

National Casualty Company

A Stock Insurance Company, herein called the Company

ARCHITECTS AND ENGINEERS PROFESSIONAL LIABILITY INSURANCE POLICY

THIS IS A CLAIMS MADE AND REPORTED POLICY. Coverage is limited to only those **CLAIMS** that are first made against **YOU** and reported to **US** during the **POLICY PERIOD** or Extended Reporting Period, if applicable, as a result of any **WRONGFUL ACT** or **POLLUTION INCIDENT** which occurred prior to the end of the **POLICY PERIOD**. However, if the renewal policy is written by **US**, **YOU** will have sixty (60) days after the expiration date of this policy to report any **CLAIM** first made in this **POLICY PERIOD**.

INSURING AGREEMENT

WE will pay **DAMAGES** which **YOU** become legally obligated to pay and **CLAIM EXPENSE**, as a result of **CLAIM(S)** first made against **YOU** and reported to **US** in writing during the **POLICY PERIOD** or Extended Reporting Period, if applicable, provided that:

1. The **WRONGFUL ACT** or **POLLUTION INCIDENT** giving rise to the **CLAIM** occurred on or after the **RETROACTIVE DATE** shown in the Declarations and before the end of the **POLICY PERIOD**;
2. Notice of the **WRONGFUL ACT** or **POLLUTION INCIDENT** was not given nor required to be given to any prior insurer; and
3. Prior to the inception date of the first policy issued to **YOU** by **US** and continuously renewed by **US**, **YOU** had no reasonable basis to believe that such **WRONGFUL ACT** or **POLLUTION INCIDENT** had been committed or that a **CLAIM** would be made against **YOU** alleging such **WRONGFUL ACT** or **POLLUTION INCIDENT**.

DEFENSE

WE have the right and duty to defend any suit against **YOU** seeking **DAMAGES** because of a **WRONGFUL ACT** or **POLLUTION INCIDENT** even if any of the allegations in the suit are groundless, false or fraudulent. **WE** have the right to appoint counsel and investigate any **CLAIM** or suit. However, **WE** will not settle or compromise a **CLAIM** or suit without **YOUR** written consent. If consent is refused and **YOU** elect to contest the **CLAIM** or continue legal proceedings, then **OUR** liability for the **CLAIM** will not exceed the amount for which the **CLAIM** could have been settled, plus **CLAIM EXPENSE** incurred up to the date of **YOUR** refusal.

If the allegation(s) is excluded under this policy, there shall be no duty to defend such **CLAIM**.

WE are not obligated to pay any **DAMAGES** or **CLAIM EXPENSE** or defend any suit after the applicable limits of **OUR** liability have been exhausted by payment of **DAMAGES** or **CLAIM EXPENSE**. **WE** have the right, but no duty, to appeal any judgment.

YOU, except at **YOUR** own cost and for **YOUR** own account, will not:

1. Make any payment;
2. Admit any liability;
3. Settle any **CLAIM**;
4. Assume any obligation; or
5. Incur any expense

without **OUR** written consent.

SUPPLEMENTAL PAYMENTS

WE will pay, in addition to **OUR** Limit of Liability:

1. All costs taxed against **YOU** in any suit **WE** defend.
2. Interest only on that part of any judgment which does not exceed **OUR** Limit of Liability, which accrues after the entry of the judgment and before **WE** have paid, offered to pay, or deposited in court that part of the judgment that does not exceed **OUR** Limit of Liability.
3. Premium on appeal bonds required in any suit **WE** defend and the cost of attachment or similar bonds.
4. Up to \$500 to each of **YOU** for each day or part of the day for **YOUR** attendance at a trial, hearing or arbitration proceeding at which **WE** request **YOUR** attendance. The maximum amount payable by **US** during the **POLICY PERIOD** shall not exceed \$5,000 in the aggregate. The **DEDUCTIBLE** shown on the Declarations does not apply to the expenditures **WE** incur under this provision.

TERRITORY

This policy applies to **WRONGFUL ACTS** which happen anywhere in the world. **DAMAGES** and **CLAIM EXPENSE** will be paid in U.S. currency.

