



ACCOUNTANTS
PROFESSIONAL LIABILITY INSURANCE
CLAIMS-MADE POLICY

INTERSTATE
INSURANCE
GROUP

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CHICAGO INSURANCE COMPANY
Executive Offices:
55 E. Monroe Street
Chicago, Illinois 60603

OFFERED THROUGH THE CPA ADVANTAGE PURCHASING GROUP ASSOCIATION,
A NOT-FOR-PROFIT CORPORATION,
LOCATED AND DOMICILED IN THE STATE OF ILLINOIS

NOTICE
THIS IS A CLAIMS-MADE POLICY. PLEASE REVIEW THE POLICY CAREFULLY.

THE POLICY IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST REPORTED TO THE COMPANY DURING THE POLICY PERIOD UNLESS, AND TO THE EXTENT, AN EXTENDED REPORTING PERIOD OPTION APPLIES.

CHICAGO INSURANCE COMPANY

S (a stock insurance company, herein called the Company) agrees with all **Insureds**, in consideration of the payment of the premium, and in reliance upon the statements in the Declarations and subject to the limit of liability, exclusions, conditions and other terms of this policy, as follows:

P INSURING AGREEMENTS

I. COVERAGE

The Company will pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as **Damages for Claims**, provided that a **Claim** or a **Potential Claim** is first reported to the Company during the **Policy Period**, by reason of any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** for others by an **Insured** covered under this policy, provided always that such act, error, omission or **Personal Injury** happen:

- A. during the **Policy Period**; or
- B. prior to the **Policy Period** provided that:
 - 1. such **Professional Services** or **Personal Injury** happened on or after the Retroactive Date as indicated on the Declarations Page, and
 - 2. prior to the effective date of the first Accountants Professional Liability Insurance Policy issued by this Company to the **Named Insured** or **Predecessor in Business**, and continuously renewed and maintained in effect through the inception of this Policy Period:
 - a. No **Insured** had a reasonable basis to believe that any **Insured** had breached a professional duty or to foresee that a **Claim** might be made against any **Insured**.
 - b. No **Claim** based on or arising out of the same or **Related acts**, errors, omissions or **Personal Injury** had been made against any **Insured**.

The Company shall have the right and duty to defend any **Suit** against the **Insured** seeking **Damages** to which this insurance applies even if any of the allegations of the **Suit** are groundless, false or fraudulent. The Company, at its option, shall select and assign defense counsel; however, the **Insured** may engage additional counsel, solely at their expense, to associate in their defense of any **Claim** covered hereunder. The Company shall also have the right to investigate any **Claim** and/or negotiate the settlement thereof, as it deems expedient, but the Company shall not commit the **Insured** to any settlement without their consent or the consent of the **Named Insured**. If the **Insured** or **Named Insured** refuses to consent to any settlement recommended by the Company and elects to contest the **Claim** or continue any legal proceedings in connection with such **Claim**, then the Company shall be relieved of any further duty to defend the **Claim**, and the liability of the Company for **Damages** and **Claim Expenses** shall not exceed the amount for which the **Claim** could have been settled, as well as the **Claim Expenses** incurred by the Company, or with the Company's consent, up to the date of such refusal. Furthermore, the **Insured** shall not assume any obligations, incur any costs, charges, or expenses or enter into any settlement without the Company's consent.

In the event:

- A. Item 4.a. of the Declarations is applicable to this policy, **Claim Expenses** shall be part of, and not in addition to, the Limits of Liability specified in Item 3. of the Declarations;

- B. Item 4.b. of the Declarations is applicable to this policy, **Claim Expenses** shall be in addition to the Limits of Liability specified in Item 3. of the Declarations.

In no event shall the Company be obligated to pay **Damages** or **Claim Expenses** or to defend, or continue to defend, any suit after the applicable limit of the Company's liability has been exhausted by payments of judgments, settlements, **Damages** or **Claim Expenses**, as applicable, or by deposit of the applicable limit of liability into a court of law.

II. PERSONS INSURED

Each of the following is an **Insured** under this policy to the extent set forth below:

- A. The entity or person named in Item 1. of the Declarations as the **Named Insured**;
- B. Any **Predecessor in Business** or **Successor in Business**;
- C. Any past or present partners, officers, directors, stockholders, members, managing members or employees of any person or entity specified in Item A. or B. above, but only while acting within the course and scope of their duties on behalf of such person or entity;
- D. Any non-affiliated person or accounting firm, including their partners, officers, directors, members, managing members or employees, but solely for **Professional Services** performed within the course and scope of their contract with, and on behalf of, the **Named Insured**, **Predecessor in Business** or **Successor in Business**;
- E. Any legal representative, if the **Insured** becomes incompetent, insolvent, bankrupt or dies.

