

REAL ESTATE AGENTS ERRORS AND OMISSIONS

CLAIMS-MADE INSURANCE POLICY

P


E INTERSTATE
INSURANCE
GROUP


I

CHICAGO INSURANCE COMPANY

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

M
E

N

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

REAL ESTATE AGENTS ERRORS AND OMISSIONS CLAMS-MADE INSURANCE POLICY

1. Your Liability Policy is made up of the following items:

Your Declaration Page

The Declaration Page summarizes the specific information regarding your liability coverage.

Your Policy

This is the specific coverage contract agreement detailing the type of coverage provided under this policy. Your policy may contain more than one coverage part, each providing a different specific coverage.

Endorsements

A policy will often contain endorsements that make the coverage contract complete. Endorsements are often added to allow policies to conform to individual state regulations and/or requirements or may be used at the direction of the Company, or may be used due to the nature of the risk insured.

2. For your policy to be complete, you must have a Declaration Page, the Policy and any applicable endorsements.
3. For your assistance in reviewing and locating information contained in the Policy, you can find the Policy Sections outlined below on the page indicated.

Insuring Agreements	Beginning On Page
I. Coverage	1
II. Persons Insured	2
III. Limits Of Liability	2
IV. Policy Period, Territory	2
V. When To Report A Claim	2
VI. Supplemental Payments	3
VII. Exclusions	3
VIII. Definitions	5
IX. Conditions	6

CONSUMER INFORMATION NOTIFICATION

IMPORTANT INFORMATION TO PURCHASING GROUP MEMBERS
KEEP THIS NOTICE WITH YOUR INSURANCE PAPERS.

S PLEASE NOTE
PLEASE READ YOUR COVERAGE TERMS CAREFULLY.
THE POLICY MAY CONTAIN ONE OR MORE OF THE FOLLOWING EXCLUSIONS:
ASBESTOS, DISCRIMINATION, SEXUAL ASSAULT, TRANSMISSION OF DISEASE

P
AS ACCEPTED AND APPROVED BY YOUR RISK PURCHASING GROUP ASSOCIATION, THIS POLICY DOES NOT INSURE PUNITIVE OR EXEMPLARY DAMAGES THAT MAY BE SOUGHT AGAINST YOU. YOUR PREMIUM FOR THIS POLICY IS LOWER AS A RESULT OF THIS EXCLUSION.

E
THIS POLICY DOES NOT PROVIDE A REINSTATEMENT OF THE AGGREGATE LIMIT OF LIABILITY UNDER ANY OPTIONAL EXTENDED REPORTING PERIOD UNLESS SPECIFIC STATE LAW REQUIRES SUCH REINSTATEMENT.

C
WARNING: ANY PERSON WHO KNOWINGLY, AND WITH INTENT TO INJURE, DEFRAUD OR DECEIVE ANY INSURER, MAKES ANY CLAIM FOR THE PROCEEDS OF AN INSURANCE POLICY CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF A FELONY.

I
In the event you need to contact someone about this policy for any reason please contact your agent. If you have additional questions, you may contact the insurance company issuing this policy at the following address and telephone number:

M
CHICAGO INSURANCE COMPANY
Professional Liability Department
55 E. Monroe St., Chicago, IL 60603
Phone: (312) 346-6400

If you have been unable to contact or obtain satisfaction from the company or the agent, you may contact your State Insurance Department.

N
Written correspondence is preferable so that a record of your inquiry is maintained. When contacting your agent, company, or the State Insurance Department, have your certificate number available.

—
INTERSTATE
INSURANCE
GROUP
—

IN ALASKA: All return premiums will be computed pro-rata. Pursuant to the Alaska Division of Insurance, we must provide to you and comply with the following notice: Your policy contains a provision relating to "Other Insurance". If any other valid insurance is primary, and permits contributions by equal shares, we will follow this method also. Under this approach, each insurer contributes equal amounts until it has paid its applicable limits of insurance or none of the loss remains, whichever ever comes first.

