

REAL ESTATE PRACTICE POLICY

NOTICE:

THIS IS A CLAIMS-MADE POLICY. IT APPLIES ONLY TO THOSE **CLAIMS** THAT ARE FIRST MADE AGAINST **YOU** DURING THE **POLICY PERIOD** AND REPORTED TO US DURING THE **POLICY PERIOD**, ANY APPLICABLE **EXTENDED REPORTING PERIOD** OR THE SUBSEQUENT RENEWAL OF THIS POLICY. PLEASE REVIEW THIS POLICY CAREFULLY AND DISCUSS THIS COVERAGE WITH **YOUR** INSURANCE AGENT OR BROKER.

IF THIS POLICY HAS A PER **CLAIM** LIMIT OF LIABILITY LESS THAN \$5,000,000, THEN THIS POLICY SHALL PROVIDE THAT **CLAIM EXPENSES** ARE IN ADDITION TO, AND NOT PART OF THE LIMITS OF LIABILITY.

IF THE PER **CLAIM** LIMIT OF LIABILITY UNDER THIS POLICY IS EQUAL TO OR EXCEEDS \$5,000,000, OR THE DEDUCTIBLE/SIR IS EQUAL TO OR EXCEEDS \$100,000, THEN THE POLICY SHALL BE ENDORSED TO PROVIDE THAT ALL **DAMAGES** AND **CLAIM EXPENSES** ARE INCLUDED WITHIN THE LIMITS OF LIABILITY. UNLESS OTHERWISE ENDORSED, THE DEDUCTIBLE IS APPLICABLE TO **DAMAGES** ONLY.

REAL ESTATE PRACTICE POLICY

NOTICE

THIS INSURANCE IS WRITTEN ON A CLAIMS-MADE BASIS AND ONLY APPLIES TO THOSE CLAIMS FIRST MADE AGAINST YOU WHILE THIS POLICY IS IN FORCE AND REPORTED TO US DURING THE POLICY PERIOD, ANY APPLICABLE EXTENDED REPORTING PERIOD OR THE SUBSEQUENT RENEWAL OF THIS POLICY. NO COVERAGE EXISTS FOR CLAIMS FIRST MADE AGAINST YOU BEFORE THE BEGINNING OR AFTER THE END OF THE POLICY PERIOD. PLEASE REVIEW THE POLICY CAREFULLY AND DISCUSS THIS COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

Throughout this Policy the words “you”, “your” and “yours” refer to the persons and entities designated as Named Insured in the Declarations. The words “we”, “us” and “our” refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section III, Definitions.

I. INSURING AGREEMENT

A. Coverage

We will pay all amounts in excess of the deductible, and within the limits of liability applicable to this Policy, that the “Insured” becomes legally obligated to pay as “damages” as a result of a “claim” that is first made against the “Insured” during the “policy period”, and as soon as reasonably practicable reported to us, by reason of a negligent act or omission in the performance of “professional real estate services” by the “Insured” or by any person for whom the “Insured” is legally liable, while acting on your behalf, provided that:

1. the “Insured” did not give notice to a “prior insurer” of such “claim” or a “related claim”;
2. the “Insured” did not give notice to a “prior insurer” of any such negligent act or omission or “related negligent act or omission”;
3. prior to the First Coverage Date shown on the Declarations, no “Insured” had a basis to believe that any such negligent act or omission, or “related negligent act or omission”, might reasonably be expected to be the basis of a “claim”.

We shall also pay “claim expenses” in connection with such “claim”. “Claim expenses” are in addition to the limit of liability.

B. Defense

We shall have the right and duty to defend a “claim” even if any of the allegations of the “claim” are groundless, false or fraudulent. We

shall have the right to appoint counsel and to make such investigation and defense of a “claim” as is deemed necessary by us. If a “claim” shall be subject to arbitration or mediation, we shall be entitled to exercise all of the “Insured’s” rights in the choice of arbitrators or mediators and in the conduct of an arbitration or mediation proceeding.

