**ENDORSEMENT**

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

This endorsement, effective 12:01 A.M.,

Forms a part of Policy No.:

**KEY EMPLOYEE REPLACEMENT EXPENSE COVERAGE ENDORSEMENT**

This endorsement modifies insurance provided under the following:

**PROPERTY COVERAGE FORM**

**SCHEDULE**

|  |  |  |  |
| --- | --- | --- | --- |
| **Key Employee** | **Employment Position** | **Employment Location** | **Limit of Insurance** |
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Paragraph A. of Section **IV. SUPPLEMENTAL COVERAGES** is amended to include the following additional Supplemental Coverage:

**KEY EMPLOYEE REPLACEMENT EXPENSE COVERAGE**

A. **We** will pay the actual and necessary Key Employee Replacement Expense **you** incur due to **your** permanent loss of the services of a Key Employee named in the Schedule of this Key Employee Replacement Expense Coverage Endorsement (the “Schedule”). The loss of services must be caused by a **Covered Accident**.

**Covered Causes Of Loss**, and Section VI. **Exclusions** do not apply to this Supplemental Coverage.

1. Key Employee Replacement Expense, as used in this Supplemental Coverage means the necessary expenses **you** incur that **you** would not have incurred if **you** had not lost the services of the Key Employee:

a.To continue the performance of the Key Employee’s normal job responsibilities, with comparable quality, while a permanent replacement for the Key Employee is being sought, appointed or hired, and trained.

This insurance applies to such expenses incurred during the period of time beginning on the date of **your** permanent loss of the services of the Key Employee caused by a **Covered Accident**, and ending 60 days after the date a permanent replacement for the Key Employee is appointed or hired, subject to a maximum period of 180 days.

b.To find a qualified permanent replacement to fill the Key Employee’s position described in the Schedule, meaning the normal and reasonable:

1. Costs of advertising the employment position opening;
2. Travel, lodging, meal and entertainment expenses incurred in interviewing job applicants for the employment position opening; and
3. Miscellaneous extra expenses incur in finding, interviewing and negotiating with the job applicants, including, but not limited to, overtime pay, costs to verify the background and references the job applicants and legal expenses incurred to draw up employment contracts.

This insurance applies to such expenses incurred during the period of time beginning on the date of **your** permanent loss of the services of the Key Employee caused by a **Covered Accident**, and ending on the date a permanent replacement for the Key Employee is appointed or hired, subject to a maximum period of 180 days.

c. To appoint or hire and to train a permanent replacement for the Key Employee, meaning the normal and reasonable:

(1)Expenses **you** incur to relocate the replacement employee to an area within a reasonable commute from the applicable employment location described in the Schedule;

(2)First year amounts of the replacement Key Employee’s:

1. Annual base starting salary;

(b) Perquisite costs; and

(c) Employee benefit costs;

In excess of the amounts which would have been incurred for the Key Employee if **you** had not lost the professional services of such Key Employee.

(3) First year costs of the replacement employee’s training and education if the training and education is necessary for the replacement employee to perform the duties of the applicable position described in the Schedule with the same quality of service as the Key Employee.

1. Promotional, marketing and other advertising costs announcing the employment and availability of the new Key Employee and any expenses to modify any current materials that referred to the former Key Employee.

Insurance for these expenses will apply only if the permanent replacement for the Key Employee is appointed or hired within 180 days after the date of **your** permanent loss of the services of the Key Employee caused by a **Covered Accident**.

Insurance under this Supplemental Coverage includes the reasonable **extra expense** **you** incur to minimize the amount of Key Employee Replacement Expense, but only to the extent it reduces the amount of Key Employee Replacement Expense otherwise payable under this Supplemental Coverage.

2. **Covered Accident**, as used in this Supplemental Coverage, means an accident or sudden occurrence, not otherwise excluded under this Supplemental Coverage, which solely and independently of any other cause results in the Key Employee’s:

a. Death; or

b.Permanent disability, meaning the permanent physical inability of the Key Employee to perform the normal duties of the applicable position described in the Schedule;

within one year after the date of the accident or sudden occurrence. A medical determination must be performed that confirms that the accident or sudden occurrence is the direct cause of the death or permanent physical inability with no other contributing causes.

This Supplemental Coverage applies only if the **Covered Accident** occurs while this policy is in effect. But the period of time for which **we** will pay Key Employee Replacement Expense will not be limited by the expiration of this policy.

3. Insurance under this Supplemental Coverage does not apply to:

1. The death or permanent disability of a Key Employee caused by or resulting from:

(1)War and Military Action, meaning:

(a) War, including undeclared or civil war;

(b)Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(c)Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in defending against any of these;

(2) Nuclear reaction or radiation or radioactive contamination, however caused;

(3) Sickness or disease;

(4)Pregnancy, childbirth, miscarriage or abortion; or

(5) Suicide, attempted suicide or self inflicted bodily injury..

b.Any expenses **you** incur which **you** would not have incurred if **you** had used all reasonable means to:

(1)Find a permanent replacement for the Key Employee; and

(2)Reduce or discontinue the Key Employee Replacement Expense;

as soon as possible after **your** permanent loss of the services of the Key Employee caused by a **Covered Accident**.

c.Any additional expenses incurred due to **your** loss of the services of a permanent replacement employee appointed or hired to replace a Key Employee, however caused. But this exclusion does not apply if the replacement employee is added to the Schedule as a Key Employee and **your** loss of the services of the replacement employee is caused by a **Covered Accident**, during the policy period.

4.The amount of Key Employee Replacement Expense will be determined based on the actual and necessary expenses covered under this Supplemental Coverage which **you** incur to find, appoint or hire and to train a permanent replacement for the Key Employee and to continue the performance of the Key Employee’s normal job responsibilities while a permanent replacement is being sought, appointed or hired, and trained. **We** will deduct from the total of such expenses:

a.Any expenses which would have been incurred by **you** for the Key Employee if **you** had not lost the services of the Key Employee; and

b.Any Key Employee Replacement Expense that is paid for by any other insurance; and

5.The most **we** will pay for Key Employee Replacement Expense due to **your** loss of the services of any one Key Employee is the applicable Limit of Insurance shown in the Schedule for the Key Employee.

No deductible applies to this Supplemental Coverage.

All other terms and conditions of the policy remain the same.

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Authorized Representative