DEFINITIONS

Whenever used in this policy, the following words have these meanings:

1. **AUTO**—means a land motor vehicle, trailer or semi-trailer designed for travel on public roads, including any attached machinery or equipment. **AUTO** does not mean or include **MOBILE EQUIPMENT**.
2. **CLAIM(S)**—means an oral or written demand for monetary damages from any party whose intent it is to hold **YOU** responsible for any **WRONGFUL ACT** or **POLLUTION INCIDENT** in performing **PROFESSIONAL SERVICES**. **CLAIM** also means **YOUR** knowledge of circumstances which could reasonably be expected to give rise to such demand. **YOU** must tell **US** of such **CLAIM(S)** or circumstances in writing during the **POLICY PERIOD** or Extended Reporting Period. Demand includes, but is not limited to, service of suit, institution of arbitration proceedings, or **MEDIATION**.
3. **CLAIM EXPENSE**—means expenditures including, but not limited to:
 - a. All expense of lawyers we are required by law to pay to defend **YOU**;
 - b. Costs of investigations;
 - c. Experts;
 - d. Court costs; and
 - e. Other similar expenses **WE** incur in the investigation, adjustment, defense or appeal of a **CLAIM** or suit.

CLAIM EXPENSE does not include:

- (1) Salary, charges or expenses of **OUR** regular employees; and
 - (2) Payments made under the Supplemental Payments provision of this policy.
4. **DAMAGES**—means a monetary judgment, award or settlement.

DAMAGES do not include:

- a. Civil or criminal fines, sanctions, restitution or penalties, whether pursuant to any civil or criminal law or statute; or
- b. Amounts paid to **YOU** as fees, costs or expenses for services performed which are to be reimbursed or discharged as part of the judgment or settlement.
- c. Punitive damages, exemplary damages or any damages which are a multiple of compensatory damages awarded against **YOU**, including double or treble damages. However, **WE** will provide limited coverage to **YOU** to pay for punitive damages, exemplary damages or any damages which are a multiple of compensatory damages at a maximum Limit of Liability of:
 - (1) \$250,000 each **CLAIM** and \$250,000 Annual Aggregate; or
 - (2) The each **CLAIM** Limit and Annual Aggregate Limit shown on the Declarations,whichever is less.

The Limit of Liability referenced above in (1) and (2) for each **CLAIM** is the maximum limit **WE** will pay for all punitive damages, exemplary damages or any damages which are a multiple of compensatory damages arising out of each **CLAIM**. The Limit of Liability referenced in (1) and (2) above for Annual Aggregate is the maximum limit **WE** will pay for all punitive damages, exemplary damages or any damages which are a multiple of compensatory damages during each **POLICY PERIOD**.

Payment for these damages will only be made in conjunction with a **CLAIM** that is otherwise covered by this policy. Any payments made by **US** under this provision will be included within the applicable Limit of Liability and not in addition to the policy limits.

5. **DEDUCTIBLE**—means the amount **YOU** must pay for **DAMAGES** and **CLAIM EXPENSE**.
6. **HOSTILE FIRE**—means a fire that becomes uncontrollable or breaks out from where it was intended to be.
7. **MEDIATION**—means non-binding intervention by a neutral third party.

8. **MOBILE EQUIPMENT**—means any of the following types of land vehicles, including any attached machinery or equipment:
- a. bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;
 - b. vehicles maintained for use solely on or next to premises **YOU** own or rent;
 - c. vehicles that travel on crawler treads;
 - d. vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:
 - (1) power cranes, shovels, loaders, diggers or drills; or
 - (2) road construction or resurfacing equipment such as graders, scrapers or rollers;
 - e. vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:
 - (1) air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or
 - (2) cherry pickers and similar devices used to raise or lower workers;
 - f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not **MOBILE EQUIPMENT**, but will be considered **AUTO(S)**:

