



## **Privacy Policy and Producer Compensation Practices Disclosures**

### ***Privacy Policy Disclosure***

#### ***Collection of Information***

We collect personal information so that we may offer quality products and services. This information may include, but is not limited to, name, address, Social Security number, and consumer reports from consumer reporting agencies in connection with your application for insurance or any renewal of insurance. For example, we may access driving records, insurance scores or health information. Our information sources will differ depending on your state and/or the product or service we are providing to you. This information may be collected directly from you and/or from affiliated companies, non-affiliated third parties, consumer reporting agencies, medical providers and third parties such as the Medical Information Bureau.

#### ***Disclosure of Information***

We may disclose non-public, personal information you provide, as required to conduct our business and as permitted or required by law. We may share information with our insurance company affiliates or with third parties that assist us in processing and servicing your account. We also may share your information with regulatory or law enforcement agencies, reinsurers and others, as permitted or required by law.

Our insurance companies may share information with their affiliates, but will not share information with non-affiliated third parties who would use the information to market products or services to you. We do not share the non-public personal information of customers of our SEC regulated companies or customers who own products of ours which are SEC regulated with affiliated or non-affiliated companies who would use that information to market products or services to you.

Our standards for disclosure apply to all of our current and former customers.

#### ***Safeguards to Protect Your Personal Information***

We recognize the need to prevent unauthorized access to the information we collect, including that held in an electronic format on our computer systems. We maintain physical, electronic and procedural safeguards intended to protect all non-public, personal information.

#### ***Internal Access to Information***

Access to personal, nonpublic information is limited to those people who need the information to provide our customers with products or services. These people are expected to protect this information from inappropriate access, disclosure and modification.

#### ***Consumer Reports***

In some cases, we may obtain a consumer report in connection with an application for insurance. Depending on the type of policy, a consumer report may include information about you or your business, such as:

- character, general reputation, personal characteristics, mode of living;
- credit history, driving record (including records of any operators who will be insured under the policy); and/or
- an appraisal of your dwelling or place of business that may include photos and comments on its general condition.

#### ***Access to Information***

Upon written request, we will inform you if we have ordered an investigative consumer report. You have the right to make a written request within a reasonable period for information concerning the nature and scope of the report and to be interviewed as part of its preparation. You may obtain a copy of the report from the reporting agency and, under certain circumstances; you may be entitled to a copy at no cost.

You also may review certain information we have about you or your business in our files. To review information we maintain in our files about you or your business, please write to us, providing your complete name, address and policy number(s), and indicating specifically what you would like to see. If



you request actual copies of your file, there may be a nominal charge.

We will tell you to whom we have disclosed the information within the two years prior to your request. If there is not a record indicating that the information was provided to another party, we will tell you to whom such information is normally disclosed.

There is information that we cannot share with you. This may include information collected in order to evaluate a claim under an insurance policy, when the possibility of a lawsuit exists. It may also include medical information that we would have to forward to a licensed medical doctor of your choosing so that it may be properly explained.

### ***Correction of Information***

If after reviewing your file you believe information is incorrect, please write to the consumer reporting agency or to us, whichever is applicable, explaining your position. The information in question will be investigated. If appropriate, corrections will be made to your file and the parties to whom the incorrect information was disclosed, if any, will be notified. However, if the investigation substantiates the information in the file, you will be notified of the reasons why the file will not be changed. If you are not satisfied with the evaluation, you have the right to place a statement in the file explaining why you believe the information is incorrect. We also will send a copy of your statement to the parties, if any, to whom we previously disclosed the information and include it in any future disclosures.

### ***Our Commitment to Privacy***

In the insurance and financial services business, lasting relationships are built upon mutual respect and trust. With that in mind, we will periodically review and revise our privacy policy and procedures to ensure that we remain compliant with all state and federal requirements. If any provision of our privacy policy is found to be non-compliant, then that provision will be modified to reflect the appropriate state or federal requirement. If any modifications are made, all remaining provisions of this privacy policy will remain in effect. For more detailed information about our privacy policy, visit our Web site, located at [www.hanover.com](http://www.hanover.com).

### ***Producer Compensation Disclosure***

Our products are sold through independent agents and brokers, often referred to as "Producers." We may pay Producers a fixed commission for placing and renewing business with our company. We may also pay additional commission and other forms of compensation and incentives to Producers who place and maintain their business with us. Details of our Producer compensation practices may be found at [www.hanover.com](http://www.hanover.com).

### ***Further Information***

If you have questions about our privacy policy, or if you would like to request information we have on file, please write to us at our Privacy Office, N435, The Hanover Insurance Group, Inc., 440 Lincoln Street, Worcester, MA 01653. Please provide your complete name, address and policy number(s). A copy of our Producer Compensation Disclosure is also available upon written request addressed to the attention of the Corporate Secretary, N435, The Hanover Insurance Group, 440 Lincoln Street, Worcester, MA 01653.