C. Settlement

We shall not settle a “claim” without your express consent. If you refuse to consent to a settlement or compromise recommended by us and acceptable to the claimant, then our limit of liability shall be reduced to the amount for which the “claim” could have been settled plus “claim expenses” incurred up to the time we made our recommendation, which amount shall not exceed the remainder of the limit of liability specified in Section II.A..

D. Exhaustion of limits

1. If we conclude that the limit of liability:
 - a. is likely to be exhausted, or
 - b. has been exhausted

by the payment of “damages”, we will notify the first of you shown in the Declarations, in writing, as soon as practicable that we are not obligated to investigate, defend, pay or settle, or continue to investigate, defend, pay or settle a “claim” after the applicable limit of our liability has been exhausted by payment of “damages” or after we have deposited the remaining available limits of liability into a court of competent jurisdiction. In such case, we shall have the right to withdraw

from the further investigation, defense, payment or settlement of such "claim" by tendering control of said investigation, defense or settlement of the "claim" to the "Insured". We will initiate, and cooperate, in the transfer of control to you of any "claims" which were reported to us prior to the exhaustion of such limit. You must cooperate in the transfer of control of such "claims". We agree to take the necessary steps, as we deem appropriate, to avoid a default in such "claims" until such transfer has been completed, provided you are cooperating in completing such transfer. You must reimburse us for expenses we incur in taking those steps we deem appropriate to avoid a default. Your duty to reimburse us will begin on the date on which the applicable limit of liability is exhausted or the date on which we send notice as specified above.

We will take no action whatsoever with respect to any "claim" that would have been subject to such limit, had it not been exhausted, if the "claim" is reported to us after such limit has been exhausted. The first of you named in the Declarations and any other of you involved in a "claim" seeking "damages" must arrange for the defense of such "claim" within the time period as agreed to between you and us. In the absence of such an agreement arrangements for the defense of such "claim" must be made as soon as practicable.

The exhaustion of the limit of liability by the payment of "damages" and the resulting end of our duty to defend, will not be affected by our failure to comply with any of the provisions of this section.

II. LIMITS OF LIABILITY

A. Limit of liability - each "claim"

Subject to paragraph B below, our limit of liability for "damages" for each "claim" shall not exceed the amount stated in the Declarations for "each claim".

B. Limit of liability - in the aggregate

Our limit of liability for "damages" for all "claims" shall not exceed the amount stated in the Declarations as the "aggregate".

C. Lockbox Limit of Liability

The Lockbox Limit of Liability, as set forth in the Declarations is a sublimit included within, and not in addition to, the "each "claim"" and the "aggregate" limit of liability and shall not be considered as separate to such limits of liability;

D. Deductible

The deductible amount stated in the Declarations is the total amount of the "Insured's" obligation for each "claim" and applies to the payment of "damages". The deductible shall be paid by you. The deductible applies separately to each "claim". The limits of liability set forth in the Declarations are in addition to and in excess of the deductible.

E. Mediation Incentive

If mediation of a "claim" takes place either without institution of arbitration proceedings or service of suit or within 60 days of the institution of such proceedings or service of suit, and such "claim" is ultimately resolved for an amount acceptable to the "Insured" and us by the process of mediation, the deductible applying to the "claim" will be reduced by 50%. In no event shall the amount waived hereunder exceed \$25,000.

F. Multiple insureds, "claims" and claimants

The limit of liability shown in the Declarations is the amount we will pay as "damages" regardless of the number of "Insureds" insured under this Policy, "claims" made or persons or entities making "claims". If "related claims" are subsequently made against the "Insured" and reported to us under this Policy or any renewal of this Policy, all such "related claims" shall be considered a single "claim" first made and reported to us within the policy period in which the earliest of the "related claims" was first made and reported to us.

