Named Coverage II.B or Named Coverage IV.

Insured means any entity or individual shown as a Named Insured on a Lawyers' Professional Liability Policy issued by Texas Lawyers' Insurance Exchange.

Insured computer system means a **computer system** operated by, and either owned by, or leased to, an **Insured**.

Internet means the worldwide public network of computers which enables the transmission of **data** between different users, including a private communications network existing within a shared or public network platform.

Interruption expenses means those expenses, excluding **special expenses**, incurred by an **Insured** to:

1. Avoid or minimize the suspension of business as a result of a total or partial interruption, degradation in service, or failure of the **Insured computer system** caused directly by a **covered cause of loss** or an **act of cyber terrorism**, which the **Insured** would not have incurred had no **covered cause of loss** or an **act of cyber terrorism** occurred, including, but not limited to, the use of rented/leased external equipment, substitution of other work or production procedures, use of third party services; or additional staff expenditures or labor costs; and
2. Minimize or avoid a **covered cause of loss** or an **act of cyber terrorism** and continue the **Insured's** business.

The amount of **interruption expenses** recoverable under paragraph 1 above shall in no case exceed the amount by which the covered **income loss** is reduced by such incurred expenses.

Malicious code means software intentionally designed to insert itself into and damage a **computer system** without the owner's informed consent, including, but not limited to, any **computer virus**, worms, Trojan horses, spyware,

dishonest adware, and crimeware.

Notification means written notice to affected individuals in the event of a **security breach** or **privacy breach**.

Notification expenses means those reasonable and necessary legal expenses, forensic and investigation fees, public relations expenses, postage expenses, and advertising expenses an **Insured** incurs, with the Underwriters' prior written consent, to notify affected individuals in the event of a **security breach** or **privacy breach**, whether or not there is a specific legal requirement in the applicable jurisdiction mandating such notice.

Operational programs means programs and software which are ready for operational use, having been fully developed, tested, and accepted by an **Insured**.

Outsourced IT service provider means a third party independent contractor that provides information technology services for the benefit of an **Insured** under a written contract with the **Insured**, including, but not limited to, hosting, security management, co-location, and **data** storage.

Period of indemnity means the period beginning on the earlier of the date of **notification** or the first **adverse media report** (whichever applies), and ending on the earlier of:

1. The date that gross revenues are restored to the level they had been prior to **notification** or the first **adverse media report**, whichever applies; or
2. The last day of the period set forth in Item 5 of the Declarations as the **period of indemnity** applicable to Named Coverage V.

Period of restoration means the period beginning on the date when the interruption, degradation in service or failure of the **Insured computer system** began and ending on the earlier of:

1. The date when the **Insured computer system** is restored or could have been repaired or restored with reasonable speed to the same condition, functionality and level of service that existed prior to the loss, plus no more than thirty (30) consecutive days after the restoration of the **Insured computer system** to allow for restoration of the business; or
2. One hundred twenty (120) consecutive days after the notice of **covered cause of loss** or **act of cyber terrorism**, whichever applies, is received by the Underwriters.

Policyholder means Texas Lawyers' Insurance Exchange, as specified in Item 1 of the Declarations.

Policy period, with respect to the **Policyholder**, means the period from the effective date to the expiration date specified in Item 2 of the Declarations, or any earlier termination or cancellation date. With respect to an **Insured**, the **policy period** means the period between the effective date and expiration date set forth in the Cyber Insurance Evidence of Coverage, provided that the effective date is on or after October 1, 2017. The **policy period** runs concurrent with an **Insured's** Lawyers' Professional Liability Insurance with Texas Lawyers' Insurance Exchange. Cancellation or termination, for any reason, of an **Insured's** Lawyers' Professional Liability Insurance with Texas Lawyers' Insurance Exchange automatically terminates the **policy period** for an **Insured** as of the effective date of such cancellation or termination.

Print media means newspapers, newsletters, magazines, books and literary works in any form, brochures or other types of publications, and advertising materials, including packaging, photographs, and digital images.

Privacy breach means any of the following:

1. The unauthorized collection, disclosure, use, access, destruction or modification of private information, or the inability to access private information;
2. Theft of private information; or
3. The surrender of private information as a result of false communications or social engineering techniques, including phishing.

Privacy breach response costs means those reasonable and necessary fees an **Insured** incurs, with the Underwriters' prior written consent, for the employment of a public relations consultant in response to an actual or potential **security breach** or **privacy breach** or the publication of an **adverse media report**, if the **Insured** reasonably considers such action is necessary in order to avert or mitigate any actual or potential material damage to the **reputation** of the **Insured** or the **Insured's** brand, which results or reasonably could result from an **adverse media report**.