IN ARKANSAS, contact: **S** Consumer Services Division
1123 South University
400 University Tower Building Phone: (501) 686-2945
Little Rock, Arkansas 72204

IN INDIANA: Should you have a valid claim and feel you are not being treated fairly, you may contact the Indiana Department of Insurance at the address and phone number below with your complaint and seek assistance from the governmental agency that regulates insurance. **P**

Public Information/Market Conduct
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, IN 46204-2787 **E** Phone: Consumer Hotline: 1-800-662-4461
In Indianapolis area: 1-317-232-2395

IN NORTH CAROLINA: Within 45 days after receipt of a written request from the Named Insured the Company shall mail or deliver loss information on open and closed claims covering a three-year period. In the event of policy cancellation or non-renewal, the Insured may elect to purchase coverage for the extending reporting period. The Insured may choose a limit of liability in the policy aggregate for the extended reporting period which is one hundred percent (100%) of the expiring policy aggregate that was in effect at the inception of the policy. **C**

IN TEXAS: COMPLAINT NOTICE: Should any dispute arise about your premium or about a claim that you have filed, contact the agent or write to the company that issued the policy or certificate. If the problem is not resolved, you may also write the State Board of Insurance, P.O. Box 149091, (Department C, 1110 San Jacinto Street), Austin, Texas 78714-9091, Fax #(512) 475-1771 (78786). This notice of complaint procedure is for information only and does not become a part or condition of this policy or certificate. **I**

FOR INFORMATION, OR TO MAKE A COMPLAINT CALL: 1-800-628-8574 **M**

IN VIRGINIA, contact: State of Virginia Bureau of Insurance
Property & Casualty Division
P.O. Box 1157
Richmond, Virginia 23209 Phone: (In-state toll free): 1-800-552-7945
(Out-of-state calls): 1-804-786-3741 **E**

IN WEST VIRGINIA, contact: Consumer Service Division
West Virginia Insurance Department
P.O. Box 50540
Charleston, W. Virginia 25305-0540 Phone: (In-state toll free): **N** 1-800-642-9004
(Otherwise) 1-304-558-3386

IN WISCONSIN: **PROBLEMS WITH YOUR INSURANCE?** - If you are having problems with your insurance company or agent, do not hesitate to contact the insurance company or agent to resolve your problem. You can also contact the **OFFICE OF THE COMMISSIONER OF INSURANCE**, a state agency which enforces Wisconsin's insurance laws, and file a complaint. You can contact the **OFFICE OF THE COMMISSIONER OF INSURANCE** by writing to:

OFFICE OF THE COMMISSIONER OF INSURANCE
Complaints Department
P.O. Box 7873
Madison, WI 53707-7873

or you can call 1-800-236-8517 outside of Madison or 266-0103 in Madison and request a complaint form.

REALTY
PURCHASING GROUP ASSOCIATION

REAL ESTATE AGENTS & BROKERS PROFESSIONAL LIABILITY INSURANCE PROGRAM

Claims Handling Procedures

An important value of your Real Estate Agents & Brokers Professional Liability insurance coverage is the ability of the insurance company to respond when you have a claim. The Realty 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 a real estate agent or broker, 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: 1-800-336-5422
Fax: 1-781-449-7908

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.

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 real estate agents and brokers 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.

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 MADE AGAINST THE INSURED AND REPORTED TO THE COMPANY DURING THE POLICY PERIOD UNLESS, AND TO THE EXTENT, THE EXTENDED REPORTING PERIOD OPTION APPLIES.

S CHICAGO INSURANCE COMPANY
(a stock insurance company, herein called the Company)

agrees with the Insured, in consideration of the payment of the premium, and in reliance upon the statements on the policy 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** first made against the **Insured** and reported to the Company during the **Policy Period**, arising out of any negligent act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** by an **Insured** covered under this policy; provided always that such negligent act, error, omission or **Personal Injury** happens:

- (a) during the **Policy Period**; or
- (b) prior to the **Policy Period** provided that:
 - (i) such negligent act, error, omission or **Personal Injury** happened on or after the Prior Acts Date as indicated on the policy Declarations Page; and
 - (ii) the **Insured** had no reasonable basis to believe that any **Insured** had breached a professional duty or to foresee that a **Claim** would be made against an **Insured** prior to the effective date of their policy or any subsequent renewal.