G. Supplementary payments

1. We will pay up to \$250.00 for loss of earnings to each "Insured" for each day or part of a day such "Insured" is in attendance, at our request, at a trial, hearing or arbitration proceeding involving a "claim" against such "Insured". In no event shall the

amount payable hereunder exceed \$10,000.00 despite the number of Insureds hereunder, the number of days the "Insured" is in attendance, or the number of trials, hearings or arbitration proceedings that the "Insured" is required to attend.

2. We will pay up to \$5,000.00 to the "Insured" for attorney fees and other reasonable costs, expenses or fees resulting from the investigation or defense of a proceeding before a real estate licensing board incurred as the result of a notice of proceeding first received by the "Insured" during the "policy period", arising out of a negligent act or omission in the rendering of "professional real estate services" by the "Insured". In no event shall the amount payable hereunder exceed \$5,000.00 despite the number of Insureds hereunder or the number of such

proceedings. This supplementary payment applies only if:

- a. the allegations, if established, arose out of the happening of a fortuitous event; and,
- b. the matter before the state licensing board or a peer review committee must involve allegations which could form the basis of a claim of legal liability against the insured which would be covered under this Policy.

This paragraph does not apply to claims of entitlement to non-employment related benefits, provided either directly or indirectly, from any government, governmental agency or political subdivision pursuant to any entitlement program.

Supplementary payments are not subject to the deductible and are in addition to the limits of liability.

III. DEFINITIONS

"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

"Claim" means a demand received by the "Insured" for money arising out of a negligent act or omission in the rendering of or failure to render "professional real estate services". A demand shall include the service of suit or the institution of an arbitration proceeding against the "Insured".

"Claim expenses" means:

- A. fees charged by attorneys designated by us;
- B. all other reasonable and necessary fees, costs and expenses resulting from the investigation, adjustment, defense and appeal of a "claim" if incurred by us, or by the "Insured" with our written consent, including, but not limited to, premiums for any appeal bond, attachment bond or similar bond but without any obligation on our part to apply for or furnish any such bond.

"Claim expenses" will not reduce the limits of liability.

"Claim expenses" shall not include fees, costs or expenses of our employees or officers or independent claims adjusters. Nor shall "claim expenses" include salaries, loss of earnings or other remuneration by or to any "Insured".

"Damages" mean judgments, awards and settlements, provided any settlement is made

with our prior written consent. "Damages" do not include:

- A. the return or restitution of fees, commissions, expenses or costs;
- B. civil or criminal fines, sanctions, penalties or forfeitures, whether pursuant to law, statute, regulation or court rule;
- C. punitive or exemplary amounts;
- D. the multiplied portion of multiplied awards;
- E. injunctive or declaratory relief.

"Dwelling residence" means housing purchased and used by the "Insured" as a place for such "Insured" to live in either as a primary or secondary residence.

"Guaranteed sale listing contract" means a written agreement between you and the seller of a property, in which you agree to purchase the property if it is not sold under the listing agreement in the time frame specified by the agreement.

"Insured" means you and any of the persons or entities listed below but only while rendering "professional real estate services" on your behalf for your clients:

- A. any person who is or becomes your partner, officer, director or employee during the "policy period";
- B. any person previously affiliated with you as a your partner, officer, director or employee;
- C. Any independent contractor, but only if, prior to the date a "claim" is made:

1. you had agreed to provide insurance for the independent contractor's "professional real estate services";
 2. a fee insured to you;
- D. the "Insured's" estate, heirs, executors, administrators, assigns and legal representatives in the event of death, incapacity, insolvency or bankruptcy of the "Insured", but only to the extent that the "Insured" would have been provided coverage under this "Policy."

"Personal injury" is an injury, other than "bodily injury" arising out of one or more of the following offenses:

- A. false arrest, detention, or imprisonment;
- B. malicious prosecution;
- C. wrongful entry into, wrongful eviction from, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;
- D. oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- E. oral or written publication of material that violates a person's right of privacy.

"Policy period" means the time from 12:01 A.M. on the inception date of this Policy to the earlier of 12:01 A.M. of the expiration, termination or cancellation date of this Policy.

"Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke,

vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

"Professional real estate services" means those services performed by an "Insured" for others as a real estate agent, real estate broker, real estate personal assistant, real estate sales person, real estate consultant or counselor, real estate appraiser, property manager, real estate leasing agent, mortgage broker, auctioneer of real property, notary public; or member of a formal real estate accreditation, standards review or similar real estate board or committee.

"Property damage" means

- A. physical injury to tangible, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
- B. loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the occurrence that caused it.

"Related claims" means all "claims" arising out of a single negligent act or omission or arising out of "related negligent acts or omissions" in the rendering of "professional real estate services".

"Related negligent acts or omissions" mean all negligent acts or omissions in the rendering of "professional real estate services" that are temporally, logically or causally connected by any common fact, circumstance, situation, transaction, event, advice or decision.

IV. EXCLUSIONS

This Policy does not apply to any "claim":

- A. based on or arising out of "bodily injury" or mental injury, mental anguish, mental tension, emotional distress, pain or suffering or shock sustained by any person whether or not resulting from injury to the body, sickness, disease or death of any person;
- B. based on or arising out of "property damage", except that this exclusion shall not apply to "claims" based on or arising out of the "Insured's" distribution, maintenance, operation or use of a lockbox or keyless entry system. However, a separate lockbox limit of liability as set forth in Section II, Limits of Liability and the Declarations shall apply to such "claims". This lockbox limit of liability is a sublimit included within, and not in addition to, the "each 'claim" and the

- "aggregate" limit of liability set forth in the Declarations and shall not be considered as separate to such limits of liability;
- C. based on or arising out of any dishonest, fraudulent, criminal or malicious act or omission by an "Insured";
- D. based on or arising out of, or contributed to by: any conversion, commingling, defalcation, misappropriation or improper use of funds or other property; or the gaining of any personal profit or advantage to which the "Insured" is not legally entitled;
- E. based on or arising out of:
 1. nuclear reaction, contamination or radiation, including but not limited to radon, regardless of cause;

2. "pollutants", whether suddenly or over a long period of time; the actual, alleged or threatened emission, discharge, dispersal, seepage, release or escape of "pollutants"; or any injury, damage, payments, costs or expense incurred as a result of any testing for, monitoring, removal, containment, treatment, detoxification, neutralization or cleanup of "pollutants";
 3. asbestos, whether or not the asbestos was at any time airborne as a fiber, particle or dust; contained in or formed a part of a product, structure or other real or personal property; carried on clothing; ingested or inhaled or transmitted in any fashion; or found in any form whatsoever;
- F. based on or arising out of the sale of a business, except coverage will be provided for such "claim" only as it relates to the sale of real property;
- G. based on or arising out of the "Insured's" inability or failure to pay money held for others;
- H. based on or arising out of any promises, warranties or guarantees made by an "Insured" as to any future value of any property;
- I. based on or arising out of discrimination, humiliation, harassment, or misconduct that includes but shall not be limited to "claims" based on an individual's race, creed, color, age, gender, national origin, religion, disability, marital status or sexual preference.;
- J. by or on behalf of any of an "Insured" under this Policy against any other "Insured" hereunder;
- K. based on or arising out of the formation, syndication, operation or administration of any property syndication, real estate investment trust or any other form of corporation, general or limited partnership or joint venture formed for the purpose of investing in, buying, selling, or maintaining real property including those syndications, trusts, corporations, partnerships or joint ventures in which an "Insured" has, had or intended to have a participating interest directly or indirectly in the profits or losses thereof;
- L. based on or arising out of the purchase of property by, or, the sale, leasing, appraisal or property management of property developed, constructed or owned:
 1. by any "Insured"; or
 2. by any entity in which any "Insured" has a financial interest; or
 3. by any entity which has a financial interest in you; or
 4. by any entity which is under the same financial control as you.
- This exclusion shall not apply to any "claim" based on or arising out of:
- i. the sale of an "Insured's" "dwelling residence" provided that only those Insureds who are not the owners of such "dwelling residence" will be provided coverage hereunder and provided further that the "dwelling residence" owner is not the selling, listing or closing agent; or
 - ii. the sale, leasing or property management of real property in which the combined ownership interest of all "Insureds" insured hereunder is less than 10%; or
 - iii. the sale of real property 100% owned by you if all of the following conditions are met:
 - a. the property was acquired by you under a written "guaranteed sale listing contract"; and
 - b. from acquisition to resale:
 - (i) the title to the property was held by you for less than twelve months; and
 - (ii) the property was continually offered for sale by you;
- M based on or arising out of actual or alleged violation of:
 1. the Employee Retirement Income Security Act of 1974;
 2. the Securities Act of 1933;
 3. the Securities Exchange Act of 1934;
 4. any state Blue Sky or Securities law, or any rules, regulations or amendments issued in relation to such acts, or any similar state or federal statutes or regulations, including any "claim" based upon common law principles of liability if made in connection with an actual or alleged violation of any such statute or regulation;