III. LIMIT OF LIABILITY

Regardless of the number of **Insureds** under this insurance or the number of **Claims** made, the Company's liability is limited as follows:

- A. In the event **Claim Expenses** are included within the limit of liability as specified in Item 4.a. of the Declarations, the limit of liability stated in the Declaration is applicable to "each **Claim**" is the limit of the Company's liability for all **Damages** and **Claim Expenses** because of each **Claim** covered hereby. All **Claims** arising from the same or Related act, error or omission or **Personal Injury** shall be considered a single **Claim** for the purpose of this insurance and shall be subject to the same limit of liability.

The limit of liability stated in the Declarations as "Aggregate" is, subject to the above provision respecting "each **Claim**", the total limit of the Company's liability under this policy for all **Damages** and **Claim Expenses**.

- B. In the event **Claim Expenses** are in addition to the limit of liability as specified in Item 4.b. of the Declarations, the limit of liability stated in the Declarations as applicable to "each **Claim**", is the limit of the Company's liability for **Damages** resulting from each **Claim** covered hereby. There shall be a separate and equal limit of liability applicable to **Claim Expenses** for any such **Claim**. All **Claims** arising from the same or Related act, error or omission or **Personal Injury** shall be considered a single **Claim** for the purpose of this insurance and shall be subject to the same limit of liability.

The limit of liability stated in the Declarations as "Aggregate" is, subject to the above provision respecting "each **Claim**", the total limit of the Company's liability under this policy for all **Damages**. A separate Aggregate limit of liability shall apply to all **Claim Expenses** incurred in the defense of **Claims** covered by this Policy, subject to the above provision respecting the Company's liability for **Claim Expenses** for "each **Claim**".

- C. The Company's liability for **Damages** and/or **Claim Expenses**, as applicable, resulting from "each **Claim**" is in excess of the deductible amount stated in the Declarations.
- D. The application of any Extended Reporting Period option shall not increase the limit of liability stated in the Declarations.

- E. In the event the **Insured** participates in an **Alternative Dispute Resolution** prior to **Suit** which results in the settlement of a **Claim** brought by a client of the firm, the Company will waive 100% of the **Insured's** deductible obligation. The maximum amount of this waiver shall not exceed \$25,000 per **Claim**. If the **Alternative Dispute Resolution** fails to resolve the **Claim**, and the **Claim** proceeds to **Suit**, the remainder of the deductible will apply to any **Damages** and/or **Claim Expenses** paid by the Company after the **Suit** has commenced.

This waiver does not apply to **Claims** settled prior to, or without, **Alternative Dispute Resolution**.

- F. Prejudgment interest, where payable under this policy, will be in addition to the limits of liability stated in the declarations.

IV. POLICY PERIOD, TERRITORY

The insurance afforded by this policy applies to any act, error, omission or **Personal Injury** taking place anywhere in the world. The insurance afforded by this policy applies to **Claims** or **Potential Claims** which are first reported to the Company during the **Policy Period**, provided **Claim** is made or **Suit**, if any, is brought within the United States of America, its territories or possessions, or Canada.

V. WHEN TO REPORT A CLAIM OR POTENTIAL CLAIM

- A. A **Claim** or **Potential Claim** must be reported to the Company when any **Insured** first becomes aware of or receives written notice of specific circumstances involving a particular person or entity which may result in a **Claim**.

All **Claims** arising out of the same or Related act, error, omission or **Personal Injury** shall be considered as having been reported at the time the first such **Claim** is reported, and shall be subject to the same limit of liability and deductible.

VI. SUPPLEMENTARY PAYMENTS

The Company will pay, in addition to the applicable limit of liability:

- A. Up to \$250 for loss of earnings to each individual **Insured** for each day or part of a day of such **Insured's** attendance, at the Company's request, at a trial, hearing or arbitration proceeding involving a civil suit against such **Insured** for covered **Damages**, but the amount so payable for any one or series of trials, hearings or arbitration proceedings arising out of the same or related act, error, omission or **Personal Injury** shall in no event exceed \$5,000; and
- B. Up to \$5,000 per **Policy Period** per individual **Insured** for attorney fees and other costs, expenses or fees resulting from the investigation or defense of a proceeding before a state licensing board, peer review committee or governmental regulatory body incurred as the result of a notice of a proceeding first received by the **Insured** and reported to the Company during the **Policy Period**, arising out of any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** covered under this policy by an **Insured**.
- C. Expenses incurred per **Policy Period** per individual **Insured** resulting from subpoenas for documents or testimony including legal advice, legal counsel and the production of documents arising out of any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** covered under this policy by an **Insured**. Any notice given to the Company of such subpoena shall be deemed to be notification of a potential **Claim** under Section V. of the policy.