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 in 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 own expense, to associate in the defense of any covered **Claim**.

The Company shall also have the right to investigate any **Claim** and/or negotiate the settlement, as it deems expedient, but the Company shall not commit the **Named Insured** to any settlement without consent. If the **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 **Claims Expenses** shall not exceed the amount for which the **Claim** could have been settled as well as the **Claims Expenses** incurred by the Company or with the Company's consent up to the date of such refusal. Furthermore, prior to such relief of the Company, 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 policy Declarations is applicable to this policy, **Claims Expenses** shall be part of, and not in addition to, the Limits of Liability specified in Item 3. of the policy Declarations; or
- B. Item 4.b. of the policy Declarations is applicable to this policy, **Claims Expenses** shall be in addition to the Limits of Liability specified in Item 3. of the policy Declarations.

In no event shall the Company be obligated to pay **Damages** or **Claims 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 **Claims Expenses**.

II. PERSONS INSURED

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

- (a) If the **Named Insured** is designated as an independent contractor in Item 5. of the policy Declarations, coverage is only afforded to the individual designated as the **Named Insured** in Item 1. of the policy Declarations;

- (b) If the **Named Insured** is designated as a sole proprietorship in Item 5. of the policy Declarations, the **Named Insured** designated in Item 1. of the policy Declarations and any current or former employee, **Salesperson** or agent of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as such;
- (c) If the **Named Insured** is designated as a partnership or **Limited Liability Partnership/Corporation** in Item 5. of the policy Declarations, the partnership so designated and any current or former partner, employee, **Salesperson**, agent, **Predecessor Firm** or **Successor in Business** of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as such; or
- (d) If the **Named Insured** designated in Item 5. of the policy Declarations is other than an Independent Contractor, a sole proprietorship, partnership or **Limited Liability Partnership/Corporation**, the organization so designated and any current or former executive officer, director or stockholder, employee, **Salesperson**, agent, **Predecessor Firm** or **Successor in Business** of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as such.

III. LIMITS OF LIABILITY

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

- A. In the event **Claims Expenses** are included within the limit of liability as specified in Item 4.a. of the policy Declarations, the limit of liability stated on the policy Declarations as applicable to "each **Claim**" is the limit of the Company's liability for all **Damages** and **Claims Expenses** because of each **Claim** covered. All **Claims** arising from the same or related negligent 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 on the policy 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 **Claims Expenses**.

- B. In the event **Claims Expenses** are in addition to the limit of liability as specified in Item 4.b. of the policy Declarations, the limit of liability stated on the policy Declarations as applicable to "each **Claim**" is the limit of the Company's liability for **Damages** resulting from each **Claim** covered. There shall be a separate and equal limit of liability applicable to **Claims Expenses** for any such **Claim**. All **Claims** arising from the same or related negligent 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 on the policy 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 **Claims Expenses** incurred in the defense of **Claims** covered by this Policy, subject to the above provision respecting the Company's liability for **Claims Expenses** for "each **Claim**".

- C. The Company's liability for **Damages** and/or **Claims Expenses**, as applicable, resulting from "each **Claim**" is in excess of the deductible amount stated on the policy Declaration.
- D. In the event the **Insured** participated in an **Alternative Dispute Resolution** to settle a **Claim** brought by a client of the firm, the Company will waive 50% 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 litigation, the deductible will apply to any **Damages** and/or **Claims Expenses** paid by the Company after the litigation has commenced.
- E. The purchase or application of any Extended Reporting Period option shall not increase the limit of liability stated on the policy Declarations.

IV. POLICY PERIOD, TERRITORY

The insurance afforded by this policy applies to **Claims** which are first made and reported to the Company during the **Policy Period** as stated on the policy Declarations provided the **Claim** is made or **Suit**, if any, is brought within the United States of America, its territories, possessions or Canada.