- N. based on or arising out of the failure to purchase or maintain any insurance or bonds;
- O. based on or arising out of the “Insured’s” interests, operations, or activities as an insurance agent, insurance broker, lawyer, mortgage banker, escrow agent, asset manager, title agent, title abstractor, construction manager or property developer;

- P. based on or arising out of any anti-trust law violation or any agreement or conspiracy to restrain trade;
- Q. based on or arising out of the “Insured’s” alleged liability assumed by an “Insured” under any contract or agreement, unless such liability would have attached to such “Insured” even in the absence of such agreements.

V. CONDITIONS

A. Territory

This Policy applies to negligent acts or omissions which happen anywhere in the world provided that “claim” is made or suit is brought against an “Insured” in the United States of America, its territories or possessions or Puerto Rico or Canada.

B. Notice of “claims” and potential “claims”

1. The “Insured”, as a condition precedent to our obligations under this Policy, must as soon as reasonably practicable give written notice to us or any of our authorized agents during the “policy period” or any renewal policy period:
 - a. of any “claim” made against the “Insured” during the “policy period”;
 - b. of receipt by the “Insured”, during the “policy period”, of any notice, advice or threat, whether written or verbal, that any person or organizations intends to hold the “Insured” responsible for any alleged breach of duty.
2. If during the “policy period”, the “Insured” becomes aware of any negligent act or omission which may reasonably be expected to be the basis of a “claim” against any “Insured”, and gives written notice to us with all available particulars, including but not limited to:
 - a. the specific negligent act or omission;
 - b. the dates and persons involved;
 - c. the identity of anticipated or possible claimants; and
 - d. the circumstances by which the “Insured” first became aware of the possible “claim”,
 then any such “claim” which is made against the “Insured” and reported to us shall be deemed to have been made at the time such written notice was given to us.

C. Assistance and Cooperation

1. The “Insured” shall cooperate with us and upon our request, shall attend hearings, depositions and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and assist in the conduct of suits and proceedings in connection with a “claim”.
2. The “Insured” shall assist in the enforcement of any right of contribution or indemnity against any person or organization who or which may be liable to any “Insured” in connection with a “claim”.
3. The “Insured” shall not, except at its own cost, voluntarily make any payment, assume or admit any liability or incur any expense without our written consent.

D. Action Against Us

1. No action shall lie against us unless, as a condition precedent thereto:
 - a. the “Insured” shall have fully complied with all the terms of this Policy; and,
 - b. until the amount of the “Insured’s” obligation to pay shall have been finally determined either by judgment against the “Insured” or by written agreement of the “Insured”, the claimant and us.
2. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. Nothing contained in this Policy shall give any person or organization any right to join us in any action against the “Insured” to determine its liability.

