

1 CIT ESERVE

CAUSE NO. DC-21-03349

CHILDREN’S LEARNING ADVENTURE
USA, LLC,

Plaintiff,

v.

STARR SURPLUS LINES INSURANCE
COMPANY,

Defendant.

IN THE DISTRICT COURT OF

DALLAS COUNTY, TEXAS

44th
_____ JUDICIAL DISTRICT

JURY TRIAL DEMANDED

PLAINTIFF’S ORIGINAL PETITION

TO THE HONORABLE JUDGE OF SAID COURT:

COMES NOW Plaintiff CHILDREN’S LEARNING ADVENTURE USA LLC (“CLA” or “Plaintiff”) who complains as follows regarding the actions of Defendant STARR SURPLUS LINES INSURANCE COMPANY (“Starr” or the “Insurance Company”):

I.

DISCOVERY CONTROL PLAN

1. Plaintiff intends to conduct discovery under Level 3 of Texas Rule of Civil Procedure 190.4.

II.

RULE 47 STATEMENT

2. Plaintiff seeks monetary relief of more than \$1,000,000 in costs, expenses, prejudgment interest, and attorney’s fees.

III.

PARTIES, JURISDICTION AND VENUE

3. Plaintiff is a limited liability company organized under Arizona law and doing business in Texas. Defendant Starr Surplus Lines Insurance Company is an insurance company domiciled in Dallas County, Texas and authorized by the Texas Department of Insurance to conduct insurance business in Texas. This suit arises out of insurance business purposefully and continually conducted by Starr with the Plaintiff in the State of Texas and elsewhere.

4. Jurisdiction is proper in the District Court of Dallas County, Texas because the amount in controversy is within the jurisdictional limits of this Honorable Court.

5. Venue is proper in Dallas County pursuant to Texas Civil Practice and Remedies Code § 15.002, because a substantial part of the events that give rise to the claims arose out of events that occurred in Dallas County; and pursuant to Texas Civil Practice and Remedies Code § 15.032, because the defendant Insurance Company is domiciled in Dallas County.

IV.

FACTUAL BACKGROUND

A. The Starr Policy

6. Starr sold to CLA Commercial Property Insurance policy number SLSTPTY11139019, in effect from February 1, 2020 to February 1, 2021 (the “Policy”). A true and correct copy of the Policy is attached hereto as Exhibit A and fully incorporated by reference. The Policy affords, among other things, coverage for first party business income losses (“Time Element Coverage”), as well as Extra Expense and other coverages. Pursuant to the Policy, the Plaintiff paid a total of \$328,715 in premium in exchange for the Starr’s promises to indemnify CLA for its losses incurred, including but not limited to, Time Element Coverage

losses at multiple different infant, child, and teen care facilities around the country (the “Insured Properties”).

7. The Plaintiff has fulfilled all of its duties, conditions, and responsibilities under the Policy, paying hundreds of thousands of dollars in commercial property premiums to Starr over a number of years.

8. The Policy has been continuously in full force and effect since its inception.

9. Starr, by way of the Policy, agreed to insure “losses occurring during the Policy Period, as stated in ITEM 3 of the Declarations, at the location of property insured.”

10. More specifically, the Policy provides, in relevant part, as follows: “SECTION II-COVERED CAUSES OF LOSS, A. PERILS INSURED AGAINST. This policy insures against all risks of direct physical loss of or damage to property described herein including general average, salvage, and all other similar charges on shipments covered hereunder, if any, except as hereinafter excluded.”

11. Further, the Policy “is extended to cover the actual loss sustained by the Insured during the Period of Interruption directly resulting from the Covered Cause of Loss to Insured Property.” (SECTION IV TIME ELEMENT COVERAGE.) With regard to calculation of the loss payable by Starr to CLA, Starr promised that: “in determining the amount of loss payable under this coverage, due consideration shall be given to the experience of the business before the Period of Interruption and the probable experience thereafter had no loss occurred, and to the continuation of only those normal charges and expenses that would have existed had no interruption of production or suspension of business operations or services occurred.”

12. The Policy also contains an extension of coverage for all “CONTINGENT TIME ELEMENT” coverage, “INTERRUPTION BY CIVIL OR MILITARY AUTHORITY,”

“INGRESS AND EGRESS,” and an “EXTENDED PERIOD OF INDEMNITY.” (SECTION V.C.5-8.)

B. The COVID-19 Pandemic and Its Resulting Shutdowns

13. On or about March 11, 2020, the World Health Organization (“WHO”) publicly characterized the spread of the COVID-19 Coronavirus as a “pandemic.” The WHO saw “alarming levels of spread and severity”

14. The pandemic spread from mainland China to virtually every country in the world, including the United States of America.

15. In response to the pandemic, on or about March 16, 2020, the United States Government issued social distancing guidelines and guidance on the closure of businesses that were not deemed to be essential. In order to “slow the spread” of the virus, thousands of businesses around the country were shuttered, including CLA’s infant, child, and teen care centers.

16. A number of the CLA centers were closed as a result of specific governmental orders requiring the closure of day care centers and operations. Other facilities around the country, which were allowed to remain open, suffered serious loss of childcare business because parents were now staying home with their infants, children, and teenagers.

17. On March 16, 2020, Collin County, Texas (the location of CLA’s Plano, Texas childcare facility) declared a state of disaster throughout the county under Section 418.018 of the Texas Government Code, indicating that the coronavirus which “causes the disease COVID-19 has spread through the world and has now been declared a global pandemic...” Following up on the original state of disaster order, Collin County issued a Stay Home Order on March 24, 2020.

V.

CAUSES OF ACTION

A. Breach of Insurance Contract

18. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 17 above as if fully set forth herein.

19. CLA has satisfied and performed all relevant terms and conditions of the Policy, including providing timely notice to the Insurance Company and paying all premiums when due.

20. Alternatively, by failing to provide a coverage position, Starr has waived any such term or condition and may not assert any term or condition in the Policy as to defense to liability thereunder.

21. Starr at minimum has breached the Time Element Coverage of the Policy form which provides coverage for the Actual Loss Sustained by CLA throughout its covered operations nationally caused by “direct physical loss of” its covered properties, all of which are insured under the Policy.

22. There are no applicable “virus” exclusions in the Policy which would limit or eliminate coverage for CLA’s claims herein.

23. The Insured Properties, caring for infants, children, and teens, could not be safely opened to its customers or the public as a result of the risk of person to person transmission of COVID-19 within the Insured Properties.

24. CLA’s Insured Properties were directly and physically lost to CLA as a result of the pandemic.

25. At no time were “contaminants” or “pollutants” (as defined in the Policy) released, discharged, escaped, or disbursed from the subject-covered properties.

26. Starr has effectively denied this claim by failing to provide a coverage position or pay any of the losses previously noticed and submitted to Starr for payment.