Programming error means an error which occurs during the development or encoding of a computer program, software, or application, which would, when in operation, result in a malfunction or incorrect operation of a **computer system**.

Property damage means physical injury to, impairment, destruction, or corruption of any tangible property, including the loss thereof. **Data** is not considered tangible property.

Public relations expenses means expenses incurred by an **Insured** to re-establish the **reputation** of the **Insured**, which was damaged as a direct result of an **adverse media report**.

Reputation means the estimation of trust that clients have in doing business with an **Insured** or in engaging the services of an **Insured**.

Retroactive date means the date specified as such on the Cyber Insurance Evidence of Coverage issued to an **Insured**, on or after which any **first party insured event** must have occurred in order to be considered for coverage under this Policy.

Security breach means any of the following, whether a specifically targeted attack or a generally distributed attack:

1. **Unauthorized access** to, or **unauthorized use** of, the **Insured computer system**, including **unauthorized access** or **unauthorized use** resulting from the theft of a password from the **Insured computer system** or from an **employee**;
2. A **denial of service attack** against the **Insured computer system**; or
3. Infection of the **Insured computer system** by **malicious code** or the transmission of **malicious code** from the **Insured computer system**,

A series of continuing **security breaches**, related or repeated **security breaches**, or multiple **security breaches** resulting from a continuing failure of computer security, will be considered a single **security breach** and will be deemed to have occurred at the time that the first of such **security breaches** occurred.

Special expenses mean reasonable and necessary costs and expenses an **Insured** incurs to:

1. Prevent, preserve, minimize, or mitigate any further damage to **digital assets**, including the reasonable and necessary fees and expenses of specialists, outside consultants or forensic experts;
2. Preserve critical evidence of any criminal or malicious wrongdoing;
3. Purchase replacement licenses for **computer programs** because the copy protection system and/or access control software was damaged or destroyed by a **covered cause of loss** or an **act of cyber terrorism**; and
4. Notify clients of a total or partial interruption, degradation in service, or failure of the **Insured computer system** resulting from a **covered cause of loss** or an **act of cyber terrorism**.

Unauthorized access means the gaining of access to a **computer system** by an unauthorized person or persons.

Unauthorized use means the use of a **computer system** by an unauthorized person or persons or by an authorized person in an unauthorized manner.

Waiting period means the amount of time, as set forth in Item 5 of the Declarations, which must elapse before the recovery of loss under Named Coverage II.B., Named Coverage IV, or Named Coverage V can be considered. The **waiting period** applies to each **period of restoration** and **period of indemnity**.

5. Exclusions

The Underwriters will not pay for:

1. Any **claim** for a **first party insured event** that occurs, in whole or in part, prior to the **retroactive date**.
2. Any **claim** for a **first party insured event** of which any **Insured** had knowledge prior to the **policy period**, or prior to the first date on which such **Insured's** coverage under this Master Policy became effective, if this Master Policy is a continuous renewal thereof.
3. Any **claim** for a **first party insured event** reported to a previous insurer prior to the **policy period**.

4. **Property damage.**
5. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving:
 - a. Satellite failures;
 - b. Electrical or mechanical failures or interruption, including, but not limited to, electrical disturbance, spike, brownout, or blackout; or
 - c. Outages to gas, water, telephone, cable, telecommunications, or other infrastructure, unless such infrastructure is under the direct operational control of an **Insured** and such outage forms a part of an otherwise covered **claim** under Named Coverage II or Named Coverage IV.
6. Any demand, charge, allegation, lawsuit or proceedings of any type made or brought against any **Insured**.
7. Any liability to third parties for whatever reason, including damages and legal costs and expenses of any type.
8. Any fines or penalties imposed by law.
9. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the wear and tear, drop in performance, progressive deterioration, or aging of electronic equipment, **computer hardware**, or other property used by an **Insured**.
10. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the failure of overhead transmission and distribution lines.
11. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the deterioration of subterranean insulation.
12. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving fire, smoke, explosion, lightning, wind, water, flood, earthquake, volcanic eruption, tidal wave, landslide, hail, force majeure, or any other physical event, however caused.
13. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the use of programs that are not **operational programs**.
14. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the use of programs that are not **delivered programs**.
15. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving an **Insured's** intentional use of illegal or unlicensed programs that are in violation of the provisions or laws referring to software protection.
16. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the confiscation, commandeering, requisition, destruction of or damage to, **computer hardware** by order of a government de jure or de facto, or by any public authority for whatever reason.
17. Any **claim** based upon, arising out of, resulting from, in consequence of, or in any way involving the existence, emission, or discharge of any electromagnetic field, electromagnetic radiation, or electromagnetism that actually or allegedly affects the health, safety, or condition of any person or the environment or that affects the value, marketability, condition, or use of any property.
18. With respect to Named Coverage V only:
 - a. Any amount incurred by an **Insured** to re-establish the **reputation** of the **Insured**, including **public relations expenses**;
 - b. Any **claim** that is insured by any other insurance, except excess insurance;
 - c. Any amount incurred because of an **adverse media report** that also affects or refers in similar terms to a general security issue, an industry, or specific competitors of an **Insured** without any specific allegations regarding a **security breach** or **privacy breach**; or
 - d. **Privacy breach response costs, notification expenses, or breach support and credit monitoring expenses** paid under Named Coverage I.