E. Acquisitions and Mergers

1. You must provide prior notice to us of the following events:
 - a. acquisition of you by another entity;
 - b. your merger with another entity;
 - c. the acquisition of all or substantially all of your assets by another entity; or
 - d. the acquisition of all or substantially all of the assets of another entity by you.
2. Upon receipt of such notice, we may:
 - a. adjust the premium to reflect the added exposure; or
 - b. deem this Policy to have ceased with respect to "claims" made against the "Insured" based on any negligent act or omission committed or allegedly committed on or subsequent to the time and date of said event. In such case, the "policy period" shall remain unaltered and coverage will continue but only with respect to negligent acts or omissions committed prior to the time and date of any such events in accordance with all other terms and conditions of this Policy.

F. Other insurance

This Policy shall be excess over any other valid and collectible insurance, self-insurance or indemnification agreement available to the "Insured", whether such other insurance or indemnification agreement is stated to be primary, contributory, excess contingent, self-insured retention or otherwise.

G. Subrogation

In the event of any payment under this Policy, we shall be subrogated to all of the "Insured's" rights of recovery against any person or organization, including any rights the "Insured" may have against any other "Insured" involved in dishonest, fraudulent, criminal or malicious conduct. The "Insured" shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The "Insured" shall do nothing to prejudice such rights. In the event of any recovery, we shall first be reimbursed for "damages" and "claim expenses" paid by us.

H. Innocent Insureds

Whenever coverage under this Policy would be excluded, suspended or lost because of:

1. dishonest, fraudulent or malicious acts or omissions, or,

2. the failure to give us notice because of concealment of a claim or a potential claim by another person insured under this Policy, we agree that such insurance as would otherwise be afforded under this Policy, shall be applicable with respect to those of you who did not personally participate or personally acquiesce in or remain passive after having knowledge of such conduct. All of you must promptly comply with all provisions of this Policy upon learning of any concealment.

I. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first of you shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

J. Examination of Your Books and Records

We may examine, audit and make copies of your books and records as they relate to this policy at any time during the policy period and up to one hundred and eighty days afterward.

K. Premiums

1. The first of you shown in the Declarations:
 - a. Is responsible for the payment of all premiums; and
 - b. Will be the payee for any return premiums we pay.
2. The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.
3. Undeclared exposures or change in your business operation, acquisition or use of locations may occur during the policy period that are not shown in the Declarations. If so, we may require an additional premium. That premium will be determined in accordance with our rates and rules then in effect.

L. Transfer of Your Rights and Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of your death.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

M. Entire Contract

By acceptance of this policy the insured agrees that:

1. All of the information and statements provided to us by the Insured are true, accurate and complete and shall be deemed to constitute material representations made by all of the insureds;
2. This policy is issued in reliance upon the insured's representations;
3. This policy, endorsements thereto, together with the completed and signed application and any and all supplementary information and statements provided by the Insured to us (all of which are deemed to be incorporated herein) embody all of the agreements existing between the Insured and us and shall constitute the entire contract between the insured and us; and
4. The misrepresentation of any material matter by the insured or the insured's agent, which if known would have lead to our refusal to issue this policy, will render this policy null and void and relieve us from all liability herein.

N. Named Insured Sole Agent

You shall be the sole agent of all insureds hereunder for the purpose of effecting or accepting any notices hereunder, any amendments to or cancellation of this policy, for the completing of any applications and the making of any statements, representations and warranties, for the payment of any premium and the receipt of any return premium that may become due under this policy, and the exercising or declining to exercise any right under this policy.

O. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this policy.

P. Notices

Any notices required to be given by the Insured shall be submitted in writing to us or our authorized representative at the address specified in the Declarations. If mailed, the date of mailing of such notice shall be deemed to be the date such notice was given and proof of mailing shall be sufficient proof of notice.