27. Starr repeatedly misrepresented in its coverage position letter that the Policy required “physical loss and damage to covered property.”

28. In fact, the Policy provides coverage for a “direct physical loss of or damage to covered property.”

29. The undisputed fact that the covered properties could not be used because of the obvious danger of transmission and exposure to the COVID-19 pandemic resulted in a direct physical loss of their covered properties nationally.

30. The various orders issued by state and local governments requiring certain CLA Insured Properties to close also resulted in a direct physical loss of CLA’s covered properties.

31. The Policy does not clearly and unambiguously demand that a physical change or deformation of the covered property occurs, nor does the Policy clearly and unambiguously exclude claims for business income losses through what has now commonly been referred to as a “virus exclusion.”

32. Upon information and belief, the Insurance Company is otherwise barred from relying upon the “contaminants and pollutants” exclusion in the Policy as it is designed to exclude environmental pollution discharged from the facility which did not occur at any of the CLA covered facilities. Alternatively, and upon information and belief, Plaintiff alleges that Starr is barred from relying upon the “contaminants and pollutants” exclusion as a result of regulatory and/or administrative estoppel. Additionally, the “contaminants and pollutants” exclusion as interpreted by Starr is unconscionable as a matter of law and contrary to public policy as interpreted by Starr because any discharge or dispersal of “contaminants and

pollutants” anywhere in the world would ostensibly result in no coverage under the Policy. Such an interpretation is contrary to public policy as well as the reasonable expectations of the insured CLA.

33. As a result of all of the foregoing, Starr therefore has breached the insurance Policy contract by its wrongful failure to pay CLA’s covered claim, causing delay and loss of receipt of the Policy benefits CLA paid for as well as actual and/or consequential damages.

34. Plaintiff is entitled to recover its attorneys’ fees incurred in the prosecution of this matter pursuant to Texas Civil Practice and Remedies Code § 38.001(8).

B. Breach of Duty of Good Faith and Fair Dealing

35. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 34 above as if fully set forth herein.

36. A special relationship existed and continues to exist between Starr and Plaintiff as a result of the Policy issued by Starr. There is inherently unequal bargaining power between Starr and CLA, a childcare provider.

37. Starr had no reasonable basis for denying or delaying payment of the CLA claims, and it knew or should have known that it had no reasonable basis for denial under the Policy.

38. Starr only considered its own interests, has adjusted this claim only according to its one-sided and improper interpretation of the Policy, and attempted to conceal from the Plaintiff the actual terms and conditions of the Policy.

39. Starr, through its outside adjusting company, McLarens, has only looked for ways to avoid paying this claim and has, in fact, failed to pay this claim to date despite timely notice of loss on or about March 23, 2020.

40. Starr had a duty to investigate fairly and objectively the claim brought by CLA but has failed to do so to date.

41. Starr is charged with full knowledge of what a reasonable investigation would have revealed, and thus Starr's actions must be judged in light of the true facts that would be revealed in an adequate and reasonable claim investigation.

42. Based on the foregoing, Starr failed to attempt a good faith, prompt, equitable, and fair settlement of this claim wherein liability is reasonably clear.

43. Starr's breach of the duty of good faith and fair dealing has proximately caused actual and consequential damages to CLA in an amount to be proven at trial.

C. Punitive Damages

44. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 43 above as if fully set forth herein.

45. Defendant's breach of the duty of good faith was malicious or grossly negligent and therefore supports an award of punitive damages herein.

46. Starr has been previously informed on multiple occasions and had actual knowledge of the serious financial damage caused by Starr's breach of its duty of good faith and failure to provide a coverage position and pay this subject claim.

D. Violation of the Texas Prompt Pay Act

47. Plaintiff incorporates by reference hereto each and every allegation set forth in paragraphs 1 through 46 above as if fully set forth herein.

48. The Insurance Company has failed to pay timely and promptly the subject claim as mandated by Texas Insurance Code §§ 542.055 – 542.059.

49. In addition to the amount of the underlying claim, Starr should be ordered to pay interest on the amount of the claim at the rate of eighteen percent (18%) per year as additional damages, together with reasonable and necessary attorneys' fees pursuant to Texas Insurance Code § 542.060(a).

50. Plaintiff CLA was forced to retain the services of the undersigned law firm to represent CLA in its claim for, *inter alia*, damages, losses, and attorneys' fees. Starr's wrongful acts and omissions authorize an award of attorneys' fees under Texas Insurance Code § 542.060(b).

VI.

JURY TRIAL DEMANDED

51. Plaintiff hereby demands a jury trial on all issues so triable.

VII.

PLAINTIFF INTENDS TO USE DEFENDANT'S DOCUMENTS

52. Pursuant to Texas Rule of Civil Procedure 193.7, any and all documents produced by Starr in response to written discovery herein will be used by Plaintiff at any pretrial proceeding or at trial.

VIII.

PRAYER

Plaintiff hereby prays this that Honorable Court enter judgment for Plaintiff CLA for the following relief:

- (a) Actual and consequential damages arising from Starr's breach of contract;
- (b) Actual damages for Starr's breach of its duty of good faith and fair dealing to CLA;

- (c) Punitive damages for Starr's intentional or grossly negligent violations of the duty of good faith and fair dealing;
- (d) An eighteen percent (18%) penalty under Texas Insurance Code § 542.060, *et seq.*;
- (e) Reasonable and necessary attorneys' fees and costs incurred herein;
- (f) Pre-judgment and post-judgment interest, all as allowed by law; and
- (g) All such other and further relief, both in law and equity, to which CLA is entitled.

Respectfully submitted this 15th day of March, 2021.

/s/ John L. Corbett

James J. Leonard
Texas Bar No 12209700
John L. Corbett
Texas Bar No. 24088884
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*Counsel for Plaintiff Children's Learning Adventure
USA, LLC*

EXHIBIT A

Program Manager:
Starr Specialty Lines Insurance Agency, LLC
3353 Peachtree Road NE
Suite 1000
Atlanta, GA 30326

Company:
Starr Surplus Lines Insurance Company
399 Park Avenue
8th Floor
New York, NY 10022

Policy Number: SLSTPTY11139019

Renewing or in lieu of: SLSTPTY11139019

DECLARATIONS

Insured: Children's Learning Adventure
 USA, LLC
 (and as per Schedule attached)

Producer: USI Insurance Services, LLC

Address: 14631 N. Scottsdale Road, Suite 200
 Scottsdale, AZ 85254

Address: 2375 E. Camelback Rd., Suite 250
 Phoenix, AZ 85016

Policy Period: From February 1, 2020 at 12:01 A.M., to February 1, 2021 at 12:01 A.M. Local Standard Time at the address of the insured listed in the declarations.

To the extent that coverage in this policy replaces coverage in other policies terminating at noon standard time on the inception date of this policy, coverage under this policy shall not become effective until such other coverage has terminated.

The insurance afforded is only with respect to the specific part and coverages therein, the full title of which is set forth below the caption "Form."