VII. EXCLUSIONS

This insurance does not apply to **Claims** or **Potential Claims**:

- A. Based on or arising out of the rendering of or failure to render **Professional Services** by any **Insured** as an employee, owner, partner, stockholder, director or officer of any sole proprietorship, partnership or corporation or other business enterprise which is not defined as **Named Insured**, **Predecessor in Business** or **Successor in Business**;

- S**
- B. Based on or arising out of any dishonest, fraudulent, criminal or malicious act, or omission, or deliberate misrepresentation (including, but not limited to, actual or alleged violations of state or federal antitrust, price-fixing, restraint of trade, copyright or deceptive trade practice laws, rules or regulations) committed by, at the direction of or with the knowledge of, any **Insured**; however, for such **Claims** otherwise covered by this policy, the Company will provide a defense until such time as the act or omission is found to be dishonest, fraudulent, criminal, malicious or deliberate by trial, court ruling, regulatory ruling or admission;
- C. Based on or arising out of any obligations for which any **Insured** or any carrier acting as the insurer may be liable under any workers' compensation, unemployment compensation, disability or pension benefits law, or any similar laws including, but not limited to, the Employee Retirement Income Security Act of 1974 and any amendments thereto, this exclusion does not apply to the usual and customary services as defined under **Professional Services**, performed in connection with such capacities or laws on behalf of any person or entity not defined as an **Insured**;
- P**
- D. Based on or arising out of the **Insured** gaining, in fact, any personal profit or advantage to which any **Insured** was not legally entitled, including misappropriation, conversion, commingling or defalcation of funds or other property;
- E**
- E. Based on or arising out of representations concerning any security or investment return, or any **Insured's** activities or capacity as a **Broker or Dealer**;
- F. Arising out of any act, error, omission or **Personal Injury** in the rendering of or failure to render audit or review services performed for any organization, corporation, company, partnership, or operation (other than the **Named Insured, Predecessor in Business or Successor in Business**) while any **Insured** is an officer, director, general partner or manager of such entity, or any **Insured** or their spouse has more than 10% equity position in such entity.
- C**
- G. Based on or arising out of: (1) loss of, injury to, or destruction of tangible property; or (2) for loss of use of tangible property. However this exclusion does not apply to client records which are in the **Insured's** care, custody or control, or over which the **Insured** is exercising physical control for any reason;
- H. Based on or arising out of bodily injury, sickness, disease or death;
- M**
- I. Made by an **Insured** against any other **Insured**, unless such **Claim** arises solely out of **Professional Services** performed in an accountant-client capacity;
- J. Arising out of any liability resulting from owning, renting, using, taking care of, loading or unloading or the entrustment to others of any Automobile, **Mobile Equipment**, watercraft, or aircraft;
- E**
- K. Arising out of any liability resulting from an **Automobile, Mobile Equipment**, watercraft or aircraft which the **Insured** owns or operates, or which is operated for the **Insured** by an employee in the course of their employment;
- N**
- L. Based on or arising out of the manufacture, lease, or design of any product by any **Insured** including any representation or warranty made with respect thereto or out of any product liability, product defect, mechanical or electrical breakdown, except as provided in subsection (g) of the definition of **Professional Services**;
- M. Based on any claim resulting from injury, disease or illness (including death at any time resulting therefrom), Damage to or reduction in financial value of any property, or other loss or expense arising in whole or in part, out of or in any way related to Asbestos;
- N. Based on any **Claim**, action, judgment, liability, settlement, loss, defense, cost, or expense in anyway arising out of actual, alleged, or threatened pollution, contamination, or any environmental impairment resulting from seepage, discharge, dispersal, release or escape of any solid, liquid, gaseous or radioactive matter including materials to be recycled, reconditioned, or reclaimed); or oil or other petroleum substances or derivatives (including any oil refuse or oil mixed with waste), or thermal or vibratory effect including, but not limited to, heat or cold, into or upon land, the atmosphere, or any water course or body of water, underground water or water table supplies, whether such results directly, indirectly, or in concurrence or in any sequence from the **Insured's** activities or the activities of other and whether or not such is sudden, gradual, accidental, intended, foreseeable, expected, fortuitous, or inevitable and wherever or however such occurs.

But this exclusion shall not apply to bodily injury or property damage caused by heat, smoke, or fumes from a "hostile fire" unless such fire involves:

- A. materials which are or were at any time used for the handling, storage, disposal, processing or treatment of waste; or
- B. any premises, site, or location:
 - 1. which is or was at any time used for the handling, storage, disposal, processing or treatment of waste; or
 - 2. on which any **Insured** or contractors or subcontractors working directly or indirectly on any **Insured's** behalf are performing operations to test for, monitor, cleanup, remove, contain, treat, detoxify, or neutralize, or in any way respond to, or assess the effects of, pollutants.