 - (1) equipment designed primarily for:
 - (a) snow removal;
 - (b) road maintenance, but not construction or resurfacing; or
 - (c) street cleaning;
 - (2) cherry pickers and similar devices mounted on an **AUTO** or truck chassis and used to raise or lower workers; and
 - (3) air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.
9. **NAMED INSURED**—means the person, entity or organization named in Item 1. of the Declarations.
10. **POLICY PERIOD**—means the period of one year following the effective date and hour of this policy or, if the time between the effective date and the termination of the policy is less than one year, such lesser period.
11. **POLLUTANTS**—means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, re-conditioned or reclaimed. **POLLUTANTS** does not mean heat, smoke, vapor, soot or fumes from a **HOSTILE FIRE** or explosion.
12. **POLLUTION INCIDENT**—means any actual or alleged negligent act, error or omission **YOU** or any person or entity, including Joint Ventures, for whom **YOU** are legally responsible, commits, but only in the performance of **PROFESSIONAL SERVICES** that results in the actual or alleged discharge, dispersal, seepage, migration, release or escape of **POLLUTANTS** into or upon land, the atmosphere or any watercourse or body of water and did not arise from dishonest, fraudulent, malicious or criminal conduct committed by **YOU** or at **YOUR** direction or with **YOUR** prior knowledge.
13. **PROFESSIONAL SERVICES**—means those services that **YOU** are legally qualified to perform for others in **YOUR** practice as an architect, engineer, land surveyor, landscape architect, construction manager or as specifically defined by endorsement to this policy.
14. **PREDECESSOR FIRM(S)**—means any individual, partnership or corporation engaged in **PROFESSIONAL SERVICES** in whose financial assets and liabilities the **NAMED INSURED** is the majority successor in interest. An assumption of 50% or greater of the firm's assets and liabilities shall be considered a majority successor interest.
15. **RETROACTIVE DATE**—means the date specified in the Declarations. This policy shall not apply to any **CLAIM** arising from a **WRONGFUL ACT** or **POLLUTION INCIDENT** which occurred prior to this date. If the term "Unlimited" is specified in the Declarations, it means that there is no time limitation of coverage for **YOU** based upon when the **WRONGFUL ACT** or **POLLUTION INCIDENT** occurred.

16. **SUBROGATION EXPENSES**—means expenditures including, but not limited to:

- a. All expense of lawyers we are required by law to pay to defend **YOU**;
- b. Costs of investigations;
- c. Experts;
- d. Court costs; and
- e. Other similar expenses **WE** incur in the subrogation process.

17. **TOTALLY AND PERMANENTLY DISABLED**—means total and continuous disability for at least six (6) consecutive months as a result of sickness or accidental bodily injury which renders **YOU** unable to render **PROFESSIONAL SERVICES**.

18. **WE, US, and OUR**—means the Company providing this insurance.

19. **WRONGFUL ACT(S)**—means any actual or alleged negligent act, error or omission **YOU** or any person or entity, including Joint Ventures, for whom **YOU** are legally responsible, commits, but only in the performance of **PROFESSIONAL SERVICES**.

20. **YOU and YOUR**—means Insured and includes:

- a. The **NAMED INSURED** and any **PREDECESSOR FIRM(S)**.
- b. Any Individual:
 - (1) Who is currently or becomes a partner, stockholder or employee of the **NAMED INSURED**, including leased personnel under **YOUR** direct supervision, during the **POLICY PERIOD**, but only for **CLAIM(S)** resulting from **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** committed within the scope of their employment by the **NAMED INSURED** or its **PREDECESSOR FIRM(S)**.
 - (2) Who was formerly a partner, stockholder or employee of the **NAMED INSURED** or its **PREDECESSOR FIRM(S)**, but only for **CLAIM(S)** that result from **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** committed within the scope of their employment by the **NAMED INSURED** or its **PREDECESSOR FIRM(S)**;
- c. A retired partner, stockholder or employee of the **NAMED INSURED** acting as a consultant, but only for **CLAIM(S)** resulting from **WRONGFUL**

ACT(S) or **POLLUTION INCIDENT(S)** committed within the scope of their association with and under the name of the **NAMED INSURED** or its **PREDECESSOR FIRM(S)**.