6. Notice Provisions

- a. A principal of an **Insured** must give our authorized representatives, as identified in Item 9 of the Declarations, written notice of any **claim** under Named Coverage I, II, III or IV no later than sixty (60) days after the date the **Insured** or a principal of the **Insured** first discovers the **first party insured event** giving rise to such **claim**.
- b. A principal of an **Insured** must give our authorized representatives, as identified in Item 9 of the Declarations, written notice of any **claim** under Named Coverage V during the **period of indemnity**.
- c. A **claim** will be deemed to be reported to the Underwriters when notice is first received by the persons named in Item 9 of the Declarations.

7. Assistance and Cooperation

- a. All **Insureds** must cooperate with the Underwriters in all investigations. The **Insureds** shall execute or cause to be executed all papers and render all assistance as requested by the Underwriters. Part of this assistance may require the **Insureds** to provide copies of a third party's system security and event logs.
- b. At the Underwriters' request, the **Insureds** shall assist in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Insured** with respect to which insurance is afforded under this Policy.
- c. The **Insureds** must not make any payment, assume any obligations, or incur any expense, without the Underwriters' written consent.
- d. We shall have the right to make any investigation as we deem necessary with respect to coverage.
- e. The **Insureds** shall submit for examination under oath by our representatives, if requested, in connection with all matters relating to this Policy.

8. Inspection and Audit

The Underwriters shall be permitted, but not obligated, to inspect an **Insured's** property, operations, or records and take copies of same at any time.

9. Subrogation

If any payment is made under this Policy and there is available to the Underwriters any of the **Insureds'** rights of recovery against any third party, then the Underwriters shall maintain all such rights of recovery. The **Insureds** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insureds** shall do nothing to prejudice such rights.

10. Other Insurance

This insurance shall apply in excess of any other valid and collectible insurance available to the **Insureds**, including any retention or deductible portion thereof, unless such other insurance is written only as specific excess insurance over the Limit of Insurance of this Policy.

11. Entire Agreement

By acceptance of this Policy, the **Policyholder** agrees that this Policy embodies all agreements between the **Insureds** and the Underwriters relating to this insurance. Notice to any agent, or knowledge possessed by any agent, or by any other person, shall not effect a waiver or a change in any part of this Policy or stop the Underwriters from asserting any right under the terms of this insurance; nor shall the terms of this insurance be waived or changed, except by endorsement issued to form a part of this Policy and signed by the Underwriters.

12. Assignment

The interest hereunder is not assignable by the **Named Insured**. If an **Insured** shall die or be adjudged incompetent, this insurance shall cover such **Insured's** legal representative as the **Insured** would be covered under this Policy.

13. Cancellation by the Policyholder

- a. The **Policyholder** may cancel this Policy by surrender thereof to the Underwriters, and by mailing or delivering to the Underwriters advance, written notice stating when thereafter cancellation shall be effective. The mailing of such notice shall be sufficient notice and the effective date of cancellation shall become the end of the **policy period**. Delivery of such written notice shall be equivalent to mailing.
- b. If this Policy is canceled by the **Policyholder**, coverage under this Policy will continue until the natural expiration date of the **policy period** for any **Insured** for which the Underwriters have received full payment of the annual premium. Such annual premium will be deemed fully earned, and the Underwriters will not be liable to return any premium paid. For any **Insured** for which the Underwriters have not received full payment of the annual premium, coverage will terminate on the effective date of cancellation of this Policy, notwithstanding anything contained herein to the contrary, and earned premium will be computed on a short rate basis. Payment or tender of any unearned premium by the Underwriters shall not be a condition precedent to the effectiveness of cancellation.
- c. If the **Policyholder** cancels this Policy, it is responsible for notifying **Insureds** of the effective date of cancellation. Such cancellation by the **Policyholder** shall be binding on all **Insureds** whether or not any such **Insureds** are notified of the cancellation.

