

# **ANNUAL INSURANCE PREMIUM ALLOCATION**

**DeepShield Systems, Inc.**

*Effective Date: January 1, 2024*

## **1. PURPOSE AND SCOPE**

1. This Annual Insurance Premium Allocation document ("Allocation Document") sets forth the methodology and breakdown for allocating insurance premium costs across DeepShield Systems, Inc.'s ("Company") various business units, subsidiaries, and operational centers for fiscal year 2024.

2. This Allocation Document covers all insurance policies maintained by the Company, including but not limited to: cyber liability, professional liability, commercial general liability, property, directors and officers liability, employment practices liability, and maritime operations coverage.

## **2. DEFINITIONS**

1. "Premium Allocation Base" means the total annual insurance premium costs subject to allocation, excluding broker fees and risk management administrative costs.

2. "Business Unit" means any distinct operational division or subsidiary of the Company as defined in the organizational structure dated December 1, 2023.

3. "Risk Factors" means the weighted criteria used to determine allocation percentages, including revenue, headcount, asset value, and risk exposure metrics.

## **3. PREMIUM BREAKDOWN**

1. Total Premium Allocation Base for FY2024: \$4,875,000

2. Policy-Specific Premium Distribution:

- Cyber Liability: \$1,850,000
- Professional Liability: \$975,000
- Commercial General Liability: \$625,000
- Property Insurance: \$450,000
- Directors & Officers Liability: \$575,000
- Employment Practices Liability: \$225,000

- Maritime Operations Coverage: \$175,000

#### **4. ALLOCATION METHODOLOGY**

##### **1. Primary Allocation Factors:**

- Revenue Contribution: 35%
- Operational Risk Profile: 25%
- Asset Value: 20%
- Employee Headcount: 15%
- Claims History: 5%

##### **2. Business Unit Allocation:**

###### **a) Core Platform Division (Delaware)**

- Allocation Percentage: 45%
- Annual Premium Share: \$2,193,750

###### **b) Maritime Security Division (Texas)**

- Allocation Percentage: 30%
- Annual Premium Share: \$1,462,500

###### **c) Infrastructure Protection Division (California)**

- Allocation Percentage: 25%
- Annual Premium Share: \$1,218,750

#### **5. PAYMENT AND ACCOUNTING**

##### **1. Premium payments shall be made quarterly in advance according to the following schedule:**

- Q1 (January-March): 25% due December 15, 2023
- Q2 (April-June): 25% due March 15, 2024
- Q3 (July-September): 25% due June 15, 2024
- Q4 (October-December): 25% due September 15, 2024

##### **2. Each Business Unit shall record allocated premiums as operating expenses under cost center code INS-2024.**

## **6. ADJUSTMENTS AND RECONCILIATION**

1. Mid-year adjustments to allocation percentages may be made under the following circumstances:

- Material change in Business Unit revenue ( 20%)
- Significant modification to risk profile
- Corporate restructuring
- Material claims affecting specific Business Units

2. Any adjustment exceeding 10% of original allocation requires CFO approval.

## **7. REPORTING AND COMPLIANCE**

1. Quarterly allocation reports shall be prepared by the Risk Management Department and distributed to:

- Chief Financial Officer
- Business Unit Leaders
- Corporate Controller
- Internal Audit Department

2. Annual reconciliation reports must be completed by January 31, 2025.

## **8. GOVERNANCE AND OVERSIGHT**

1. The Risk Management Committee shall review allocation methodology annually.

2. Disputes regarding allocation shall be resolved by the CFO in consultation with the Risk Management Committee.

## **9. AUTHORIZATION**

This Annual Insurance Premium Allocation document has been reviewed and approved by the undersigned authorized representatives of DeepShield Systems, Inc.

APPROVED AND ADOPTED this 15th day of December, 2023.

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Robert Kessler

Chief Financial Officer

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Marcus Chen

Chief Executive Officer

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Elena Rodriguez

Chair, Risk Management Committee

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## **10. DISCLAIMER**

This document is confidential and proprietary to DeepShield Systems, Inc. The allocation methodologies and premium information contained herein are for internal use only and subject to modification based on changes in business conditions, insurance market dynamics, or corporate requirements.