- d. The estate, heirs, executors, administrators, assigns, and legal representatives of anyone listed in a., b. or c. above in the event of their death, incapacity, insolvency or bankruptcy, but only to the extent that they would otherwise be provided coverage under this policy.

EXCLUSIONS

This policy does not apply:

1. To any **CLAIM** based upon or arising out of any dishonest, fraudulent, criminal, malicious or intentional **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** committed by **YOU**;
2. To any **CLAIM** based on or arising out of **YOUR** capacity as an officer, director, partner, shareholder or employee of any entity other than the **NAMED INSURED**;
3. To any **CLAIM** arising out of **PROFESSIONAL SERVICES** or advice rendered by **YOU** in connection with any business enterprise not shown on the Declarations:
 - a. Which is, was or will be owned in whole or in part by **YOU**;
 - b. Which is, was or will be in any way controlled, operated or managed by **YOU** including the ownership, maintenance or use of any property in connection therewith; or
 - c. In which **YOU** are, were or will be a partner or employee.

This exclusion does not apply if, at the time such **PROFESSIONAL SERVICES** or advice was rendered, the **NAMED INSURED** or any insured, separately or in combination, had a total pecuniary or beneficial interest of 20% or less in such business enterprise;
4. To any **CLAIM** arising out of any circumstances due to nuclear reaction, radiation or contamination, regardless of cause;
5. To any **CLAIM** based on or arising out of discrimination, harassment or misconduct by **YOU**, including but not limited to **CLAIMS** based on an individual's race, creed, color, age, sex, national origin, religion,

disability, physical or mental handicap, disease, marital status or sexual preference;

6. To any **CLAIM** made by **YOU** against any other Insured;
7. To any **CLAIM** based on or arising out of the cost to repair or replace faulty workmanship in any construction, erection, fabrication, installation, assembly, manufacture or remediation performed by **YOU**, including any materials, parts or equipment furnished in connection therewith;
8. To any **CLAIM** based on or arising out of:
 - a. **YOUR** alleged liability under any oral or written contract or agreement, including, but not limited to, express warranties or guaranties; or
 - b. the liability of others **YOU** assume under any oral or written contract or agreement,
except that coverage otherwise available to **YOU** shall apply to **YOUR** liability that exists in the absence of such contract or agreement;
9. To any **CLAIM** based on or arising out of the advising, requiring or obtaining of any form of insurance, suretyship or bond, or failure to do so;
10. To any **CLAIM** based on or arising out of the design or manufacture of any goods or products which are sold or supplied by **YOU**, or by others, under license from **YOU**;
11. To any **CLAIM** based on or arising out of bodily injury or personal injury sustained by any employee of **YOURS** arising out of employment by **YOU**; or any obligation for which **YOU** must pay under any unemployment, workers' compensation, disability benefits or other similar laws;
12. To any **CLAIM** based on or arising out of **PROFESSIONAL SERVICES** for which **YOU** are insured, under any professional liability policy issued for a specific project or projects. This exclusion applies even if **DAMAGES** or **CLAIM EXPENSE(S)** are not covered in whole or in part by that policy for any reason, including, but, not limited to:
 - a. An exclusion; or
 - b. A reduction or exhaustion of the limit of liability under such policy.
13. To any **CLAIM** arising from a **WRONGFUL ACT** or **POLLUTION INCIDENT** that involves a demand or action seeking relief or redress in any form other than monetary damages, or for any fees, costs or expenses which **YOU** may become obligated to pay

as a result of any adverse judgment for declaratory relief or injunctive relief. However, **WE** will afford defense to **YOU** for such actions, **CLAIM(S)**, suits or demands in which monetary damages are requested if not otherwise excluded;

14. To any **CLAIM** arising out of a **POLLUTION INCIDENT** involving the ownership, maintenance, use, operation, loading or unloading of any **AUTO**, aircraft, watercraft or rolling stock. Except this exclusion does not apply to:
 - a. **MOBILE EQUIPMENT**;
 - b. a watercraft **YOU** do not own that is:
 - (1) less than 26 feet long; and
 - (2) not being used to carry persons or property for a charge;
 - c. the operation of any of the equipment listed in 8. a., b. or c. in the definition of **MOBILE EQUIPMENT**; or
 - d. a condition in or on an **AUTO** not owned or operated by **YOU** and that condition was created by the loading or unloading of that **AUTO** by **YOU** or by any person or entity for whom **YOU** are legally liable;
15. To any **CLAIM** arising out of a **POLLUTION INCIDENT** at, onto or from property or facilities which are or were at any time owned or rented by **YOU** or by any person or entity in joint venture with **YOU**.