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

PERILS INSURED	COVERAGE PROVIDED	FORMS & ENDORSEMENTS	LIMIT OF LIABILITY
AS PER ATTACHED FORMS AND ENDORSEMENTS	AS PER ATTACHED FORMS AND ENDORSEMENTS	SEE ATTACHED SCHEDULE OF FORMS AND ENDORSEMENTS	<p>\$25,000,000 per occurrence, that being 100% part of \$25,000,000 per occurrence excess of various deductibles.</p> <p>Premium: \$328,715.00 Inspection Fee: \$2,500.00 State Tax: \$9,936.45 Stamping Fee: \$662.43 Total: \$341,813.88</p> <p>Coverage does not apply to locations situated in Guam or the U.S. Virgin Islands.</p>
<p>The surplus lines policy or evidence of coverage is issued by a domestic surplus lines insurer. If the insurer that issued this policy becomes insolvent, insureds or claimants will not be eligible for insurance guaranty fund protection pursuant to title 20, Arizona Revised Statutes.</p>			

GROSS PREMIUMS:	PROPERTY PREMIUM:	\$328,715.00
	CERTIFIED TERRORISM PREMIUM:	\$0.00
	NON-CERTIFIED TERRORISM PREMIUM:	\$0.00
	TOTAL PREMIUM:	\$328,715.00

This Declaration and attached Form(s), with Policy Standard Conditions and Endorsements, if any, issued to form a part thereof, completes the above numbered policy.

The Company shall have no duty to defend or investigate any claim or suit unless and until all limits of all underlying insurance policies have been exhausted by payment of judgements, claims or settlements.

If any underlying insurance policy has no duty to pay a claim for injury or damage for a reason other than exhaustion of an aggregate limit of insurance, then Company shall have no obligation to make any payment under this policy.

Any taxes imposed by virtue of this policy being written by an unauthorized insurer are the responsibility of the insured and a licensed producer.



Signature of Authorized Agent

2/25/2020

Date

SECURITY PAGE

The insurance companies named herein, each for itself, severally but not jointly, do obligate themselves under the terms of this policy to the extent of the percentage set opposite their names.

Companies

Percent Assumed

Starr Surplus Lines Insurance Company:

100%

POLICYHOLDER NOTICES

Alabama:

This contract is registered and delivered as a surplus line coverage under the Alabama Surplus Line Insurance Law.

Alaska:

This is evidence of insurance procured and developed under the Alaska Surplus Lines Law, AS 21.34. It is not covered by the Alaska Insurance Guaranty Association Act, AS 21.80.

"ALASKA POLICYHOLDER NOTICE 3 AAC 25.050

This policy is issued by a nonadmitted or surplus lines insurer. Insurance may only be purchased from nonadmitted insurers if the full amount, kind, or class of insurance cannot be obtained from insurers who are admitted to do business in the State of Alaska. Your broker or the surplus lines broker has determined that this was true on the date the policy was placed. Before issuing a renewal policy or extending this policy, remarketing is required. To avoid intentional or unintentional extension of coverage in the surplus lines market when an admitted market for that coverage exists, a nonadmitted insurer is prohibited from the automatic renewal or extension of a policy without remarketing by your broker or the surplus lines broker. In order to comply with the Alaska Administrative Code, the following notice is given:

You are hereby notified that, under 3 AAC 25.050, your policy will terminate effective no later than the date and time of its expiration. We reserve the right to cancel this policy sooner than the expiration date by giving you notice of cancellation as required in AS 21.36.220. You may request through your broker that a new policy from the surplus lines broker be concurrent with the effective date of the termination of this policy.

You are also notified that a new policy, if issued by us, is subject to rerating, which may result in a premium increase of more than ten percent (10%). As required by 3 AAC 25.050, you are hereby notified that any subsequent policy issued by us may be subject to a ten percent (10%) or more increase in premium. The actual premium will be based upon rates that apply at the time a subsequent policy, if any, is issued and will be made available to you before the effective date of the new policy, or the date subsequent coverage is bound, whichever occurs first."

Arizona:

Pursuant to Arizona Revised Statutes § 20-401.01, subsection B, paragraph 1, this policy is issued by an insurer that does not possess a certificate of authority from the Director of the Arizona Department of Insurance. If the insurer that issued this policy becomes insolvent, insureds or claimants will not be eligible for insurance guaranty fund protection pursuant to Arizona Revised Statutes Title 20.

Arkansas:

This contract is registered and delivered as a surplus line coverage under the Surplus Lines Insurance Law, and it may in some respects be different from contracts issued by insurers in the admitted markets, and, accordingly, it may, depending upon the circumstances, be more or less favorable to an insured than a contract from an admitted carrier might be. The protection of the Arkansas Property and Casualty Guaranty Act does not apply to this contract. A tax of four percent (4%) is required to be collected from the insured on all surplus lines premiums.

California:

NOTICE:

1. THE INSURANCE POLICY THAT YOU HAVE PURCHASED IS BEING ISSUED BY AN INSURER THAT IS NOT LICENSED BY THE STATE OF CALIFORNIA. THESE COMPANIES ARE CALLED “NONADMITTED” OR “SURPLUS LINE” INSURERS.
2. THE INSURER IS NOT SUBJECT TO THE FINANCIAL SOLVENCY REGULATION AND ENFORCEMENT THAT APPLY TO CALIFORNIA LICENSED INSURERS.
3. THE INSURER DOES NOT PARTICIPATE IN ANY OF THE INSURANCE GUARANTEE FUNDS CREATED BY CALIFORNIA LAW. THEREFORE, THESE FUNDS WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR ASSETS IF THE INSURER BECOMES INSOLVENT AND IS UNABLE TO MAKE PAYMENTS AS PROMISED.
4. THE INSURER SHOULD BE LICENSED EITHER AS A FOREIGN INSURER IN ANOTHER STATE IN THE UNITED STATES OR AS A NON-UNITED STATES (ALIEN) INSURER. YOU SHOULD ASK QUESTIONS OF YOUR INSURANCE AGENT, BROKER, OR “SURPLUS LINE” BROKER OR CONTACT THE CALIFORNIA DEPARTMENT OF INSURANCE AT THE FOLLOWING TOLL-FREE TELEPHONE NUMBER: 1-800-927-4357 OR INTERNET WEB SITE WWW.INSURANCE.CA.GOV. ASK WHETHER OR NOT THE INSURER IS LICENSED AS A FOREIGN OR NON-UNITED STATES (ALIEN) INSURER AND FOR ADDITIONAL INFORMATION ABOUT THE INSURER. YOU MAY ALSO CONTACT THE NAIC’S INTERNET WEB SITE AT WWW.NAIC.ORG.
5. FOREIGN INSURERS SHOULD BE LICENSED BY A STATE IN THE UNITED STATES AND YOU MAY CONTACT THAT STATE’S DEPARTMENT OF INSURANCE TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.
6. FOR NON-UNITED STATES (ALIEN) INSURERS, THE INSURER SHOULD BE LICENSED BY A COUNTRY OUTSIDE OF THE UNITED STATES AND SHOULD BE ON THE NAIC’S INTERNATIONAL INSURERS DEPARTMENT (IID) LISTING OF APPROVED NONADMITTED NON-UNITED STATES INSURERS. ASK YOUR AGENT, BROKER, OR “SURPLUS LINE” BROKER TO OBTAIN MORE INFORMATION ABOUT THAT INSURER.
7. CALIFORNIA MAINTAINS A LIST OF APPROVED SURPLUS LINE INSURERS. ASK YOUR AGENT OR BROKER IF THE INSURER IS ON THAT

