

emotional stress, regardless of whether the injury, anguish or stress is covered by the Policyholder's Plan. Also, it does not include the Policyholder's office expenses or salaries of Insureds or Employees. We have the sole discretion to determine whether the amounts sought to be paid under this benefit are reasonable.

We will indemnify the Policyholder only if the following conditions are met.

1. The Accident must occur while the Policy is in force; and
2. The Insured's employment must be necessary or incidental to work conducted by the Policyholder in the State of Texas; and
3. The original suit and any related actions for damages were brought in the United States of America, its territories or possessions, or Canada.

[Right to Defend

Duties of the Policyholder and the Company

1. The Company has no duty to investigate, handle, settle or defend any claim, suit, or proceeding against the Policyholder.
2. The Company has the right and shall be given the opportunity by the Policyholder to associate with the Policyholder in the defense, investigation, or settlement of any claim, suit, or proceeding which appears to involve indemnity in the sole opinion of the Company. In such associations, the Policyholder and the Company shall cooperate in all aspects of defense, investigation, and settlement.
3. The Company shall also have the right, but not the duty, to assume control in the defense of such claim, suit, or proceeding, which in the Company's sole opinion, may create liability for the Company under the Policy. The assumption of control shall include, but is not limited to, the investigation of any Occupational Injury, Occupational Disease, claim, suit, or proceeding; the settlement of any claim, suit, or proceeding; the selection or retention of defense counsel; or the appeal of any judgment.
4. If the Company exercises its rights specified in paragraphs 2 and 3, the Company shall pay its own claim expenses.
5. The Policyholder agrees not to make any voluntary settlements involving reimbursement or payments to be made by the Company without the Company's prior written approval. If the Policyholder refuses to consent to any claims settlement amount demanded by the Covered Person and recommended by the Company, but instead elects to contest a claim arising out of Bodily Injury, or to continue litigation at the trial level or at the appellate level in connection with the claim, then the Company's duty to reimburse the Policyholder or pay for such claim under the Policy will not exceed the difference between the Policyholder's retention and the lesser of the claims settlement amount or the Company's Limit of Liability under the Policy. The Company may discharge its duty to reimburse or pay for such claim under the Policy by paying to the Policyholder the difference between the Policyholder's retention and the lesser of the claims settlement amount or the Company's Limit of Liability under the Policy. The Policyholder agrees to release the Company from any further liability for such claim upon receipt of the Company's payment, as outlined.
6. Payments for any loss other than a periodic payment loss are due and payable within thirty (30) days of the date on which the Company receives proper Proof of Loss. All payments reimbursable as a result of a loss that require periodic payment shall be paid on a timely basis.
7. The Company shall have the right to authorize and/or approve a third party administrator to handle the claims arising under the Policy. Any change of a third party administrator for claims covered by the Policy must have prior written approval granted by the Company.

Appeals

If the Policyholder does not appeal an award or judgment which exceeds the Policyholder's retention, the Company has the right to take an appeal at their own costs and expense and shall be liable for costs disbursements and interest related to the appeal. The Company will consult with the Policyholder prior to any election to appeal. If the Company elects to appeal, the liability of the Company on such an award or judgment shall not exceed the applicable Limit of Liability shown in the Schedule of Benefits, plus the cost and expense of such an appeal.]

[Duty to Defend: We have the right and the duty to defend any legal action against the Policyholder for claims based on a claim for a Claims Loss. We have the right to investigate any incident that is the basis of such claim. The Policyholder shall cooperate fully with Us and use diligence, prudence and good faith in assisting the investigation and settlement of all legal actions. Policyholder's failure to exercise diligence, prudence and good faith or failure to cooperate with Us in the defense of any legal action may result in the disclaimer of coverage for the legal action and withdrawal of Our duty to defend. No investigator, adjuster or counsel shall be employed to represent Our interest without Our prior written approval. We reserve the right to obtain professional services as deemed necessary by Us, at Our own expense. Should insurance coverage for a legal action under this amendment exist, Policyholder shall make no payment nor incur any obligation to pay any sum regarding any Claims Loss in excess of the Deductible, except after Our prior written approval.

We shall select legal counsel to represent the Policyholder. Any legal defense costs incurred by Us through counsel retained by Us to defend a particular claim shall be paid by Us only after the Policyholder has satisfied the Deductible.