INNOCENT INSURED PROTECTION

Whenever coverage under any provision of this policy would otherwise be excluded, suspended, or lost because of:

1. **EXCLUSIONS** relating to any **CLAIM** based upon or arising out of any dishonest, fraudulent, criminal, malicious or intentional **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** committed by **YOU**; or
2. Concealment of a **CLAIM** by any of **YOU**,

WE agree that the coverage as would be afforded by this policy will apply to each of **YOU** who did not personally commit or participate in the **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)**, or agree to the concealment.

For coverage to apply, **YOU** must notify **US** of the **WRONGFUL ACT(S)**, **POLLUTION INCIDENT(S)** or concealment as soon as **YOU** become aware of them.

LIMITS OF LIABILITY

Regardless of:

1. The number of **YOU** who are insured under the policy;
2. All persons or organizations who sustain **DAMAGES** payable under this policy; and/or
3. Suits brought on account of coverage afforded by the policy,

OUR liability is limited as follows:

1. The Limit of Liability stated in Item 4(A) of the Declarations is the limit of **OUR** liability for all **DAMAGES** and **CLAIM EXPENSE** arising out of each **CLAIM** first made and reported in writing during the **POLICY PERIOD** or Extended Reporting Period, if applicable.
2. The Limit of Liability stated in Item 4(B) of the Declarations is subject to the above provision respecting each **CLAIM** and is the maximum limit of **OUR** liability for each **POLICY PERIOD**. In no event will **OUR** total Limit of Liability be increased by any Extended Reporting Period.
3. **WE** will only be liable to pay **DAMAGES** and **CLAIM EXPENSE** subject to the Limits of Liability in excess of the **DEDUCTIBLE** shown on the Declarations. **YOUR DEDUCTIBLE** for all **DAMAGES** and **CLAIM EXPENSE** in any **POLICY PERIOD** is the Annual Aggregate amount shown in the Declarations. Each of **YOU** under the policy is individually liable for the payment of the **DEDUCTIBLE** amount due for each **CLAIM**. In the event that **WE** expend funds for **DAMAGES** or **CLAIM EXPENSE** on **YOUR** behalf, **YOU** will reimburse **US** for such expenditures up to the amount of the **DEDUCTIBLE** shown on the Declarations. Reimbursement of the **DEDUCTIBLE** will be due within sixty (60) days from the date **WE** bill **YOU**. If **WE** and **YOU** agree to use **MEDIATION** and if **WE** and **YOU** resolve any **CLAIM** by **MEDIATION**, **YOUR DEDUCTIBLE** obligation will be reduced by 50% subject to a maximum reduction of \$25,000. **DEDUCTIBLE** payments made prior to the application of the above credit will be reimbursed within thirty (30) days of the resolution of the **CLAIM**.
4. **CLAIM EXPENSE** will be subtracted from the Limits of Liability first as it is incurred for each **CLAIM**. The remaining amount will be the amount available to pay **DAMAGES**.
5. One or more **CLAIMS** based on or arising out of the same **WRONGFUL ACT** or **POLLUTION INCIDENT**

or a series of related **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** of one or more of **YOU** will be considered a single **CLAIM**. Unless otherwise endorsed, the **CLAIM** will be subject to the Limit of Liability in effect at the time such **CLAIM** was first reported in writing to **US**. Only one **DEDUCTIBLE** will apply to such **CLAIM**.