LIST, OR VIEW THAT LIST AT THE INTERNET WEB SITE OF THE CALIFORNIA DEPARTMENT OF INSURANCE: WWW.INSURANCE.CA.GOV. 8. IF YOU, AS THE APPLICANT, REQUIRED THAT THE INSURANCE POLICY YOU HAVE PURCHASED BE BOUND IMMEDIATELY, EITHER BECAUSE EXISTING COVERAGE WAS GOING TO LAPSE WITHIN TWO BUSINESS DAYS OR BECAUSE YOU WERE REQUIRED TO HAVE COVERAGE WITHIN TWO BUSINESS DAYS, AND YOU DID NOT RECEIVE THIS DISCLOSURE FORM AND A REQUEST FOR YOUR SIGNATURE UNTIL AFTER COVERAGE BECAME EFFECTIVE, YOU HAVE THE RIGHT TO CANCEL THIS POLICY WITHIN FIVE DAYS OF RECEIVING THIS DISCLOSURE. IF YOU CANCEL COVERAGE, THE PREMIUM WILL BE PRORATED AND ANY BROKER'S FEE CHARGED FOR THIS INSURANCE WILL BE RETURNED TO YOU.

D-2 (Effective January 1, 2017)

Colorado:

This contract is delivered as a surplus line coverage under the 'Nonadmitted Insurance Act.' The insurer issuing this contract is not licensed in Colorado but is an approved nonadmitted insurer. There is no protection under the provisions of the 'Colorado Insurance Guaranty Association Act.'

Connecticut:

NOTICE

THIS IS A SURPLUS LINES POLICY AND IS NOT PROTECTED BY THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION." Conn. Gen. Stat. § 38a-745.

Delaware:

This insurance contract is issued pursuant to the Delaware Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Delaware Insurance Department." Del. Code tit. 18, § 1909.

Florida:

THIS INSURANCE IS ISSUED PURSUANT TO THE FLORIDA SURPLUS LINES LAW. PERSONS INSURED BY SURPLUS LINES CARRIERS DO NOT HAVE THE PROTECTION OF THE FLORIDA INSURANCE GUARANTY ACT TO THE EXTENT OF ANY RIGHT OF RECOVERY FOR THE OBLIGATION OF AN INSOLVENT UNLICENSED INSURER.

SURPLUS LINES INSURERS' POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA REGULATORY AGENCY.

SURPLUS LINES INSURERS' POLICY RATES AND FORMS ARE NOT APPROVED BY ANY FLORIDA REGULATORY AGENCY.

Georgia:

This contract is registered and delivered as a surplus line coverage under the Surplus Line Insurance Law, O.C.G.A. Chapter 33-5.

Hawaii:

This insurance contract is issued by an insurer which is not licensed by the State of Hawaii and is not subject to its regulation or examination. If the insurer is found insolvent, claims under this contract are not covered by any guaranty fund of the State of Hawaii.

Idaho:

This surplus lines contract is issued pursuant to the Idaho insurance laws by an insurer not licensed by the Idaho Department of Insurance. There is no coverage provided for surplus line insurance by either the Idaho Insurance Guaranty Association or by the Idaho Life and Health Insurance Guaranty Association.

Illinois:

Notice to Policyholder: This contract is issued, pursuant to Section 445 of the Illinois Insurance Code, by a company not authorized and licensed to transact business in Illinois and as such is not covered by the Illinois Insurance Guaranty Fund.

Iowa:

This policy is issued, pursuant to Iowa Code section 515.120, by a nonadmitted company in Iowa and as such is not covered by the Iowa Insurance Guaranty Association.

Kansas:

This policy is issued by an insurer not authorized to do business in Kansas and, as such, the form, financial condition and rates are not subject to review by the Commissioner of insurance and the insured is not protected by any guaranty fund.

Kentucky:

This insurance has been placed with an insurer not licensed to transact business in the Commonwealth of Kentucky but eligible as a surplus lines insurer. The insurer is not a member of the Kentucky Insurance Guaranty Association. Should the insurer become insolvent, the protection and benefits of the Kentucky Insurance Guaranty Association are not available.

Louisiana:

NOTICE

This insurance policy is delivered as surplus lines coverage under the Insurance Code of the State of Louisiana. In the event of insolvency of the company issuing this contract, the policyholder or claimant is not covered by the Louisiana Insurance Guaranty Association which guarantees only specific policies issued by an insurance company authorized to do business in Louisiana.

This surplus lines policy has been procured by the following licensed Louisiana surplus lines broker:

SEE DECLARATIONS PAGE

**IMPORTANT INFORMATION REQUIRED BY THE
LOUISIANA DEPARTMENT OF INSURANCE
FIRE INSURANCE POLICY COVERAGE DISCLOSURE
SUMMARY (OTHER THAN HOMEOWNERS)
OR
COMMERCIAL INSURANCE POLICY
COVERAGE DISCLOSURE SUMMARY**

This form is promulgated pursuant to LSA-R.S. 22:1319 and 22:1332.

THIS IS ONLY A SUMMARY OF YOUR COVERAGE AND DOES NOT AMEND, EXTEND OR ALTER THE COVERAGES OR ANY OTHER PROVISIONS CONTAINED IN YOUR POLICY. INSURANCE IS A CONTRACT. THE LANGUAGE IN YOUR POLICY CONTROLS YOUR LEGAL RIGHTS AND OBLIGATIONS.

**** READ YOUR INSURANCE POLICY FOR COMPLETE POLICY TERMS AND CONDITIONS ****

COVERAGE(S) FOR WHICH PREMIUM WAS PAID

DEDUCTIBLES

This policy sets forth certain deductibles that will be applied to claims for damages. When applicable, a deductible will be subtracted from your total claim, and you will be paid the balance subject to applicable coverage limits.

- You may be able to reduce your premium by increasing your deductible. Contact your producer/agent or insurer for more details.**

NOTICE:

This policy [does/does not] set forth a deductible for covered losses caused by [hurricane; wind; named storm] as defined in the policy.