VIII. DEFINITIONS

When used in this policy (including endorsements forming a part hereto):

"Alternative Dispute Resolution" means the use of mediation or non-binding arbitration proceedings in which the **Insured** participates with the consent of the Company;

"Asbestos" shall include but is not limited to: Asbestos or other mineral wools; Asbestos or mineral wool products, fibers, or dust; Asbestos or other mineral wools contained in products or materials.

"Automobile" means a land motor vehicle, trailer or semi-trailer designed for travel on public roads (including any machinery or apparatus attached thereto), but does not include **Mobile Equipment**.

"Broker" means any person engaged in the business of effecting transactions in securities or other investments for the account of others.

"Claim" means a demand for money, including the filing of **Suit** or institution of arbitration proceedings, or Alternative Dispute Resolution naming an **Insured** and alleging an act, error, omission or **Personal Injury** resulting from the rendering of or failure to render **Professional Services**. **Claim** does not include proceedings seeking injunctive or other non-monetary relief.

"Claim Expenses" means:

- (a) Fees charged by (an) attorney(s), arbitrator(s) or mediator(s) designated by the Company or by the **Named Insured** with written consent of the Company, and all other fees, costs, and expenses resulting from the investigation, adjustment, defense and appeal of a **Claim, Suit** or proceeding arising in connection therewith, if incurred by the Company, or by the **Named Insured** with written consent of the Company, but does not include salary charges or expenses of regular employees or officials of the Company, or fees and expenses of independent adjusters.
- (b) All costs taxed against the **Insured** in **Suits** covered by this policy, and interest on the amount of any judgment covered by this policy which accrues after entry of the judgment and before the Company has paid or tendered or deposited, whether in court or otherwise, that part of the judgment which is covered by this policy and which does not exceed the limit of the Company's liability thereof,
- (c) Premiums on appeal bonds and premiums on bonds to release attachments for the covered portion of such judgments within the applicable limit of liability of this policy. The Company shall have no obligation to pay for or furnish any bond;

"Damages" means the monetary and compensatory portion of any judgment, settlement or award but does not include punitive or exemplary damages, fines or penalties assessed directly against any **Insured**, the return of fees or other consideration paid to any **Insured**, or that portion of any award or judgment caused by the trebling or multiplication of actual damages under federal or state law.

"Dealer" means any person engaged in the business of buying and selling securities or other investments for his or her own account, through a **Broker** or otherwise, or any person, insofar as he buys or sells securities or other investments for his or her own account, either individually or in some fiduciary capacity, but not as part of a regular business.

"Insured" means any person or organization qualifying as an **Insured** in the "**Persons Insured**" provision of this policy. The insurance afforded applies separately to each **Insured** against whom **Claim** is made or suit is brought, except with respect to the Company's limits of liability.

"**Mobile Equipment**" means a land vehicle (including any machinery or apparatus attached thereto), whether or not self-propelled, (1) not subject to motor vehicle registration, or (2) maintained for use exclusively on premises owned by or rented to any **Insured**, including the ways immediately adjoining, or (3) designed for use principally off public roads, or (4) designed or maintained for the sole purpose of affording mobility to equipment of the following types forming an integral part of or permanently attached to such vehicle; power cranes, shovels, loaders, diggers and drills; concrete mixers (other than the mix-in-transit type); graders, scrapers, rollers and other road construction or repair equipment; air-compressors, pumps and generators, including spraying, welding and building cleaning equipment; and geophysical exploration and well servicing equipment.

"**Named Insured**" means the person or organization named in Item 1. of the Declarations of this policy.

"**Personal Injury**" means, (a) false arrest, detention or imprisonment, wrongful entry or eviction, other invasion of private occupancy, or malicious prosecution; (b) the publication or utterance of libel, slander or other defamatory or disparaging material, or a publication or an utterance in violation of an individual's right of privacy; (c) the following offenses occurring in the course of the **Named Insured's** advertising activities; infringement of copyright, title, slogan, patent, trademark, trade dress, trade names, service mark or service number.

"**Policy Period**" means the period from the inception date of this policy to the policy expiration date as set forth in the Declarations of this policy, or its earlier termination date, if any.

"**Potential Claim**" means a specific act, error, omission or **Personal Injury** of which any **Insured** has knowledge, and which might reasonably be expected to result in **Claim**.

"**Predecessor in Business**" means any accounting firm which has undergone dissolution and either: (a) some or all of such firm's principals, owners, officers, members, managing members or partners have joined the **Named Insured**, provided such persons were responsible for producing in excess of 50% of the prior firm's annual gross billings and such billings have been assigned or transferred to the **Named Insured**; or (b) at least 50% of the principals, owners, partners, members, managing members or officers of the prior firm have joined the **Named Insured**.