V. WHEN TO REPORT A CLAIM

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

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 negligent act, error or omission or **Personal Injury** shall in no event exceed \$5,000;
- B. Up to \$2,500 per **Policy Period** per **Insured** for attorney fees, and other costs, expenses or fees resulting from the investigation or defense of a proceeding before a state licensing board, local real estate board or governmental regulatory body incurred as the result of a notice of a proceeding, excluding commission disputes, first received by the **Insured** and reported to the Company during the **Policy Period**, arising out of any negligent act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** by an **Insured** covered under this policy; and
- C. Up to \$100,000 as a result of any one **Claim** or all such **Claims** during the **Policy Period**, for **Damages** and/or **Claims Expenses** resulting from any **Claim** upon which **Suit** may be brought on account of such alleged behavior by an **Insured**, arising out of discrimination on the basis of age, sex, race, religion, marital status, national origin or sexual preference by any **Insured**, including resulting **Personal Injury**.

This sub-limit shall be part of, and not in addition to the limit of liability stated on the Policy Declarations.

The Company shall not be obligated to pay any **Claims Expenses** and/or **Damages** or to defend any **Suit** after the applicable \$100,000 sub-limit of the Company's liability has been exhausted.

VII. EXCLUSIONS

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

- A. Arising out of a dishonest, fraudulent, criminal or malicious act or omission or deliberate misrepresentation (including, but not limited to, actual or alleged violations of state or federal anti-trust, price-fixing, restraint of trade or deceptive trade practice laws, rules or regulations) committed by, at the direction of, or with the knowledge of any **Insured**;
- B. Arising out of the insolvency or bankruptcy of any **Insured**;
- C. Based on or arising out of any disputes involving any **Insured's** fees or charges, the failure to pay or collect premium, escrow or tax money, or the conversion, misappropriation, commingling or defalcation of funds or other property;

In the event a **Claim** is made against an **Insured** seeking both the return of escrow money and alleging a negligent act, error or omission in the performance of **Professional Services** covered under this policy, the Company will defend such **Claim** as provided under the terms and conditions of this policy without any obligation to reimburse the **Insured** for the payment of monies held as escrow.

- D. Made by an **Insured** against any other **Insured**, unless such **Claim** arises solely out of **Professional Services** performed for that party in a broker-client capacity;
- E. 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, **Limited Liability Partnership/Corporation** or corporation or other business enterprise not listed on the Policy Declarations;
- F.
 1. Arising out of **Bodily Injury**, sickness, disease or death of any person; or
 2. physical injury or **Property Damage** to or destruction of or loss of use of tangible property;

However, this exclusion does not apply to the performance of **Professional Services** by an **Insured** in the distribution, maintenance, operation or use of a lock box on property not owned or occupied by or leased to an **Insured**.

- G. Based on or arising out of any obligations for which an **Insured** or any carrier acting as his 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 (ERISA) or any of its amendments;

- H. Based on or arising out of any violation of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any state "blue sky" or securities law, or any similar state or federal statutes, including any rules promulgated or regulations;
- I. Based on or arising out of activities involving property syndication, real estate investment trusts, limited partnerships or similar investments;
- J. Based on or arising out of the sale or purchase of insurance, or the failure to effect or maintain adequate levels of types of insurance;
- K. Based on or arising out of liability assumed by an **Insured** under any contract or agreement, including any warranty, except that this exclusion shall not apply to liability the **Insured** would have even in the absence of such contract, agreement or warranty;
- L. Arising out of activities of an **Insured** as a mortgage banker, mortgage counselor, mortgage broker, business broker, independent third party escrow agent, contractor, construction advisor, property developer, insurance agent or insurance broker;
- M. Involving real property of which any **Insureds** owns more than 25%.

This exclusion shall not apply if:

1. Title is held by an **Insured** for less than one year for the purpose of resale, or
2. The property is a single-family dwelling owned by an **Insured** and listed for sale by another **Insured** who owns no part of it.

N. Resulting from:

1. Injury, disease or illness (including death at any time resulting therefrom);
2. Damage to or reduction in financial value of any property; or
3. Other loss or expense arising in whole or in part, out of or in any way related to "**Asbestos**";

O. Arising out of **Personal Injury** based on publications or utterances in the course of or related to advertising, broadcasting or telecasting activities conducted by or on behalf of the **Named Insured**; or

P. Based on any action, judgment, liability, settlement, loss, defense cost, or expense in any way 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, but not limited to smoke, vapors, soots, fumes, acids, alkalis, chemicals, or toxic matter; or waste material (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 others 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:

1. materials which are or were at any time used for the handling, storage, disposal, processing or treatment of waste; or
2. any premises, site or location:
 - a. which is or was at any time used for the handling, storage, disposal, processing or treatment of waste; or
 - b. 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.