Separate Deductible Examples – Hurricane, Wind or Named Storm Damage

If applicable, the following illustrates how a separate deductible applying to hurricane, wind or named storm damage is applied under your policy:

[The insurer shall comply with LSA-R.S. 22:1319.B(3) by selecting either option A or B below:

- A. Developing its own standardized example to reflect how a hurricane, wind or named storm damage loss will be adjusted under the policy. The standardized example shall set forth a**

separate loss for each coverage included in the policy for which a premium has been paid. The total of all losses combined shall exceed by at least ten percent (10%) the applicable deductible(s) so that the example demonstrates a net payment to the insured.

- B. Utilizing the standardized example prepared by the LDOI if this standardized example properly reflects how a separate deductible is applied to a hurricane, wind or named storm damage loss under the policy:**

The following assumes no coinsurance penalty and a 2% hurricane, wind or named storm deductible. The amounts of loss to the damaged property are \$50,000 (building) and \$20,000 (business personal property).

Limits of insurance on building	\$ 100,000.00
Total amount of building loss	\$ 50,000.00
Less 2% deductible (\$100,000 X .02)	– \$ 2,000.00
Net payment to insured for building loss	\$ 48,000.00
	\$
Limits of insurance on the business personal property	\$ 50,000.00
Total amount of business personal property loss	\$ 20,000.00
Less 2% deductible (\$50,000 X .02)	– \$ 1,000.00
Net payment to insured for business personal property loss	\$ 19,000.00
Total net payment to insured for building and business personal property loss (\$48,000 + \$19,000)	\$ 67,000.00]

TO SEE EXACTLY HOW YOUR SEPARATE HURRICANE, WIND OR NAMED STORM DEDUCTIBLE WILL APPLY, PLEASE REFER TO YOUR POLICY.

LIMITATIONS OR EXCLUSIONS UNDER THIS POLICY

FLOOD:

Flood damage [is/is not] covered, regardless of how caused, when flood is the peril that causes the loss. Flood water includes, but is not limited to, storm surge, waves, tidal water and overflow of a body of water, whether driven by wind or not.

Flood Insurance may be available through the National Flood Insurance Program (NFIP). NFIP flood insurance may provide coverage for damage to your building and/or contents, subject to the coverage limits and terms of the policy.

Excess Flood Insurance may be available under a separate policy, from this or another insurer, if the amount of the primary flood insurance is not enough to cover the value of your property.

- You may contact your producer/agent or insurer for more information on the NFIP and excess flood insurance.

MOLD:

Damage caused solely by mold [is/is not] covered under this policy.

**** FOR ALL OTHER LIMITATIONS OR EXCLUSIONS, REFER TO YOUR POLICY FOR COMPLETE DETAILS ON TERMS AND PROVISIONS ****

Maine:

This insurance contract is issued pursuant to the Maine Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Maine Bureau of Insurance.

Maryland:

This insurance is issued by a nonadmitted insurer not under the jurisdiction of the Maryland Insurance Commissioner.

DISCLOSURE REGARDING SURPLUS LINES INSURANCE.

Please Read the Following Carefully Before Purchasing Insurance From a Surplus Lines Insurer. This policy is issued by a surplus lines insurer that has been approved by the Maryland Insurance administration to issue insurance policies in the surplus lines insurance market. Surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration and do not possess a certificate of authority to transact insurance business in the State of Maryland. Because surplus lines insurers are not under the jurisdiction of the Maryland Insurance Administration, your ability to seek assistance from the State if you have a problem with our insurance company is limited. The Property and Casualty Insurance Guaranty Corporation provides a fund that permits claimants or policyholders to receive payment of covered claims if their insurance company becomes insolvent (i.e., bankrupt) and is unable to pay the claims. However, this fund does not apply to surplus lines insurers. If a surplus lines insurer becomes insolvent (i.e. bankrupt), any claim that you have against the surplus lines insurer will not be covered by the fund administered by Property and Casualty Insurance Guaranty Corporation. If you have any questions regarding this disclosure or surplus lines insurance, please contact the Maryland Insurance Administration at 410-468-2340.

Massachusetts:

The insurer with whom the insurance was placed is not licensed in Massachusetts. In the event of insolvency of the surplus lines insurer, losses will not be paid by the state insurance guaranty fund.

Michigan:

This insurance has been placed with an insurer that is not licensed by the state of Michigan. In case of insolvency, payment of claims may not be guaranteed.

Minnesota:

THIS INSURANCE IS ISSUED PURSUANT TO THE MINNESOTA SURPLUS LINES INSURANCE ACT. THE INSURER IS AN ELIGIBLE SURPLUS LINES INSURER BUT IS NOT OTHERWISE LICENSED BY THE STATE OF MINNESOTA. IN CASE OF INSOLVENCY, PAYMENT OF CLAIMS IS NOT GUARANTEED.

Mississippi:

NOTE

This insurance policy is issued pursuant to Mississippi law covering surplus lines insurance. The company issuing the policy is not licensed by the State of Mississippi, but is authorized to do business in Mississippi as a nonadmitted company. The policy is not protected by the Mississippi Insurance Guaranty Association in the event of the insurer's insolvency.

Missouri:

This Policy is issued in an unauthorized insurer under The Surplus Lines Insurance Law, under surplus lines insurance producer license No. _____ and is NOT covered by the property and casualty guaranty fund of this state if the unauthorized insurer becomes insolvent.

Montana:

This Policy is issued in an unauthorized insurer under The Surplus Lines Insurance Law, under surplus lines insurance producer license No. _____ and is NOT covered by the property and casualty guaranty fund of this state if the unauthorized insurer becomes insolvent.

Nebraska:

This policy is issued by a nonadmitted insurer, and in the event of the insolvency of such insurer, this policy will not be covered by the Nebraska Property and Liability Insurance Guaranty Association.

Nevada:

This insurance contract is issued pursuant to the Nevada insurance laws by an insurer neither licensed by nor under the supervision of the Division of Insurance of the Department of Business and Industry of the State of Nevada. If the insurer is found insolvent, a claim under this contract is not covered by the Nevada Insurance Guaranty Association Act.

New Hampshire:

The company issuing this policy has not been licensed by the state of New Hampshire and the rates charged have not been approved by the commissioner of insurance. If the company issuing this policy becomes insolvent, the New Hampshire insurance guaranty fund shall not be liable for any claims made against the policy.

New Jersey:

This policy is written by a surplus lines insurer and is not subject to the filing or approval requirements of the New Jersey Department of Banking and Insurance. Such a policy may contain conditions, limitations, exclusions and different terms than a policy issued by an insurer granted a Certificate of Authority by the New Jersey Department of Banking and Insurance. The insurer has been approved by the Department as an eligible surplus lines insurer, but the policy is not covered by the New Jersey Insurance Guaranty Fund, and only a policy of medical malpractice liability insurance as defined in N.J.S.A. 17:30D-3d or a policy of property insurance covering owner-occupied dwellings of less than four dwelling units are covered by the New Jersey Surplus Lines Guaranty Fund.