"**Professional Services**" means;

- (a) services performed or advice given by the **Insured** in the **Insured's** practice in accountancy, financial planning and consulting;
- (b) services as a notary public;
- (c) services as a trustee, administrator, conservator, executor, guardian, receiver or similar fiduciary capacity except when any **Insured** is a beneficiary or distributee of any trust or estate serviced and the fee accruing from such work inures to the benefit of any **Insured**;
- (d) advice given or services performed in connection with any professional institute or any standards board or any other professional body whether or not it is performed on behalf of the **Insured** firm. Exclusion B, as it applies to restraint of trade or anti-trust violation, shall not apply to those activities.
- (e) the publication or presentation of research papers or similar materials, but only if direct pecuniary compensation per publication or presentation is less than \$3,000;
- (f) the operation or management of that portion of the **Insured's** premises used in the **Named Insured's** practice as an accounting firm;

- (g) consulting, training, servicing, ordering delivering and installing hardware, software, and their related supplies and the development of computer products by the **Insured** that are designed specifically for the sole use of the **Insured** and/or the **Insured's** clients;
- (h) professional services performed by the **Insured** in the course of an accountant-client relationship on behalf of one or more clients shall be deemed for the purpose of this section to be the performance of **Professional Services** for others in the **Insured's** capacity as an accountant, although such services could be performed wholly or in part by non-accountants.

"Related" means logically or casually connected by any common fact, circumstance, situation, transaction, event, advice or decision.

"Successor in Business" means, after dissolution of **Named Insured**, any accounting firm in which either: (a) some or all of the principals, owners, officers, members, managing members and/or partners of the **Named Insured** have joined an existing, or formed a new, accounting firm provided such persons were responsible for producing in excess of 50% of the **Named Insured's** annual gross billings at the time of dissolution and such billings have been assigned or transferred to the successor accounting firm; or (b) at least 50% of the principals, owners, partners, members, managing members or officers of the **Named Insured** have joined an existing, or formed a new, accounting firm; provided this policy does not apply to **Professional Services** or **Personal Injury** if the **Successor in Business** is also an **Insured** under any similar liability or indemnity policy, or would be an **Insured** under any such policy but for exhaustion of its limits of liability. This coverage shall terminate at the earlier of policy termination or 90 days from the date of dissolution of the **Named Insured** unless written notice is given to the Company, together with such information as the Company may request, and the **Successor in Business** shall pay any additional premium required in the event the Company agrees to continue the policy.

"Suit" means a civil adjudicatory proceeding in a court of law.

IX. CONDITIONS

- A. **Premium:** All premiums for this policy shall be computed in accordance with the Company's rules, rates, rating plans, premiums and minimum premiums applicable to the insurance afforded herein. The **Named Insured** shall maintain records of the information necessary for premium computation and shall send copies of such records to the Company at such times as the Company may direct.
- B. **Notice, Assistance and Cooperation of Insured:** Immediately upon the **Insured** becoming aware of any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** which could reasonably be expected to be the basis of a **Claim**, written notice shall be given by the **Insured**, or its representatives to the Company together with the fullest information obtainable. If **Claim** is made or **Suit** is brought against any **Insured**, the **Insured** or its representatives shall immediately forward to the Company every demand, notice, summons or other process received by the **Insured** or the **Insured's** representative.

All **Insureds** shall cooperate with the Company and, upon the Company's request, assist in making statements, in the conduct of **Suits** and in enforcing any right of contribution or indemnity against any person, organization or other insurer which may be liable to the **Insured** or the Company for **Damages** or **Claim Expenses**. The **Insured** shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. No **Insured** shall, except at the **Insured's** own cost, voluntarily make any payments, assume any obligation or incur any expense. The **Insured** may provide for **Alternative Dispute Resolution** with a client under an engagement letter or any other written contract, as long as such agreement is executed in writing prior to any **Claim** or **Potential Claim**.

C. **Waiver of Exclusion and Breach of Condition:**

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

- 1. because of EXCLUSION B. relating to any judgment or final adjudication based upon or arising out of any dishonest, fraudulent, criminal or malicious act, or omission or deliberate misrepresentation by any **Insured**; or

2. because of noncompliance with IX CONDITIONS, Sub-section B., relating to the giving of notice to the Company with respect to which any other **Insured** shall be in default solely because of the default or concealment of such default by one or more partners or employees responsible for the loss or damage otherwise insured hereunder,

the Company agrees that such insurance as would otherwise be afforded under this policy shall apply with respect to each and every **Insured** who did not personally commit or personally participate in, known of, ratify, or commit one or more of the acts, errors, or omissions described in any such exclusion or condition; provided that the condition be one with which such **Insured** can comply, after receiving knowledge thereof, the **Insured** entitled to the benefit of the Waiver of Exclusions or Breach of Conditions shall comply with such conditions promptly after obtaining knowledge of the failure of any other **Insured** or employee to comply therewith.