NOTIFICATION

1. If during the **POLICY PERIOD** or the Extended Reporting Period:
 - a. **YOU** receive written or oral notice from any party that it is the intention of such party to hold **YOU** responsible for any **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)**; or
 - b. **YOU** become aware of circumstances which could reasonably be expected to give rise to such notice,

then:

YOU will tell us in writing as soon as practicable, but no later than the end of the **POLICY PERIOD** or Extended Reporting Period, if applicable. Any subsequent **CLAIM** made against **YOU** arising out of such **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** shall be deemed to have been made during the **POLICY PERIOD**, but only for **CLAIMS** due to **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** which occurred on or after the **RETROACTIVE DATE** and on or before the end of the **POLICY PERIOD**. No coverage for such **CLAIM** shall exist under any subsequent policy written by **US**. However, if the renewal policy is written by **US**, **YOU** will have sixty (60) days after the expiration date of this policy to report any **CLAIM** first made during this **POLICY PERIOD**.

2. In the event of any **CLAIM** occurring, written notice to **US** will be given by the person or firm(s) shown under Item 1. of the Declarations. Notice will be deemed to be received if sent by prepaid mail properly addressed to the address shown in Item 7. of the Declarations.

CLAIMS REPAIR PROVISION

When **WE** receive **YOUR** written notice and **WE**, at **OUR** discretion, incur **CLAIM EXPENSE** to undertake measures to avoid any **DAMAGES** as a result of the reported **WRONGFUL ACT** or **POLLUTION INCIDENT**, **WE** will waive the applicable **DEDUCTIBLE**.

However, the **DEDUCTIBLE** will always apply if a suit is filed, if arbitration hearings or mediation hearings are begun or if any **DAMAGES** are paid.

INSURED'S DUTIES IN THE EVENT OF CLAIM OR SUIT

1. In the event of a **CLAIM**, the **NAMED INSURED** must give **US** written notice of:
 - a. The specific **WRONGFUL ACT** or **POLLUTION INCIDENT**; and
 - b. The injury or damage which has or may result from the **WRONGFUL ACT** or **POLLUTION INCIDENT**; and
 - c. The names and addresses of the claimants or potential claimants; and
 - d. The circumstances by which **YOU** first became aware of such **WRONGFUL ACT** or **POLLUTION INCIDENT**.
2. If **CLAIM** is made or suit is brought against **YOU**, **YOU** will immediately forward to **US** every demand, notice, summons or other process received by **YOU** or **YOUR** representative.
3. **WE** will have full discretion in the handling of any **CLAIM**, and **YOU** will give full information and assistance as **WE** may reasonably require. **YOU** will cooperate with **US** and, at **OUR** request, consent to being examined and questioned by **OUR** representative, under oath, if necessary. At **OUR** request, **YOU** will attend hearings, depositions and trials and will assist in effecting settlement, securing and giving evidence, and obtaining the attendance of witnesses. **YOU** will cooperate in the conduct of suits as well as in giving written statements to **OUR** representatives and defense counsel.

EXTENSION OF COVERAGE

If the **NAMED INSURED** dies during the **POLICY PERIOD**, the period for reporting **CLAIMS** is extended until the executor or administrator is discharged or for twenty four (24) months from the date of death, whichever is less. If the **NAMED INSURED** has been insured by **US** for at least three (3) consecutive years immediately prior to this **POLICY PERIOD** and becomes **TOTALLY AND PERMANENTLY DISABLED** during the **POLICY PERIOD**, the period for reporting **CLAIMS** is extended until the disability ends. No additional premium will be charged for this extension nor will any premium be refunded.

EXTENDED REPORTING PERIOD

Only the **NAMED INSURED** can exercise the option to purchase one of the Supplemental Extended Reporting Periods described in paragraph 3. of this provision.