New Mexico:

This policy provides surplus lines insurance by an insurer not otherwise authorized to transact business in New Mexico. This policy is not subject to supervision, review or approval by the superintendent of insurance. The insurance so provided is not within the protection of any guaranty fund law of New Mexico designed to protect the public in the event of the insurer's insolvency.

New York:

THE INSURER(S) NAMED HEREIN IS (ARE) NOT LICENSED BY THE STATE OF NEW YORK, NOT SUBJECT TO ITS SUPERVISION. AND IN THE EVENT OF THE INSOLVENCY OF THE INSURER(S) , NOT PROTECTED BY THE NEW YORK STATE SECURITY FUNDS, THE POLICY MAY NOT BE SUBJECT TO ALL OF THE REGULATIONS OF THE INSURANCE DEPARTMENTS PERTAINING TO POLICY FORMS.

North Carolina:

The insurance company with which this coverage has been placed is not licensed by the State of North Carolina and is not subject to its supervision. In the event of the insolvency of the insurance company, losses under this policy will not be paid by any State insurance guaranty or solvency fund.

North Dakota:

THIS POLICY IS ISSUED PURSUANT TO THE NORTH DAKOTA SURPLUS LINES INSURANCE STATUTE UNDER THE SURPLUS LINES PRODUCER'S LICENCE OF _____. THE INSURER IS A QUALIFIED SURPLUS LINES INSURER, BUT IS NOT OTHERWISE LICENSED BY THE STATE OF NORTH DAKOTA AND DOES NOT PARTICIPATE IN THE NORTH DAKOTA INSURANCE GUARANTY ASSOCIATION.

Ohio:

THE INSURANCE HEREBY EVIDENCED IS WRITTEN BY AN APPROVED NON-LICENSED INSURER IN THE STATE OF OHIO AND IS NOT COVERED IN CASE OF INSOLVENCY BY THE OHIO INSURANCE GUARANTY ASSOCIATION.

Oklahoma:

The insurance company with which this coverage has been placed is not licensed by the State of Oklahoma and is not subject to its supervision. In the event of the insolvency of the insurance company, losses under this policy will not be paid by any State insurance guaranty or solvency fund.

Oregon:

This insurance was procured and developed under the Oregon surplus lines laws. It is NOT covered by the provisions of ORS 734.510 to 734.710 relating to the Oregon Insurance Guaranty Association. If the insurer issuing this insurance becomes insolvent, the Oregon Insurance Guaranty Association has no obligation to pay claims under this insurance.

Pennsylvania:

The insurer which has issued this insurance is not licensed by the Pennsylvania Insurance Department and is subject to limited regulation. This insurance is NOT covered by the Pennsylvania Insurance Guaranty Association.

Rhode Island:

NOTICE
THIS INSURANCE CONTRACT HAS BEEN PLACED WITHAN INSURER NOT LICENSED TO DO BUSINESS IN THE STATE OF RHODE ISLAND BUT APPROVED AS A SURPLUS LINES INSURER. THE INSURER IS NOT A MEMBER OF THE RHODE ISLAND INSURERS INSOLVENCY FUND. SHOULD THE

INSURER BECOME INSOLVENT, THE PROTECTION AND BENEFITS OF THE RHODE ISLAND INSURERS INSOLVENCY FUND ARE NOT AVAILABLE.

South Carolina:

This company has been approved by the director or his designee of the South Carolina Department of Insurance to write business in this State as an eligible surplus lines insurer, but it is not afforded guaranty fund protection.

South Dakota:

This insurance contract is issued by a nonadmitted insurer which is not licensed by nor under the jurisdiction of the South Dakota Insurance Director.

Tennessee:

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued and delivered as a surplus line coverage pursuant to the Tennessee insurance statutes.

Texas:

This insurance contract is with an insurer not licensed to transact insurance in this state and is issued and delivered as surplus line coverage under the Texas insurance statutes. The Texas Department of Insurance does not audit the finances or review the solvency of the surplus lines insurer providing this coverage, and the insure is not a member of the property and casualty insurance guaranty association created under Chapter 462, Insurance Code. Chapter 225, Insurance Code, requires payment of a 4.85 percent tax on gross premium.

TEXAS COMPLAINTS NOTICE

IMPORTANT NOTICE

To obtain information or make a complaint:

You may call Chubb's toll-free telephone number for information or to make a complaint at:

1-800-362-4822

You may contact the Texas Department of Insurance to obtain information on companies, coverages, rights or complaints at:

1-800-252-3439

You may write the Texas Department of Insurance:

P. O. Box 149104
Austin, TX 78714-9104
Fax: (512) 490-1007

AVISO IMPORTANTE

Para obtener informacion o para someter una queja:

Usted puede llamar al número de teléfono gratuito de Chubb para obtener información o para presentar una queja al:

1-800-362-4822

Usted puede comunicarse con el Departamento de Seguros de Texas para obtener información sobre compañías, coberturas, derechos, o quejas al:

1-800-252-3439

Usted puede escribir al Departamento de Seguros de Texas a:

P.O. Box 149104

Web: <http://www.tdi.state.tx.us>
E-mail: ConsumerProtection@tdi.state.tx.us

PREMIUM OR CLAIM DISPUTES:

Should you have a dispute concerning your premium or about a claim you should contact the agent first. If the dispute is not resolved, you may contact the Texas Department of Insurance.

ATTACH THIS NOTICE TO YOUR POLICY:

This notice is for information only and does not become a part or condition of the attached document.

Austin, TX 78714-9104
Fax: (512) 490-1007
Sitio web: www.tdi.texas.gov
E-mail: ConsumerProtection@tdi.texas.gov

DISPUTAS POR PRIMAS DE SEGUROS O RECLAMACIONES:

Si tiene una disputa relacionada con su prima de seguro o con una reclamación, usted debe comunicarse con (el agente) (la compañía) (el agente o la compañía) primero. Si la disputa no es resuelta, puede comunicarse con el Departamento de Seguros de Texas.

ADJUNTE ESTE AVISO A SU POLIZA:

Este Este aviso es solamente para propósitos informativos y no se convierte en parte o en condición del document adjunto.

Utah:

The insurer issuing this policy does not hold a certificate of authority to do business in this state and thus is not fully subject to regulation by the Utah insurance commissioner. This policy receives no protection from any of the guaranty associations created under Title 31A, Chapter 28.”

Vermont:

The company issuing this policy has not been licensed by the state of Vermont and the rates charged have not been approved by the commissioner of insurance. Any default on the part of the insurer is not covered by the Vermont Insurance Guaranty Association.”