- D. **Assignment:** No **Insured's** rights under this policy are assignable. If any **Insured** shall die or be adjudged incompetent, this insurance shall thereupon terminate for such person but shall cover the **Insured's** legal representative as the **Insured** with respect to liability previously incurred and covered by this insurance. Pro rata return premium will be computed from the date of termination.
- E. **Legal Action Against Company:** A person or organization may bring a **Suit** against the Company including, but not limited to a suit to recover on an agreed settlement or on a final judgment against an **Insured** after actual and contested trial on the merits; but the Company will not be liable for **Damages** that are not payable under the terms of this policy or that are in excess of the applicable limits of insurance. An agreed settlement means a settlement and release of liability signed by the Company, the **Insured** and the claimant or the claimant's legal representative. However, no action shall lie against the Company unless there has been full compliance with all of the terms of this policy.
- F. **Conformity to Statute:** Notwithstanding anything contained herein to the contrary, in the event that any terms or conditions of this contract conflict with any law applicable to the coverage afforded hereunder, the terms of this contract shall by this statement, be amended to conform to such law or laws.
- G. **Other Insurance:** If there is valid and collectable insurance (whether primary, excess, contingent or self-insurance, including Extended Reporting Period coverage from previous insurance) against a **Claim** covered by this policy, the insurance hereunder shall be deemed excess insurance over and above the applicable limit of all other insurance or self-insurance. This provision does not apply to other insurance that was purchased by the **Insured** specifically to apply in excess of the limits of liability shown on the Declarations of the policy.

When this insurance is excess, the Company shall have no duty under this policy to defend any **Claim** or suit that any other insurer or self-insurer has a duty to defend. If such other insurer or self-insurer refuses to defend such **Claim** or suit, the Company shall be entitled to the **Insured's** rights against all such other insurers or self-insurers for any **Claim Expenses** incurred by the Company.

When both this insurance and other insurance or self-insurance apply to the **Claim** on the same basis, whether primary, excess or contingent, the Company shall not be liable under this policy for a greater proportion of the **Damages** or **Claim Expenses** than the applicable limit of liability under this policy for such **Claim** bears to the total applicable limit of liability of all valid and collectible insurance against such **Claim**. Subject to the foregoing, if a loss occurs involving two or more policies, each of which provides that its insurance shall be excess, each will contribute pro-rata.

- H. **Subrogation:** To the extent of any payment under this policy, the Company shall be subrogated to all the **Insured's** rights of recovery therefore against any person, organization, entity or other insurer; and all **Insureds** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. No **Insured** shall do anything to prejudice such rights.
- I. **Changes:** The terms of this policy shall not be waived or changed except by written endorsement issued to form a part of this policy.
- J. **Bankruptcy or Insolvency of Insured:** Bankruptcy or insolvency of the **Insured** or of the **Insured's** estate shall not relieve the Company of any of its obligation hereunder.

K. **Cancellation:** This insurance may be canceled on the customary short rate basis by the **Named Insured** at any time by written notice or by surrender of this insurance to the Company or its authorized representative and the Company shall refund the paid premium less the earned portion thereof within thirty (30) days of the latter of the effective date of the cancellation or the date of delivery of the **Named Insured's** notice of intent to cancel, subject always to the retention by the Company of any minimum premium stipulated herein (or proportion thereof previously agreed upon). The earned portion of the premium shall be computed on the customary short-rate basis unless any state law or regulation of the state shown in the mailing address of the **Named Insured** on the Declarations Page requires that return premium be computed on a pro-rata basis, even in the event of cancellation by the **Named Insured**. This insurance may also be canceled, with or without the return or tender of the unearned premium, by the Company, or by its authorized representative on its behalf, by sending to the **Named Insured**, by first class, registered or certified mail, at the **Named Insured's** address last known to the Company or its authorized agent, not less than ninety (90) days written notice stating the specific reason for such cancellation and when the cancellation shall be effective. In such case the Company shall refund the paid premium less the earned portion thereof within ten (10) business days after the effective date of cancellation, subject always to the retention by the Company of any minimum premium stipulated herein (or proportion thereof previously agreed upon) in the event of cancellation either by the Company or the **Named Insured**. In case of non-payment of premium only thirty (30) days written notice of cancellation must be given by the Company. Proof of mailing will be sufficient proof of notice.

Cancellation by the Company shall only be effective if based on one or more of the following reasons:

1. Non-payment of premium;
2. The policy was obtained through a material misrepresentation that was relied on by the Company, and such policy would not have been issued by the Company under the same terms and conditions if correct information had been disclosed;
3. Material failure to comply with policy terms, conditions or contractual duties;
4. The risk originally accepted has measurably increased; or
5. Loss by the Company of reinsurance which provided coverage for all or a substantial part of the risk insured.