1. One or more Extended Reporting Periods described below will be provided if the policy is canceled or nonrenewed or if **WE** renew or replace coverage with insurance that provides coverage on other than a Claims Made basis.
2. A Basic Extended Reporting Period is automatically provided without additional charge. This period begins at the end of the **POLICY PERIOD** and lasts for sixty (60) days. The Basic Extended Reporting Period does not apply to **CLAIMS** covered under any subsequent policy.
3. In addition, the **NAMED INSURED** may purchase one of the Supplemental Extended Reporting Periods described below if **YOU** are in compliance with the terms and conditions of this policy:
 - a. A twelve (12) month Supplemental Extended Reporting Period for 100% of the full annual premium of this policy; or
 - b. A twenty-four (24) month Supplemental Extended Reporting Period for 150% of the full annual premium of this policy; or
 - c. A thirty-six (36) month Supplemental Extended Reporting Period for 185% of the full annual premium of this policy; or
 - d. A sixty (60) month Supplemental Extended Reporting Period for 250% of the full annual premium of this policy; or
 - e. An unlimited Supplemental Extended Reporting Period for 300% of the full annual premium of this policy.
4. Coverage for a Supplemental Extended Reporting Period must be added by endorsement for which an additional premium charge must be paid. Such period starts sixty (60) days after the end of the **POLICY PERIOD**.
5. The right to purchase a Supplemental Extended Reporting Period will terminate unless:
 - a. **WE** receive a written request for a Supplemental Extended Reporting Period; and
 - b. The additional premium is paid within sixty (60) days of the end of the **POLICY PERIOD**.

The **NAMED INSURED'S** request must specify the length of the Supplemental Extended Reporting Period desired. Once in effect, Extended Reporting Periods may not be canceled.

6. An Extended Reporting Period does not extend the **POLICY PERIOD** or change the scope of coverage provided. Subject otherwise to the policy's terms, Limit of Liability, Exclusions and Conditions, the policy is extended to apply to **CLAIMS** first made against **YOU** and reported to **US** in writing during the Basic Extended Reporting Period or, if purchased, the Supplemental Extended Reporting Period, but only for **CLAIMS** due to **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** which happened on or after the **RETROACTIVE DATE** and on or before the expiration of the **POLICY PERIOD**.
7. Extended Reporting Periods do not reinstate or increase the policy's Limits of Liability. **CLAIMS** which are first made and reported during the Basic Extended Reporting Period or the Supplemental Extended Reporting Period, if it is in effect, will be deemed to have been made on the last day of the **POLICY PERIOD**.

CONDITIONS

1. **CANCELLATION.** This policy may be canceled by the **NAMED INSURED** by surrendering the policy to **US** or any of **OUR** authorized agents or by mailing written notice to **US** stating when the cancellation is to be effective. **WE** may cancel this policy by mailing to the **NAMED INSURED** at the address shown on the Declarations a written notice stating when the cancellation is to be effective. **WE** will give the **NAMED INSURED** ten (10) days notice for nonpayment of premium or sixty (60) days notice for any other valid reason.

The mailing of notice will be sufficient proof of notice. The time of surrender or the effective date and hour of cancellation stated in the notice will become the end of the **POLICY PERIOD**. Delivery of written notice either by the **NAMED INSURED** or by **US** will be equivalent to mailing.

If this policy is canceled, **WE** will send the **NAMED INSURED** any premium refund due. If **WE** cancel, the refund will be pro rata. If the **NAMED INSURED** cancels, the refund will be the customary short rate proportion. **WE** will make the premium refund as soon as practicable after the date of cancellation. However, the premium refund is not a condition of cancellation.

Notice of cancellation will only be sent to the **NAMED INSURED** and will serve as notice to all of **YOU**.

2. **NONRENEWAL.** If **WE** do not renew this policy, **WE** will mail written notice to the **NAMED INSURED** at least sixty (60) days before the end of the **POLICY PERIOD**. Any changes in the terms and conditions quoted on renewal do not constitute nonrenewal of this policy.
3. **ASSIGNMENT.** Assignment of interest under this policy will not bind **US** unless **WE** endorse the policy in writing assigning **YOUR** interest to another party.
4. **CHANGES.** The terms of this policy will not be waived or changed except by endorsement issued by **US** and made a part of this policy.
5. **MERGERS AND ACQUISITIONS.** All mergers and acquisitions with other firms occurring throughout the **POLICY PERIOD** must be reported to **US** in writing within sixty (60) days of the merger or acquisition, or the next anniversary of this policy, whichever is sooner. **WE** shall have the right to adjust the premium, terms, conditions and exclusions to reflect any shift in exposure created by such merger or acquisition.
6. **CONFLICTING STATUTES.** Any part of this policy which is in conflict with the statutes of the state in which this policy is issued is amended to conform to such statutes.
7. **SUBROGATION CLAUSE.** **YOU** will transfer to **US** **YOUR** rights of recovery against any other party for any **DAMAGES WE** have paid on **YOUR** behalf. **YOU** must do everything necessary to secure these rights and do nothing that would jeopardize them.