Virginia:

The insurance policy that you have applied for has been placed with or is being obtained from an insurer approved by the State Corporation Commission for issuance of surplus lines insurance in this Commonwealth, but not licensed or regulated by the State Corporation Commission of the Commonwealth of Virginia. Therefore, you, the policyholder, and persons filling a claim against you are not protected under the Virginia Property and Casualty Insurance Guarantee Association Act (&&38.2-1600 ET SEQ.) against default of the company due to insolvency. In the event of insurance company insolvency, you may be unable to collect any amount owed to you by the company regardless of the terms of this insurance policy and you may have to pay for any claims made against you.”

Washington:

This contract is registered and delivered as a surplus line coverage under the insurance code of the state of Washington, enacted in 1947. It is not issued by a company regulated by the Washington state insurance commissioner and is not protected by any Washington state guaranty fund law.

West Virginia:

This company is not licensed to do business in West Virginia and is not subject to the West Virginia Insurance Guaranty Act.

Notice

1. An insurer that is not licensed in this state is issuing the insurance policy that you have applied to purchase. These companies are called 'nonadmitted' or 'surplus lines' insurers.
2. The insurer is not subject to the financial solvency regulation and enforcement that applies to licensed insurers in this state.
3. These insurers generally do not participate in insurance guaranty funds created by state law. These guaranty funds will not pay your claims or protect your assets if the insurer becomes insolvent and is unable to make payments as promised.
4. Some states maintain lists of approved or eligible surplus lines insurers and surplus lines brokers may use only insurers on the lists. Some states issue orders that particular surplus lines insurers cannot be used.
5. For additional information about the above matters and about the insurer, you should ask questions of your insurance agent or surplus lines licensee. You may also contact your insurance commission consumer help line.

Wisconsin:

This insurance contract is with an insurer which has not obtained a certificate of authority to transact regular insurance business in the state of Wisconsin, and is issued and delivered as a surplus line coverage pursuant to s. 618.41 of the Wisconsin Statutes. Section 618.43(1), Wisconsin Statutes, requires payment by the policyholder of 3% tax on gross premium.”

Wyoming:

This insurance contract is issued pursuant to the Wyoming Insurance Laws by an insurer neither licensed by nor under the jurisdiction of the Wyoming Insurance Department.

SCHEDULE OF FORMS AND ENDORSEMENTS

Named Insured Children's Learning Adventure USA, LLC
Policy Period 02/01/20 – 02/01/21

<u>Form/Endorsement</u>	<u>Description</u>	<u>Pages</u>
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U.S. TREASURY DEPARTMENT'S OFFICE OF FOREIGN ASSETS CONTROL ("OFAC") ADVISORY NOTICE TO POLICYHOLDERS

No coverage is provided by this Policyholder Notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

This Notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this Notice carefully.**

The Office of Foreign Assets Control (OFAC) administers and enforces sanctions policy, based on Presidential declarations of "national emergency". OFAC has identified and listed numerous:

- Foreign agents;
- Front organizations;
- Terrorists;
- Terrorist organizations; and
- Narcotics traffickers;

as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site – <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated U.S. sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC. Other limitations on the premiums and payments also apply.

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MANUSCRIPT ALL RISKS FORM

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COMMERCIAL PROPERTY POLICY DECLARATIONS

ITEM 1: POLICY NUMBER:

Starr Surplus Lines Insurance Company – SLSTPTY11261020

RENEWAL OF:

Starr Surplus Lines Insurance Company – SLSTPTY11139019

ITEM 2: FIRST NAMED INSURED:

Children’s Learning Adventure USA, LLC

ADDRESS:

14631 N. Scottsdale Road, Suite 200
Scottsdale, AZ 85254

ITEM 3: TERM OF INSURANCE:

From: February 1, 2020 To: February 1, 2021
at 12:01 A.M. Standard Time at the address of the named insured shown above

ITEM 4: LIMIT OF LIABILITY:

\$25,000,000 any one occurrence excess of policy deductibles

ITEM 5: PREMIUM:

\$328,715

ITEM 6: SUB-LIMITS OF LIABILITY:

Sub-limits of Liability stated below are subject to and not in addition to the Policy Limit shown above. These Sub-limits of Liability and the specified limits of liability contained in the forms, endorsements and extensions attached, if any, are per Occurrence unless otherwise indicated.

\$25,000,000	Annual Aggregate as respects Earth Movement, except;
NOT COVERED	Annual Aggregate as respects Earth Movement in California, Hawaii, Alaska, Pacific Northwest and New Madrid.
\$10,000,000	Annual Aggregate as respects Flood, including Storm Surge (all coverage’s combined), except;
\$10,000,000	Annual Aggregate as respects including Storm Surge (all coverage’s combined) Flood, including storm surge in flood hazard areas identified on the Flood Insurance Rate Map are identified as moderate flood hazard areas, labeled Zone B or Zone X (shaded) are also shown on the FIRM, and are the areas between the limits of the base flood and the 0.2-percent-annual-chance (or 500) flood.

\$1,000,000	Annual Aggregate as respects including Storm Surge (all coverage's combined) Flood, including storm surge at locations wholly or partially within Special Hazard Flood Areas A, A1-A30, AE, AH, AO, AR, A99, AOVEL, V, V1-V30 and VE as defined by the Federal Emergency Management Agency (FEMA).
\$25,000,00	Per Occurrence for the peril of Named Storm (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone, Tropical Storm or Tropical Depression), regardless of the number of Coverages, Locations or Perils involved including but not limited to, all Flood including 100 Year Flood Zones, (however caused) wind, wind gusts, tornados, cyclones, hail or rain). In the event covered Loss or Damage by Flood arises out of a Named Storm, the maximum amount the Company will pay per Occurrence for all such Loss or Damage by Flood shall be the Sublimits of Liability for Flood. However, if Flood is not covered, the maximum amount the Company will pay per Occurrence for all such Loss or Damage by Named Storm shall exclude Loss or Damage by Flood.
\$5,000,000 or 25% of the loss payable, whichever is greater.	Debris Removal.
\$2,500,000	Accounts Receivable.
365 Days	Contingent Time Element.
30 Days	Interruption by Civil or Military Authority.
30 Days	Ingress / Egress.
90 Days	Extended Period of Indemnity.
90 Days	Ordinary Payroll
INCLUDED	Demolition and Increased Cost of Construction – Paragraph 1.
\$5,000,000	Demolition and Increased Cost of Construction – Paragraph 2.
\$5,000,000	Demolition and Increased Cost of Construction – Paragraph 3.
\$1,000,000	Electronic Data and Media.
\$2,500,000	Errors and Omissions.
\$2,500,000	Extra Expense.
\$100,000	Fine Arts (Maximum \$10,000 per item).
\$500,000	Fire Brigade Charges and Extinguishing Expenses.
\$1,000,000	Leasehold Improvements and Betterments.
\$1,000,000	Leasehold Interest.
\$100,000	Annual aggregate as respects Limited Pollution Coverage.
\$1,000,000	Miscellaneous Unnamed Locations
\$5,000,000	Newly Acquired Property.
\$100,000	Professional Fees.
\$1,000,000	Off Premises Property.
\$2,500,000	Service Interruption.
\$500,000	Transit
\$1,000,000	Valuable Papers and Records.
\$500,000	Rental Value.
\$1,000,000	Royalties.
\$100,000	Soft Costs.
\$1,000,000	Attraction Property
\$2,500,000	Course of Construction
\$500,000	Defense Costs