L. **Nonrenewal:** The Company will renew this policy unless written notice of the Company's intent not to renew, stating the specific reasons for nonrenewal, is mailed to the **Named Insured** not less than ninety (90) days before the policy expires. "Non-renewal" shall include the failure of the Company to offer a renewal policy which provides types and limits of coverage substantially equivalent to those contained in the expiring policy.

Any notice of nonrenewal will be mailed by first class registered or certified mail to the **Named Insured** at the last mailing address known to the Company. Proof of mailing will be sufficient proof of notice.

M. **Renewal Rate Increase or Change in Policy Terms:** If the Company increases your rate, changes the deductible, reduces the limit and or reduces coverage at renewal, the Company will mail to the **Named Insured**, at least sixty (60) days prior to the effective date of that increase or change.

1. Written notice of any change in terms;
2. The amount of the rate increase.

A "Rate increase" is defined as any increase in premium except an increase due to change in exposure (including Claims-made step factors) and/or rating plans based solely on the **Insured's** developed experience.

N. **Declarations and Applications:** By acceptance of this policy, all **Insureds** affirm and agree that (1) as of the effective date of this policy the representations and statements in the application for this policy are true and correct; (2) that this policy is issued in reliance upon the truth of such statements and representations; and (3) that this policy embodies all agreements existing between and the Company and all **Insureds** relating to this insurance.

O. Extended Reporting Period Option:

1. Automatic Extended Reporting Period:

An automatic sixty (60) day Extended Reporting Period Option, effective at the termination of the **Policy Period**, will be provided by the Company at no additional cost unless this insurance is replaced with the same or similar insurance issued by the Company, whether or not the terms, limits or deductibles are identical to those provided under this policy. This Extended Reporting Period only applies to **Claims** first made against an Insured during the **Policy Period**, and reported to the Company within sixty (60) days of the policy termination, for any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** which happen prior to the termination of the **Policy Period**. This Extended Reporting Period does not apply to **Potential Claims**. The limits available under this extension shall be part of, and not in addition to, the limits available under the expiring **Policy Period**. Coverage provided by this automatic Extended Reporting Period shall be specific excess over any replacement policy providing the same or similar coverage. This Extended Reporting Period is not available if the policy is cancelled for non-payment of premium effective at policy inception.

2. Cancellation / Non-Renewal:

In the case of cancellation or non-renewal of this policy by the **Named Insured** or the Company for any reason other than flat cancellation by the Company effective at policy inception for non-payment of premium; or in the case of advancing a retroactive or prior acts date from one previously applied by the Company, the **Named Insured** shall have the right, subject to the other terms and conditions of this policy, or any endorsement attached thereto, to have an endorsement issued extending the time during which **Claims** can be reported for an additional premium of

- a. 100% of the full annual premium for this policy, to a period of twelve (12) months, or
- b. 135% of the full annual premium for this policy to a period of thirty-six (36) months, or
- c. 150% of the full annual premium for this policy to a period of sixty (60) months, or
- d. 175% of the full annual premium for this policy, to an unlimited period.

following the effective date of such cancellation or non-renewal in which to give written notice to the Company of **Claims** first made against the **Insured** during the Extended Reporting Period for any act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** which happen prior to the termination of the final **Policy Period**, subject to its terms, limitations, exclusions and conditions. This right shall terminate, however, unless written notice of such election, together with the additional premium, is received by the Company or its authorized agent from the **Named Insured** within sixty (60) days after the effective date of cancellation or non-renewal.

3. Retiree Provision:

If the **Named Insured** is a sole proprietor and cancels or fails to renew this policy due to his or her, retirement from active business, the **Named Insured** shall have the right to have an endorsement issued extending the reporting period for this policy, for an additional premium of 175% of the full annual policy premium, to an unlimited period following the effective date of such cancellation or non-renewal upon his or her retirement from the private practice of accounting.

The payment of additional premium for this option will be waived if:

- a. The **Named Insured** is an individual and has been continuously insured by the Company under a Claims-made Accountants Professional Liability Insurance policy for at least:
 - (i) Seven consecutive years prior to such cancellation or non-renewal, and is at least 55 years of age at the time of retirement; or
 - (ii) Six consecutive years prior to such cancellation or non-renewal and is at least 56 years of age at the time of retirement; or

(iii) Five consecutive years prior to such cancellation or non-renewal and is at least 57 years of age at the time of retirement; and

b. Written notice of this election is given to the Company within sixty (60) days after termination of this policy; and

c. All premiums and deductibles due the Company have been paid in full.