We are entitled to settle such lawsuits which We value in an amount exceeding the Deductible shown in the Schedule of Benefits. If such lawsuit is settled, the Policyholder shall pay the remainder of the Deductible, if any, within 30 days and shall cooperate with Us in such settlement, including the execution and delivery of all settlement documents We consider appropriate.

Policyholder agrees not to make any voluntary settlements involving indemnity by Us without Our prior written approval. If Policyholder refuses to consent to any settlement amount demanded by the Insured or deceased Insured's spouse or children as Beneficiaries and recommended by Us, but instead elects to contest a claim or to continue litigation at the trial level or at the appellate level in connection with such claim, then Our indemnity under this Policy will not exceed the difference between the Deductible and the lesser of the settlement amount or Our Limit of Liability. We may discharge its indemnity for such claim under this Policy by paying the Policyholder the difference between the Deductible and the lesser of the settlement amount or its Limit of Liability. Policyholder agrees to release Us from any further indemnity for such claim upon receipt of Our payment as outlined above.

Our duty to defend ends on the earliest of the following dates:

1. On the date the Insured accepts a settlement offer made by Us; or
2. On the date judgment is rendered and We, at Our sole discretion, decide not to appeal the judgment; or
3. When We have incurred the Limit On Defense Costs shown in the Schedule of Benefits, and thereafter, when the payment or reimbursement under this Policy reaches the Combined Single Limit per Insured [per Occurrence] shown in the Schedule of Benefits

We have no duty to defend any suit that is not based on a claim for a Claims Loss, or if the Policyholder fails to pay the Deductible. We have no duty to defend the Policyholder against any suit seeking damages for non-occupational injury, emotional distress, pain and suffering, economic change, loss of consortium, property damage, contribution, indemnity or any other known or unknown claim to which this Policy does not apply. Defense expenses We incur are included in the Annual Aggregate shown in the Schedule of Benefits.]

LIMITS OF LIABILITY

We will pay benefits only for the amount in excess of the Deductible, up to the limits in the Schedule of Benefits. We may reduce the amount of payments applied to the Deductible, if We determine they are in excess of Usual, Customary and Reasonable charges. In no event will We be required to pay benefits below the Deductible. We shall have no obligation to pay any sum under the Policy until the Deductible is satisfied.

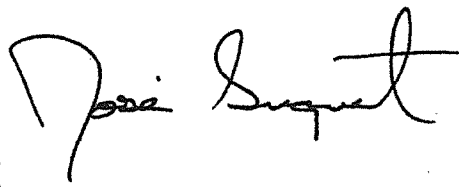
If the Insured is protected against any loss covered by the Policy by any other insurance, indemnity, or reimbursement contract, the Policy shall apply only in excess of the other contract of insurance, indemnity or reimbursement.

Limits of liability are shown in the Schedule of Benefits. The Combined Single Limit for any one Insured is the most We will pay for payments made to any one Insured whether payments are made under one or more of the benefits provided by the Policy for any one Covered Occurrence. The Aggregate per Covered Occurrence is the most We will pay on behalf of all Insureds who suffer Occupational Injury as a result of any one Covered Occurrence. The Company's duty to defend any suit against the Policyholder for claims based on an Occupational Injury ends when the Limit on Defense Costs is reached and the Combined Single Limit for an Insured is exhausted. Any amount paid in excess of the Limit On Defense Costs will accumulate to the Combined Single Limit and will be less any payments made for the Insured under the Policy for the same Covered Occurrence. This amount is the most We will pay for payments made for, or on behalf of, the Policyholder for all defense costs for claims payable under the Employer Indemnity Coverage. The Policy Aggregate Limit is the most We will pay on behalf of any or all Insureds for claims incurred during the Policy Term. This limit includes any and all amounts payable for defense costs of a claim under the Employer Indemnity Coverage.

EXCLUSIONS

Benefits will not be paid for claims under the Employer Indemnity Coverage, if benefits will not be paid for claims under the Occupational Accident Coverage. Additional Exclusions that apply to this benefit are shown in the Policy.

Signed for Pan-American Life Insurance Company

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[Chairman of the Board
President and Chief Executive Officer]

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