Q. Cancellation/Nonrenewal/Conditional Renewal

1. Cancellation

- a. The first of you shown in the Declarations may cancel this policy by returning it to us or any of our authorized agents. The first of you shown in the Declarations may also cancel this Policy by written notice to us stating at what future date cancellation is to be effective.
- b. If this Policy has been in effect for 60 days or less, we may cancel this Policy by mailing, or by delivery of a written notice of cancellation stating the reason for cancellation to the first of you shown in the Declarations at the mailing address shown in the Declarations, and to its authorized agent or broker at least:
 - (1) 20 days before the effective date of cancellation if this Policy is canceled for any reason not included in paragraph 2. below.
 - (2) 15 days before the effective date of cancellation if this Policy is canceled for any of the following reasons:
 - (a) nonpayment of premium;
 - (b) conviction of a crime arising out of acts increasing the hazard insured against;
 - (c) discovery of fraud or material misrepresentation in the obtaining of this Policy or in the presentation of a "claim";
 - (d) after issuance of this Policy or after the last renewal date, discovery of an act or omission, or a violation of any policy condition, that substantially and materially increases the hazard insured against, and which occurred subsequent to inception of the current "policy period";
 - (e) material change in the nature or extent of the risk, occurring after

issuance or last annual renewal anniversary date of this Policy, which causes the risk of loss to be substantially and materially increased beyond that contemplated at the time this Policy was issued or last renewed;

- (f) required pursuant to a determination by the New York State Superintendent of Insurance that continuation of our present premium volume would jeopardize our solvency or be hazardous to the interest of our policyholders, creditors or the public;
 - (g) a determination by such Superintendent that the continuation of this Policy would violate, or would place us in violation of any provision of the New York Insurance Code; or
 - (h) revocation or suspension of the Insured's license to practice their profession.
- c. If this Policy has been in effect for more than 60 days, or if this Policy is a renewal or continuation of a policy issued by us, this Policy may be canceled by us only for any reasons listed in paragraph c.2. above provided a written notice stating the reason for cancellation is mailed or delivered to the first of you shown in the Declarations at the address shown in the Declarations, and its authorized agent or broker at least 15 days before the effective date of cancellation.
- d. Notice of cancellation will state the effective date of cancellation. The "policy period" will end on this date. If notice is mailed, proof of mailing will be sufficient proof of notice.
- e. If the first of you shown in the Declarations cancels, earned premium will be computed in accordance with the customary short rate table and procedure. If we cancel, earned premium shall be computed pro rata. However, when the premium is advanced under a premium finance agreement, the cancellation refund will be pro rata. Under such financed

policies, we will be entitled to retain a minimum earned premium of 10% of the total policy premium or \$60, whichever is greater. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

- f. If one of the reasons for cancellation set forth in paragraph A.c.(2) exists, we may cancel this entire Policy, even if the reason for cancellation pertains only to a new coverage or endorsement initially effective subsequent to the original issuance of this Policy.
2. Nonrenewal/Conditional Renewal
- a. If we elect not to renew this Policy, we shall send notice as provided in paragraph c. below along with the reason for nonrenewal.
 - b. If we condition renewal of this Policy upon:
 - (1) change of limits;
 - (2) change in type of coverage;
 - (3) reduction of coverage;
 - (4) increased deductible;
 - (5) addition of exclusion;
 - (6) increased premiums in excess of 10%, exclusive of any premium increased due to and commensurate with insured value added or increased exposure unites; or as a result of experience rating, loss rating, retrospective rating or audit;we shall send notice as provided in paragraph c.2. below.
 - c. Notice of nonrenewal and conditional renewal will be provided as follows:
 - (1) If we decide not to renew this Policy or to conditionally renew this Policy as provided in paragraphs a. and b. above, we shall mail or deliver written notice to the first of you shown in the Declarations at least 60 but not more than 120 days before:
 - (a) the expiration date; or
 - (b) the anniversary date if this is a continuous policy.
 - (2) Notice will be mailed or delivered to the first of you shown in the Declarations at the address shown

in the Declarations and its authorized agent or broker. If notice is mailed, proof of mailing will be sufficient proof of notice.

- (3) We will not send the first of you shown in the Declarations notice of

nonrenewal or conditional renewal if you or your authorized agent or broker or your other insurer mails or delivers notice that this Policy has been replaced or no longer desired.