4. **Death or Disability of Insured:**

If the **Named Insured** designated in the Declarations is a sole proprietor and shall cancel or non-renew this policy, the **Named Insured** shall have the right, at no cost, to have an endorsement issued extending the reporting period for this policy to an unlimited period to report **Claims** arising from any act, error or omission or **Personal Injury** in the rendering of or failure to render **Professional Services** which happen prior to the termination of the **Policy Period** following the effective date of such cancellation or nonrenewal provided that:

a. Such cancellation or Nonrenewal results from the death or disability of the **Named Insured** during the **Policy Period**;

b. In the event of disability, the **Named Insured** is totally and continuously disabled a minimum of six (6) months prior to the election of this option;

c. Satisfactory written evidence of death or disability is provided to the Company within one (1) year of such death or disability; and

d. All premiums and deductibles due the Company have been paid in full.

This right shall terminate, however, unless written notice of election is received by the Company or its authorized agent from the **Named Insured** or legal representative of **Named Insured** within sixty (60) days after the effective date of such cancellation or nonrenewal.

5. **Extended Reporting Period Earned Premium:**

At the commencement of any **Extended Reporting Period Option**, the entire premium therefore shall be deemed earned, and the Company shall not be liable to return to the **Insured** any portion of the premium for the **Extended Reporting Period**.

6. **Extended Reporting Period Limits of Liability:**

The fact that the period during which **Claims** must be first made against the **Insured** under this policy is extended by virtue of any **Extended Reporting Period Option** shall not in any way increase the limit of liability of this policy. The limit of liability available under any **Extended Reporting Period Option** shall be part of, and not in addition to, the limit of liability available under the **last policy** issued to the **Named Insured**.

P. **Reimbursement:** While the Company has no duty to do so, if the Company pays **Damages** or **Claim Expenses**:

1. Within the amount of the applicable deductible; or

2. In excess of the applicable limit of liability

3. Under a reservation of rights to seek reimbursement, and it is determined that the Company is entitled to reimbursement.

All **Insureds** shall be jointly and severally liable to the Company for such amounts. Upon written demand, the **Insured** shall repay such amounts to the Company with thirty (30) days thereof. Failure to pay any amount indicated may lead to policy cancellation.

Q. If the Company adopts any revision that would broaden the coverage under this policy without additional premium at any time during the Policy Period, the broadened coverage will immediately apply to this policy.

In Witness whereof, the Company has caused this policy to be signed by its president and secretary.

S
Daniel M. [unclear]
P
Secretary

Jerry R. Wittman
President

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C
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M
E
N

CPA ADVANTAGE
PURCHASING GROUP ASSOCIATION

ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE PROGRAM

Claims Handling Procedures

An important value of your Accountants Professional Liability insurance coverage is the ability of the insurance company to respond when you have a claim. The CPA Advantage Purchasing Group's policy not only provides an exact description of what is covered and what is not covered, it also sets out your obligations as an insured and, where appropriate, the obligations of others involved with you.

The Chicago Insurance Company and the Herbert H. Landy Insurance Agency, Inc. are committed to providing insureds and clients with effective claim service. You, as an insured Purchasing Group member, trigger this service when you report a claim quickly and accurately.

In the event of an incident which may result in a claim, an actual claim, or your receipt of suit papers arising out of your services as an accountant, please follow the procedures outlined below:

Notices of each incident, claim or suit must be sent immediately to:
Chicago Insurance Company
Professional Liability Claims
c/o Herbert H. Landy Insurance Agency, Inc.
75 Second Ave., Suite 410
Needham, MA 02494-2876
Phone: 1-800-336-1422
Fax: 1-781-449-7108

Your claim notice should include the following:

- > Your name, address and phone number;
- > A copy of your Certificate of Insurance form --- this will include important information regarding your coverage;
- > The date or period of duration (start date/finish date) of the professional service in question and the date you first became aware of the problem or potential problem;
- > A brief description of the problem;
- > Copies of any letters of demand and any legal papers (i.e.: summonses and complaints, notices of arbitration, etc) which you have received.
- > It is advisable to send a photocopy of your cover letter to your insurance agent.

Do not discuss the claim with any adverse party or their representative. Do not admit any liability or pay any portion of alleged damages. Do not attempt to handle the matter yourself. **Any one of these actions may void your insurance coverage.** (If you waive your fee, or any part of it, in conjunction with a dissatisfied customer **and do not admit any liability**, the terms of your coverage may not be compromised. Send us a notice of any such incident immediately.)

You will be contacted by a representative of Chicago Insurance Company's Claim Department. This representative, who specializes in the handling and adjusting of accountants professional liability/errors and omissions claims, will confirm receipt of the loss notice directly to you, provide a company claim number for all future correspondence, refer to legal counsel if necessary, and discuss further handling of the matter with you.