**ENDORSEMENT**

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

Policy No: <Policy Number> <Endorsement Number>

Effective 12:01 a.m. <Policy or Endorsement Effective Date>

# Conversion Coverage Endorsement

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART

## SCHEDULE

Limits of Insurance:

$ \_\_\_\_\_\_\_\_\_\_ Each "conversion" deductible

$\_\_\_\_\_\_\_\_\_\_ Each "conversion" limit

$\_\_\_\_\_\_\_\_\_\_ Aggregate limit

The provisions of this endorsement apply only as respects the coverage afforded hereunder.

**A.** The following is added to SECTION I ‑ COVERAGES

COVERAGE D. CONVERSION COVERAGE

**1. Insuring Agreement**

**a.** We will pay eighty percent (80%) of those sums that the insured becomes legally obligated to pay as damages because of a "conversion" to which this insurance applies. We will have the right and duty to defend any "suit" seeking those damages. We may at our discretion investigate any "conversion" and settle any claim or "suit" that may result, provided, however, that :

**(1)** The amount we will pay for damages shall be limited as described in SECTION III ‑ LIMITS OF INSURANCE of this endorsement; and

**(2)** Our right and duty to defend shall end when we have used up the applicable limit of insurance in the payment of judgments or settlements.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS ‑ COVERAGES A AND B of the Commercial General Liability Coverage Form to which this endorsement is attached.

**b.** This insurance only applies to a "conversion" that:

**(1)** Takes place in the "coverage territory"; and

**(2)** Occurs during the policy period.

**2. Exclusions**

The insurance provided by this endorsement does not apply to:

**a.** Damages arising out of a:

**(1)** Dishonest;

**(2)** Fraudulent;

**(3)** Criminal; or

**(4)** Malicious;

act, error or omission committed by an insured, whether acting alone or in collusion with others;

1. "Bodily injury," "property damage," or "personal and advertising injury";
2. Damages arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time and
3. Any loss, cost or expense arising out of any:
4. Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat,

detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

1. Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant including smoke, vapor, soot, fumes, acids, alkalis, chemicals, and waste. Waste includes material to be recycled, reconditioned or reclaimed.

1. Damages which the insured is obligated to pay by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of such contract or agreement.
2. This insurance does not apply to damages because of "conversion" arising directly or indirectly out of:
3. Any actual or alleged failure, malfunction or inadequacy of:
4. Any of the following, whether belonging to any insured or to others:
5. Computer hardware, including microprocessors;
6. Computer application software;
7. Computer operating systems and related software;
8. Computer networks;
9. Microprocessors (computer chips) not part of any computer system; or
10. Any other computerized or electronic equipment or components; or
11. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Subparagraph e.(l)(a)(i)-(vi) of this endorsement due to the inability to correctly recognize, process, distinguish, interpret or accept the year 2000 and beyond.
12. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Subparagraph e.(I)of this endorsement.
13. SUPPLEMENTARY PAYMENTS ‑ COVERAGES A AND B is amended as follows:

**SUPPLEMENTARY PAYMENTS ‑ COVERAGES A, B AND D.**

Paragraph 4. Who is an Insured (Section II) is replaced by the following:

**4.** Any organization you newly acquire or form, other than a partnership or joint venture, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:

**a.** Coverage under this provision is afforded only until the 90th day after you acquire or formthe organization or the end of the policy period, whichever is earlier;

**b.** Coverage A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization;

**c.** Coverage B does not apply to "personal and advertising injury" arising out of an offense committed before you acquired or formed the organization; and

**d.** Coverage D (Conversion Coverage) does not apply to damages because of a "conversion" that occurred before you acquired or formed the organization.

No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

**D.** SECTION III ‑ LIMITS OF INSURANCE is amended as follows:

**1.** Paragraph 1. is replaced by the following:

**1.** The Limits of Insurance shown in the Declarations and the Schedule below and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits."