As used in this exclusion "hostile fire" means one which becomes uncontrollable or breaks out from where it was intended to be.

VIII. DEFINITIONS

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

"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.

"Bodily Injury" means bodily harm, sickness, disease, emotional distress or death that results to any person.

"Claim" means a demand for money or the filing of **Suit** or institution of arbitration or mediation proceedings naming the **Insured** and alleging a negligent 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-pecuniary relief or administrative proceedings before any national, state, regional or local board of real estate agents or any committee or sub-committee, except as provided in Section VI.B.

"Claims Expenses" means:

- (a) Fees charged by an attorney(s) designated by 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 an **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 an **Insured** in such **Suits** and all interest on the entire amount of any judgment which accrues after entry of the judgment and before the Company has paid or tendered or deposited, whether in court or otherwise, the part of the judgment which does not exceed the limit of the Company's liability;
- (c) Prejudgment interest, where payable under this policy, which will be in addition to the limits of liability stated on the policy Declarations; or
- (d) Premiums on appeal bonds and premiums on bonds to release attachments in such **Suits**, but not for bond amounts in excess of the applicable limit of liability of this policy; the Company shall have no obligation to pay for or furnish any bond.

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

However, if a **Suit** is brought against an **Insured** with respect to a **Claim** for alleged acts or omissions falling within the scope of coverage afforded by this policy seeking both compensatory and punitive or exemplary damages, then the Company will afford a defense to such action, without liability, however, for payment of such punitive or exemplary damages.

"Insured" means any person or organization qualifying as an **Insured** under Section II. **"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 limit of the Company's liability.

Limited Liability Partnership/Corporation means a type of business organization, according to State law, that protects a partner or member from personal liability for negligent acts committed by other partners, members or employees not under their direct control.

"Named Insured" means the person or organization named in Item 1. of the Policy Declarations.

"Personal Injury" means:

- (a) false arrest, detention or imprisonment, wrongful entry or eviction, other invasion of private occupancy, or malicious prosecution; or

(b) the publication or utterance of a libel, slander or other defamatory or disparaging material, or a publication or an utterance in violation of an individual's right of privacy.

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

"Professional Services" means services performed by an **Insured** in an **Insured's** capacity as a broker, buyer's broker, agent, appraiser of real estate, a real estate consultant, auctioneer, counselor or property manager. It includes incidental services rendered by any **Insured** as a notary public, title agent or as a member of a formal accreditation, standards review or similar board or committee.

"Property Damage" means physical injury to, destruction of or loss of tangible property; or claims brought against a person who causes damage to another's property.

"Predecessor Firm" means any real estate firm which has undergone dissolution and either:

- (a) some or all of such firms principals, owners, officers 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 revenues and such billings have been assigned or transferred to the **Named Insured**;
- (b) at least 50% of the principals, owners, partners or officers of the prior firm have joined the **Named Insured**; or
- (c) at least 50% of the prior firm's financial assets and/or liabilities have been assumed by the **Named Insured**.

"Salesperson" means an independent contractor engaged in practice as a real estate broker or agent or employee of such duly licensed independent contractor practicing his or her profession under the laws of all jurisdictions in which he or she practices.

"Successor in Business" means, after dissolution of the **Named Insured**, any firm in which either: (a) some of all of the principals, owners, officers and/or partners of the **Named Insured** have joined an existing, or formed a new, firm provided such persons were responsible for producing more than 50% of the **Named Insured's** annual gross revenues at the time of dissolution and such revenues have been assigned or transferred to the successor firm; or (b) at least 50% of the principals, owners, partners or officers of the **Named Insured** have joined an existing, or formed a new firm; or (c) at least 50% of the **Named Insured's** financial assets/liabilities have been assumed by the successor 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 adjudicating proceeding in a court of law.