VI. EXTENDED REPORTING PERIODS

As used herein, "extended reporting period" means the period of time after the end of the "policy period" for reporting "claims" by reason of a negligent act or omission, which occurred prior to the end of the "policy period" and is otherwise covered by this Policy.

"Claims-made relationship" means that period of time between the effective date of the first claims-made policy between the first of you shown in the Declarations and us and the cancellation or nonrenewal of the last consecutive claims-made policy between you and us, where there has been no gap in coverage, but does not include any period covered by an "extended reporting period".

- A. The provisions of the "extended reporting period" coverage will not apply, except for the 60 days automatic "extended reporting period", if the "claims-made relationship" has been less than one year and this Policy has been terminated for nonpayment of premium or fraud.
- B. In the event of policy cancellation or nonrenewal, decrease in policy limits, reduction of coverage, increased deductible, new exclusion, or any other change in coverage less favorable to you a 60 day automatic "extended reporting period" will be granted to the first of you shown in the Declarations, at no charge, in which any "claim" reported will be considered as having been made before the termination date of this Policy. Upon termination of this Policy, the aggregate limit of liability for this automatic "extended reporting period" shall be equal to the amount remaining in this Policy's annual aggregate liability limit.
- C. Within thirty days after policy cancellation or nonrenewal, decrease in policy limits, reduction of coverage, increased deductible, new exclusion, or any other change in coverage less favorable to you, we will notify the first of you shown in the Declarations, in writing of the automatic 60 day "extended reporting period". We will also notify the first of you shown in the Declarations of the

availability of, the premium for, and the importance of purchasing an additional "extended reporting period". If the "claims-made relationship" has been in effect for one year or more, and if this Policy has been terminated for nonpayment of premium or fraud, we shall not be required to provide a premium quotation unless requested by the first of you shown in the Declarations.

- D. The first of you shown in the Declarations shall have the greater of 60 days from the effective date of termination of coverage or 30 days from the date of mailing or delivery of the advice of the availability to purchase additional "extended reporting period" coverage. The premium for such additional extended reporting period must be paid promptly when due. The premium shall be fully earned at the inception of this endorsement.
- E. If you have been placed in receivership, liquidation or bankruptcy, or permanently cease operations, then any one qualifying as an "Insured" has the right to an "extended reporting period" issued in the name of the first of you shown in the Declarations for the benefit of all "Insureds". The request for such "extended reporting period" coverage must be made within 120 days of the termination of coverage.
- F. Only one such "extended reporting period" coverage endorsement shall be issued and the "extended reporting" period for such coverage shall be for three years. This period includes the automatic 60 day period specified in Item. C. above.
- G. The additional premium for the additional "extended reporting period" shall be based upon the rates for such coverage in effect on the date this Policy was issued or last renewed.
- H. Upon termination of this Policy:
1. any return premium due the first of you shown in the Declarations shall be credited toward the premium for the

- additional "extended reporting period" coverage if the first of you shown in the Declarations elects such coverage.
2. where premium is due us for coverage during the "claims-made relationship", any monies received by us from you as payment for the "extended reporting period" coverage shall first be applied to such premium owing for this Policy.
- I. Limits of liability for such additional "extended reporting period" shall be:
 1. at least equal to 100 percent of the annual aggregate limit of liability where a "claims-made relationship" has continued for three years or more; or
 2. if the "claims-made relationship has continued for less than three years, the limit of liability shall be at least equal to the greater of:
 - a. the amount of coverage remaining in the annual aggregate liability limit, or
 - b. 50 percent of such annual aggregate liability limit.
 - J. It is understood and agreed that the "extended reporting period" shall not be construed to be a new Policy and any "claim" submitted during such period shall otherwise be governed by this Policy.

IN WITNESS WHEREOF, we have caused this Policy to be executed by our Chairperson and Secretary, but this Policy shall not be binding upon us unless completed by the attachment of the Declarations and executed by our duly authorized representative.

Chairperson

Secretary