1. Paragraph 2. is replaced by the following:

**2.**  The General Aggregate Limit is the most we will pay for the sum of:

1. Medical expenses under Coverage C;
2. Damages under Coverage A. except damages because of "bodily injury" or "property damage" included in the "products‑completed operations hazard";
3. Damages under Coverage B; and
4. Damages under Coverage D.
5. The following is added:

**8.** The Aggregate "Conversion" Limit is the most we will pay for all damages because of all "conversions."

**9.** Subject to 2. above (the General Aggregate Limit) and 8. above (the Aggregate "Conversion" Limit), the Each "Conversion" Limit is the most we will pay for all damages arising out of any one "conversion."

The Limits of Insurance of this Coverage apply separately to each consecutive annual period and to any remaining period of less than 12 months, commencing with the effective date of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the preceding period for purposes of determining the Limits of Insurance.

**Deductible**

Our obligation under this endorsement to pay damages on your behalf applies only to eighty percent (80%) of the amount of damages in excess of any deductible amount stated in the Conversion Coverage Supplemental Schedule as applicable to Each "Conversion." Neither the Each "Conversion" Limit nor the "Conversion" Aggregate Limit will be reduced by the application of the deductible amount or the coinsurance.

1. The terms of this policy of insurance, including those with respect to:
2. Our right and duty to defend any "suits" seeking conversion damages; and
3. Your duties in the event of an "occurrence," offense, "conversion," claim or "suit" apply irrespective of the application of the deductible amount.
4. We may pay any part or all of the deductible amount and the twenty percent (20%) of the damages that the insured is obligated to pay to effect settlement of any claim or "suit" and, upon notification of such payment action taken, you shall promptly reimburse us for such amounts as has been paid by us.
5. A series of "conversions" involving one claimant will be considered to be a single "conversion" for the purposes of applying:
6. The limits of insurance;
7. The deductible amount stated in the Schedule below; and
8. The twenty percent (20%) portion t of the damages in excess of the deductible that theinsured is obligated to pay.
9. SECTION IV ‑ CONDITIONS is amended as follows:
   1. Paragraph 2., Duties in the Event of Occurrence, Offense, Claim or Suit, is replaced by the following:
10. Duties in the Event of Occurrence, Offense, Conversion, Claim or Suit.
    1. You must see to it that we are notified as soon as practicable of an "occurrence," "conversion" or an offense which may result in a claim. To the extent possible, notice should include:

**(1)** How, when and where the "occurrence;" "conversion" or offense took place:

**(2)** The names and addresses of any injured persons and witnesses; and

**(3)** The nature and location of any injury or damage arising out of the "occurrence," "conversion," or offense.

1. If a claim made or "suit" is brought against any insured, you must:

**(1)** Immediately record the specifics of the claim or "suit" and the date received; and

**(2)** Notify us as soon as practicable.

You must see to it that we receive written notice of the claim or "suit” as soon as practicable.

1. You and any other involved insured must:

**(1)** Immediately send us copies of any demands, notices, summonses, or legal papers received in connection with the claim or "suit";

**(2)** Authorize us to obtain records and other information;

**(3)** Cooperate with us in the investigation, settlement or defense of the claim or "suit," and

**(4)** Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

1. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.
2. Paragraph 4., Other Insurance, is amended as follows:

All references to Coverages A or B are amended to read Coverages A, B or D.

1. The following condition is added:

Reporting Requirements.

As a condition of this insurance, you are required to maintain accurate books, records, and accounts in the following manner:

1. A set of books showing a complete record of the business transacted including all purchases and sales for both cash and credit over $10,000.
2. All such books, records and accounts shall be preserved for not less than one year following the termination of policy and any renewal thereof; and
3. We shall have access to your books and records of the transactions.
4. For the purpose of this endorsement the following definitions are added to SECTION V ‑ DEFINITIONS:

"Conversion" means your unknowingly acquiring stock in trade from a seller who did not have legal title to the same.

"Suit" means a civil proceeding in a court of record in which damages are alleged because of "conversion" to which this insurance applies.

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Authorized Representative