14. Cancellation by the Underwriters

The Underwriters may cancel this Policy for any reason by giving to the **Policyholder** thirty (30) days' written notice prior to cancellation. The cancellation notice will state the effective date of the cancellation, and this Policy will terminate on that date. The mailing of such notice shall be sufficient notice. Delivery of such written notice by the Underwriters by facsimile, email or private courier shall be equivalent to mailing. If the foregoing notice period conflicts with any governing law or regulation, then such period shall be amended to afford the minimum notice period permitted thereunder. If the Underwriters cancel this Policy for any reason other than nonpayment of premium, the earned premium will be computed pro-rata.

15. Words and Titles of Paragraphs

The titles of paragraphs, section, provisions, or endorsements of or to this Policy are intended solely for convenience and reference and are not deemed in any way to limit or expand the provisions to which they relate and are not part of the Policy. Whenever the singular form of a word is used herein, the same shall include the plural when required by context.

16. Dispute Resolution

- a. No action shall lie against the Underwriters unless, as a condition precedent thereto, there shall have been full compliance with all terms and conditions of this insurance.
- b. No person or organization shall have any right under this insurance to join the Underwriters as a party to an action or other proceeding against any **Insured** to determine the **Insured's** liability, nor shall the Underwriters be impleaded by the **Insured** or the **Insured's** legal representative. Neither death, bankruptcy, dissolution of partnership nor insolvency of the **Insured** or of the **Insured's** estate shall relieve the Underwriters of their obligations hereunder.
- c. Mediation. If any dispute arises between any **Insured** and the Underwriters involving this Policy and/or a **claim** hereunder, it is hereby agreed that such dispute shall be referred to a qualified mediator in a good faith effort to negotiate a resolution of the dispute prior to the initiation of any arbitration or other proceedings. The party electing to mediate shall provide written notice to the other party setting forth its request to mediate and a brief

statement regarding the issue to be mediated. The persons named in Item 11 of the Declarations are authorized and directed to accept the Notice of Mediation on behalf of the Underwriters.

- d. Arbitration. As a condition precedent to any right of action hereunder, if a good faith effort to mediate pursuant to paragraph c. above cannot resolve a dispute between any **Insured** and the Underwriters involving this Policy or a **claim** or circumstance hereunder, it is hereby mutually agreed that such dispute shall be determined by final and binding arbitration in accordance with the rules of the American Arbitration Association then in effect. The arbitrator shall be selected by the **Insured** and the Underwriters, and each party will bear its own legal fees and expenses.

17. Service of Suit Clause (U.S.A.)

- a. Subject to the application of Section 16, it is agreed that in the event of the Underwriters failure to pay any amount claimed to be due under this Policy, the Underwriters herein, at an **Insured's** request, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this section constitutes or should be understood to constitute a waiver of the Underwriters rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or seek a transfer of a case to another court as permitted by the laws of the United States or any state in the United States. It is further agreed that service of process in such lawsuit may be made upon the Underwriters representative, designated in Item 11 of the Declarations, and that in any suit instituted against any one of them upon this Policy; the Underwriters will abide by the final decision of such court, or of any appellate court in the event of an appeal.
- b. The Underwriters representative designated in Item 11 of the Declarations is authorized and directed to accept service of process on the Underwriters behalf in any such lawsuit and/or upon an **Insured's** request to give a written undertaking to the **Insured** that they will enter a general appearance upon the Underwriters behalf in the event such a lawsuit shall be instituted.
- c. Pursuant to any statute of any state, territory, or district of the United States which makes provision therefore, the Underwriters hereby designate the Superintendent, Commissioner, or Director of Insurance or other officer specified for that purpose in the statute, or his or her successor in office, as their true and lawful attorney upon whom may be served any lawful process in any action, lawsuit, or proceeding instituted by or on an **Insured's** behalf or any beneficiary hereunder arising out of this Policy, and the Underwriters hereby designate the Underwriters representative listed in Item 11 of the Declarations as the person to whom the officer is authorized to mail such process or a true copy thereof.

NAS INSURANCE SERVICES, LLC

By 
On behalf of the Underwriters
providing this insurance.