IX. CONDITIONS

1. **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 this insurance. 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.
2. **Assistance and Cooperation of Insured:** Immediately upon any **Insured** becoming aware of any negligent 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 settlements, 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**.

3. **Waiver of Exclusion and Breach of Conditions:** Whenever coverage under any provision of this policy would be excluded, suspended or lost:

A. because of **EXCLUSION A.** relating to any judgment or final adjudication based upon or arising out of any dishonest, deliberately fraudulent, criminal, malicious or deliberately negligent act, error or omission by any **Insured**; or

B. because of noncompliance with provision 2. above 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 committing one or more of the negligent acts, errors, or omissions described in any such exclusion or condition; provided that if 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 and Breach of Conditions shall comply with such conditions promptly after obtaining knowledge of the failure of any other **Insured** or employee to comply.

With respect to provision 3.A. above, the Company's obligation to pay in the event of such waiver shall be in excess of the deductible and in the excess of the full extent of any assets in the firm of any **Insured** who is not a beneficiary to the waiver.

4. **Assignment:** No **Insured's** rights under this policy are assignable. If any **Insured** shall die or be adjudged incompetent, this insurance shall 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.

5. **Legal Action Against The 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**, 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 limit 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 by an **Insured** shall lie against the Company unless there has been full compliance with all of the terms of the policy.

6. **Conformity to Statute:** 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.

7. **Other Insurance:** If there is other valid insurance (whether primary, excess, contingent or self-insurance, including Extended Reporting Period coverage from previous insurance) which may apply against a loss or **Claim** covered by this policy, the insurance provided hereunder shall be deemed excess insurance over and above the applicable limit of all other insurance or self-insurance.

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 **Claims Expenses** and **Damage** incurred by the Company.

When both this insurance and other insurance or self-insurance apply to the loss on the same basis, whether primary, excess or contingent, the Company shall not be liable under this policy for a greater proportion of the loss or defense costs than the applicable limit of liability under this policy for such loss bears to the total applicable limit of liability of all valid and collectible insurance against such loss. 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.

8. **Subrogation:** To the extent of any payment under this policy, the Company shall be subrogated to all the **Insureds'** rights of recovery against any person, organization or entity and all **Insureds** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insured** shall do nothing after any loss to prejudice such rights.
9. **Changes:** The terms of this policy shall not be waived or changed except by endorsement issued to form a part of this policy.
10. **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 obligations under this policy.
11. **Cancellation:**

A. Cancellation by the Named Insured

The **Named Insured** may cancel this policy by mailing or delivering to us advance written notice of cancellation. The Company shall refund the paid premium less the earned portion within thirty (30) days of the latter of the effective date of 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.

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 policy Declarations requires that return premium be computed on a pro-rata basis, even in the event of cancellation by the **Named Insured**.

B. Cancellation by the Company

The Company may cancel this policy by mailing or delivering to the **Named Insured** at the last known address, written notice of cancellation.

Computation of Return Premium

Minimum premium shall not apply to the return of unearned premium if cancellation is by the Company.

Cancellation for Non-Payment of Premium

Sending of Notice: In case of cancellation due to non-payment of premium, thirty (30) days written notice of cancellation must be given by the Company.

Reason for Cancellation Limited

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.

The Company will notify the **Named Insured** not less than sixty (60) days by written notice before policy cancellation.

C. Non-Renewal and Renewal Rate Increase or Change in Policy Terms

Non-Renewal: The Company will renew this policy unless written notice of the Company's intent not to renew, which states the specific reasons for non-renewal, 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.

Renewal Rate Increase or Change in Policy Terms: If the Company increases the rate, changes the deductible, reduces the limit or reduces coverage at time of 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 coverage; and
2. the amount of the rate increase.

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

D. Sending of Notices

Any notice of cancellation, non-renewal, renewal premium increase or change in policy terms will be mailed by first class registered or certified mail to all **Named Insureds** at the last mailing address known to the Company. Proof of mailing will be sufficient proof of notice.