\$250,000	Mold Ensuing from an Insured Cause of Loss
\$100,000	Trees, Shrubs, and Plants
\$250,000	Wind-Driven Rain
Boiler and Machinery	
\$2,500,000	Expediting Expense
\$100,000	Hazardous Substances, Annual Aggregate
\$100,000	Ammonia Contamination
\$100,000	Water Damage
\$2,500,000	Off Premises Service Interruption
\$100,000	Consequential Damage



A Member of Starr Companies

MANUSCRIPT ALL RISKS FORM

SECTION I – COVERAGES

A. TERMS OF INSURANCE

In consideration of the premium charged, the policy attaches and covers losses occurring during the Policy Period, as stated in ITEM 3 of the Declarations, at the location of property insured.

B. LIMITS OF LIABILITY

This Company's maximum liability in any one occurrence as a result of all covered loss or damage regardless of the number of locations, coverages or perils insured under this Policy shall not exceed the Limit of Liability as stated in ITEM 4 of the Declarations.

C. SUBLIMITS OF LIABILITY

As stated in ITEM 6 of the Declarations, are within, and do not increase, the Limits of Liability stated in ITEM 4 of the Declarations.

The maximum Sublimit amount collectible under this Policy shall be the Sublimit applicable for all loss or damage resulting from a Covered Cause of Loss, regardless of any other sublimit involved in this Policy.

D. DEDUCTIBLES

1. All loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of \$25,000 except:

a. With respect to water damage losses: \$50,000

2. Earth Movement:

The following sum(s) shall be deducted from any adjusted loss due to Earth Movement:

a. With respect to locations wholly or partially within the states and/or zones of California, Hawaii, Alaska, Puerto Rico, Pacific Northwest and New Madrid the deductible shall be NOT COVERED% of the Total Insurable Values at the time of loss or damage at each location involved in the loss or damage, subject to a minimum of \$NOT COVERED for any one occurrence;

b. With respect to any other Earth Movement the deductible shall be the greater of \$100,000 or the deductible amount in Item D. 1 above for any one occurrence;

3. Flood:

The following sum(s) shall be deducted from any adjusted loss due to Flood;

- a. With respect to locations wholly or partially within Special Flood Hazard Areas A, A1-A30, AE, AH, AO, AR, A99, AOVEL, V, V1-V30 and VE, as defined by the Federal Emergency Management Agency (FEMA) the deductible shall be NOT APPLICABLE% of Total Insurable Values at the time of the loss at each location involved in the loss or damage, subject to a per building/structure minimum of \$500,000 for Building and/or \$500,000 for Contents any one occurrence, plus \$100,000 minimum any one occurrence for all business interruption / time element coverages;
- b. With respect to locations wholly or partially within Zone B or Zone X (shaded), the deductible shall be \$250,000 any one occurrence;
- c. With respect to any other flood loss, the deductible shall be NOT APPLICABLE% of the Total Insurable Values at the time of loss at each location involved in the loss, subject to a minimum \$100,000 any one occurrence.

4. Windstorm and Hail:

The following sum(s) shall be deducted from any adjusted loss due to Windstorm and Hail:

- a. With respect to any other Windstorm and Hail loss, the deductible shall be 3% of the Total Insurable Values at the time of loss at each location involved in the loss, subject to a minimum \$100,000 any one occurrence
- b. 3% of the TIV at the time of the loss at each unit involved in the loss arising out of a Named Storm (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone, Tropical Storm or Tropical Depression), regardless of the number of Coverages, Locations or Perils involved (including but not limited to, all Flood, wind, wind gusts, storm surges, tornados, cyclones, hail or rain) and subject to a minimum deductible of \$250,000 any one occurrence.

The amount of the deductibles above shall be determined by applying the above percentages, separately to each of the following units of insurance:

- (1) Each building or structure, not including the value of its foundations, which has sustained loss or damage;
- (2) Personal property within each building or structure if that personal property sustains loss or damage;
- (3) Personal property in the open that sustains loss or damage.
- (4) The Time Element values impacted by the direct loss or damage to said property that sustains loss or damage.

5. If two or more deductible amounts in this policy apply to a single occurrence, the total to be deducted shall not exceed the largest deductible applicable; however, Property Damage and Time Element deductibles shall apply separately.

WAITING PERIOD:

24 Hours – Service Interruption, then above Deductible applies.

E. LOSS PAYEE

Loss, if any, shall be adjusted with and payable to the First Named Insured or their order, unless endorsed otherwise hereon. Receipt of payment by the Insured or Loss Payee as provided under this policy shall constitute a release in full of all liability under this policy with respect to such loss. In the event that the Company makes a partial payment or payments of loss, release in full of all liability shall occur upon final payment with respect to such loss.

F. TERRITORY

This policy covers Insured locations within the 50 states comprising the United States of America, its territories and possessions and the District of Columbia.

SECTION II – COVERED CAUSES OF LOSS

A. PERILS INSURED AGAINST

This policy insures against all risks of direct physical loss of or damage to property described herein including general average, salvage and all other similar charges on shipments covered hereunder, if any, except as hereinafter excluded.

B. PERILS EXCLUDED

This policy does not insure against loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss:

1. any loss or damage resulting from, or arising out of, fraudulent or dishonest or criminal act or acts committed by the Insured or any of the Insured's employees or others to whom the property may be delivered or entrusted;
2. inventory shortage or unexplained disappearance;
3. voluntary parting with title or possession of any property, including voluntary parting which is the result of larceny, false pretenses or any other similar act;
4. any loss or damage resulting from defective design or specifications, faulty materials or faulty workmanship, installation or construction. But, if loss or damage from a covered peril herein results, to covered property, from such defective design or specifications, faulty material or faulty workmanship, installation or construction, then this policy will cover such ensuing loss or damage not otherwise excepted or excluded from coverage;
5. electrical injury or disturbance to electrical appliances, devices, or wiring caused by electrical currents artificially generated. But if loss or damage from a "specified covered peril" results, to covered property, from such electrical injury or disturbance, then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage; this exclusion shall not apply to Electronic Data Processing Systems and Valuable Papers.
6. mechanical or machinery breakdown, disassociation or derangement including rupture or bursting caused by centrifugal force; nor rupture, bursting or operation of pressure relief devices. But if loss or damage from a covered peril results then this policy shall cover such ensuing loss or damage not otherwise excepted or excluded from coverage; This exclusion shall not apply to Electronic Data Processing Systems and Valuable Papers.