WE will not exercise **OUR** right to recover against any of **YOU** unless the **DAMAGES** result from any dishonest, fraudulent, criminal, malicious or intentional **WRONGFUL ACT(S)** or **POLLUTION INCIDENT(S)** committed by **YOU**.

Any amount recovered from subrogation shall be apportioned as follows:

Any amount recovered shall first be used for repayment of **SUBROGATION EXPENSES**; second, to any **DAMAGES** and/or **CLAIM EXPENSE** paid by **US**; third, to any **DAMAGES** and **CLAIM EXPENSE** paid by an excess insurer on **YOUR** behalf; fourth, to any **DAMAGES** and **CLAIM EXPENSE** paid by any other primary insurer on **YOUR** behalf; and last, to repayment of **YOUR DEDUCTIBLE**.

8. **SEVERABILITY CLAUSE.** The application and any supplements or addendum's, copies of which are attached to this policy, and the Declarations, are part of this policy. They are to be considered as incorporated in and constituting part of this policy. The particulars and statements contained in the application, any supplements or addendum's and the conditions and exclusions set forth in this policy will be construed as a separate agreement with each of **YOU**. **By acceptance of this policy, YOU agree that the statements in the application are YOUR representations, that they shall be deemed material and that this policy is issued upon the truth of such representations.** Nothing in this provision will be construed to increase **OUR** Limits of Liability as set forth in the Declarations.

9. **OTHER INSURANCE.** If **YOU** have other insurance which applies to **CLAIMS** reported under this policy, **WE** will be excess of the amount of the applicable **DEDUCTIBLE** and any other valid and collectible insurance whether such other insurance is primary, pro rata, contributory, excess, contingent or any other basis, unless such other insurance is written only as specific excess insurance over the Limit of Liability provided in this policy.

If a loss occurs involving two or more policies, each of which provides that its insurance will be excess, then each policy will contribute on a pro rata basis. This means **WE** will pay no more than **OUR** percentage of the total amount of the insurance covering the **CLAIM**, less the **DEDUCTIBLE**. For example:

The limit of coverage under this policy is \$100,000. Another insurance policy with a limit of \$300,000 also covers a **CLAIM** covered by this policy. **WE** will not pay more than 25% (\$100,000/\$400,000) of the **DAMAGES** and **CLAIM EXPENSE**, less the **DEDUCTIBLE**.

10. **ACTION AGAINST US.** No action will lie against **US** unless **YOU** have fully complied with all the terms and conditions of this policy prior to bringing the action.

11. **INSPECTION AND AUDIT.** **YOU** agree to allow **US** to examine and audit **YOUR** premises, management procedures and records as they relate to this insurance during normal business hours while this policy is in force. **WE** are not, however, required to make inspections nor will **WE** guarantee that **YOUR** procedures are adequate or that they conform to any laws, rules or regulations.

12. **BANKRUPTCY.** In the event of **YOUR** bankruptcy or insolvency, **WE** will not be relieved of our obligations under the terms and conditions of this policy.

13. **SOLE AGENT.** By acceptance of this policy, the **NAMED INSURED** agrees to act on **YOUR** behalf with respect to:

- a. Exercising the option to purchase an Extended Reporting Period;
- b. The giving and receiving of notice of **CLAIM(S)** or cancellation; and
- c. The payment of premiums that may become due under this policy.

Each of **YOU** agrees that the **NAMED INSURED** will act on **YOUR** behalf.

14. **PREMIUM.** All premiums for this policy shall be computed in accordance with **OUR** rules, rates, rating plans, premiums and minimum premiums applicable to the insurance afforded herein.