12. **Deductible:** The **Insured's** obligation to pay the deductible amount as a result of any single **Claim** shall not exceed the amount stated on the policy Declarations as deductible for "each **Claim**". The Company's obligation to pay **Damages** and **Claims Expenses** on behalf of the **Insured** resulting from a **Claim** is in excess of the deductible amount stated on the policy Declarations. The **Insured** shall pay **Damages** for each **Claim** equal to the amount of the deductible.

However, in the event the **Insured** participated in an **Alternative Dispute Resolution** to settle a **Claim** brought by a client of the firm, the Company will waive 50% of the **Insured's** deductible obligation. The maximum amount of this waiver shall not exceed \$25,000. If the **Alternative Dispute Resolution** fails to resolve the **Claim**, and the **Claim** proceeds to litigation, the deductible will apply to any **Damages** and/or **Claim Expenses** paid by the Company after the litigation has commenced.

13. **Declarations and Application:** By acceptance of this policy, all **Insureds** agree that the statements on the policy Declarations and application are the **Insureds'** agreements and representations, that they shall be deemed material and that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between the **Insureds** and the Company or any of its agents relating to this insurance.

14. **Extended Reporting Period Option:**
(a) Automatic Extended Reporting Period:

In case of cancellation or non-renewal of this policy by the **Named Insured** or the Company, for any reason, 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 or any other Company, whether or not the limits or deductibles are identical to those provided under this policy. This Extended Reporting Period option shall extend the time in which an **Insured** can give written notice to the Company of **Claims** first made against the **Insured** during this Extended Reporting Period for any negligent 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**, subject to its terms, limitations, exclusions and conditions.

- (b) Cancellation/Non-Renewal:

In the case of:

1. Cancellation or nonrenewal 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
2. 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 an endorsement attached thereto, to have an endorsement issued extending the time during which **Claims** can be reported for an additional premium of:

- (1) 100% of the full annual premium for this policy, to a period of twelve (12) months, or
- (2) 135% of the full annual premium for this policy, to a period of twenty-four (24) months, or
- (3) 150% of the full annual premium for this policy, to a period of thirty-six (36) months

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 this Extended Reporting Period for any negligent act, error, omission or **Personal Injury** in the rendering of or failure to render **Professional Services** occurring 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.

(c) Retiree Provision

If the **Named Insured** is designated in Item 5. of the policy Declarations:

- (1) As an independent contractor and shall cancel or fail to renew this policy due to retirement of the **Named Insured** from active business; or
- (2) As a sole proprietorship and shall cancel or fail to renew this policy due to retirement of the **Named Insured** from active business; or
- (3) As a partnership or **Limited Liability Partnership/Corporation** and shall cancel or fail to renew this policy due to dissolution of the partnership:

the **Named Insured** shall have the right to have an endorsement issued extending the reporting period for this policy for an additional premium of 160% 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 this Extended Reporting Period for any negligent act, error, omission or **Personal Injury** occurring 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 election together with the additional premium is received by the Company or its authorized agent from the **Insured** within sixty (60) days after the effective date of cancellation or non-renewal.

(d) Termination of Extended Reporting Period

At the commencement of any Extended Reporting Period option, the entire premium 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.

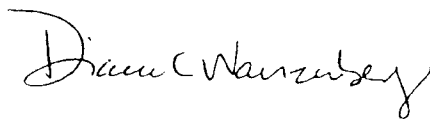
The fact that the period during which **Claims** must be first made against the **Insured** under this policy is extended by virtue of any Extended Reporting Period option shall not in any way increase the limit of liability of this policy. The limit of liability available under any Extended Reporting 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**.

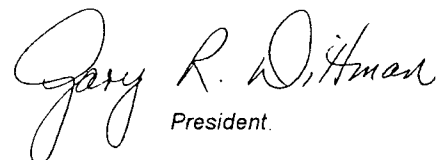
15. Reimbursement: While the Company has no duty to do so, if the Company pays **Damages** or **Claims Expenses**:

- A. Within the amount of the applicable deductible; or
- B. In excess of the applicable Limit of Liability
- C. 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 within thirty (30) days. Failure to pay any amount indicated may lead to policy non-renewal.

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


Secretary


President