This notice is being provided on behalf of the following Hanover Companies: The Hanover Insurance Group, Inc. - Allmerica Financial Alliance Insurance Company - Allmerica Financial Benefit Insurance Company - Allmerica Plus Insurance Agency, Inc. - Citizens Insurance Company of America - Citizens Insurance Company of Illinois - Citizens Insurance Company of the Midwest - Citizens Insurance Company of Ohio - Citizens Management, Inc. - AIX Ins. Services of California, Inc. - Benchmark Professional Insurance Services, Inc. - Campania Insurance Agency Co. Inc. - Campmed Casualty & Indemnity Co. Inc. - Chaucer Syndicates Limited- Educators Insurance Agency, Inc. - Hanover Specialty Insurance Brokers, Inc. - The Hanover American Insurance Company - The Hanover Insurance Company - The Hanover New Jersey Insurance Company - The Hanover National Insurance Company - Hanover Lloyd's Insurance Company - Massachusetts Bay Insurance Company - Opus Investment Management, Inc. - Professionals Direct Insurance Company - Professionals Direct Insurance Services, Inc. - Professional Underwriters Agency, Inc. - Verlan Fire Insurance Company - Nova Casualty Company - AIX Specialty Insurance Company

# NONPROFIT MANAGEMENT LIABILITY INSURANCE POLICY DECLARATIONS

NOTICE: THIS POLICY PROVIDES COVERAGE ON A CLAIMS-MADE AND REPORTED BASIS. SUBJECT TO ITS TERMS, THIS "POLICY" APPLIES ONLY TO "CLAIMS" FIRST MADE AGAINST THE "INSUREDS" AND REPORTED TO THE INSURER DURING THE "POLICY PERIOD" OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY. PLEASE READ THE "POLICY" CAREFULLY TO DETERMINE RIGHTS, DUTIES, COVERAGE AND COVERAGE RESTRICTIONS.

Policy Number	Coverage is provided by:	Agency	Agency Code
LHX 9783846 01	HANOVER INSURANCE COMPANY	C.O. BROWN AGENCY INC	2509765

**Item 1.** INSURED ORGANIZATION AND ADDRESS:  
WINONA O.R.C. INDUSTRIES INC.

1053 EAST MARK STREET

WINONA, MN, 55987

Person Designated to receive all correspondence from us:

Name: Michael Bellesbach

Title: Director of Finance

**Item 2.** POLICY PERIOD: From: 12/08/2013 To: 12/08/2014 (12:01 AM local time at the address shown in Item 1)

**Item 3.** LIMITS OF LIABILITY

Nonprofit Directors, Officers and Organization Liability Insurance Coverage	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Employment Practices Liability Insurance Coverage	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Fiduciary Liability Insurance Coverage	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
A. <input checked="" type="checkbox"/> Policy Aggregate Limit of Liability	<u>\$1,000,000</u>

or

B. <input type="checkbox"/> Separate Aggregate Limit of Liability for each Coverage	
Nonprofit Directors, Officers and Organization Liability Insurance Coverage	<u>\$0</u>
Employment Practices Liability Insurance Coverage	<u>\$0</u>
Fiduciary Liability Insurance Coverage	<u>\$0</u>

**Item 4.** RETENTION

<b>A. Nonprofit Directors, Officers and Organization Liability Insurance Coverage</b>	
1. Insured Individual Non-Indemnifiable	<u>\$0</u> each Claim
2. Insured Individual Indemnifiable	<u>\$0</u> each Claim
3. Insured Organization Liability	<u>\$2,500</u> each Claim
<b>B. Employment Practices Liability Insurance Coverage</b>	<u>\$10,000</u> each Claim
<b>C. Fiduciary Liability Insurance Coverage</b>	<u>      </u> each Claim

**Item 5.** PREMIUM

Policy Coverage Premium	<u>\$3,369.00</u>
Total Amount	<u>\$3,369.00</u>

**Item 6. FORMS AND ENDORSEMENTS**

401-1127	(01-08)	Notice Offer of Terrorism Coverage 2008
401-1192	(01-09)	Terrorism Coverage Explanation - Policy Holder Notice
401-1268	(08-12)	U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") Advisory Notice to Policyholders
422-0001	(01-09)	Common Policy Terms and Conditions Section
422-0023	(01-09)	Prior and Pending Litigation Exclusion Endorsement
422-0049	(01-09)	Priority of Payments Endorsement
422-0059	(01-09)	Waiver of Retention if No Liability Endorsement
422-0069	(01-09)	Abuse and Molestation Exclusion Endorsement
422-0083	(01-09)	Exclusion of Punitive Damages Related to a Certified Act of Terrorism Endorsement
422-0151	(01-12)	Minnesota Amendatory Endorsement
423-0001	(01-09)	Nonprofit Directors, Officers and Organization Liability Insurance Coverage Part
423-0048	(01-09)	Total Professional Services with Management and Supervision Exception Endorsement
423-0061	(01-09)	Excess Benefit Penalty Coverage Endorsement
424-0001	(01-09)	Employment Practices Liability Insurance Coverage Part
SIG-0001	(06-05)	Corporate Signature Page

**THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY TERMS AND CONDITIONS SECTION, COVERAGE PARTS AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED "POLICY".**

**By:** \_\_\_\_\_ **Date:** 09/26/2013  
**Authorized Representative**

**THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT, AS AMENDED. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THIS POLICY.**

Policy Number:LHX 9783846 01

**NOTICE - OFFER OF TERRORISM COVERAGE  
NOTICE - DISCLOSURE OF PREMIUM  
ACCEPTANCE OF COVERAGE**

Coverage for "acts of terrorism," as defined in Section 102(1) of the Terrorism Risk Insurance Act ("Act") is included in your policy. You are hereby notified that under the Act, as amended in 2007, the definition of act of terrorism has changed. The term "act of terrorism" means any act that is certified by the Secretary of the Treasury—in concurrence with the Secretary of State, and the Attorney General of the United States—to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

**DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES**

Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Act, as amended. Your policy, however, may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage.

**DISCLOSURE OF \$100 BILLION CAP**

The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

Premium for terrorism, if any, is stated below :

**DISCLOSURE OF PREMIUM**

Total Terrorism Premium	\$ <u>0</u>
Fire Following Premium	\$ <u>0</u>
Other than Fire Following Premium	\$ <u>0</u>

## **TERRORISM COVERAGE EXPLANATION – POLICY HOLDER NOTICE**

The Terrorism Risk Insurance Act of 2002 established a program (Terrorism Risk Insurance Program) within the Department of the Treasury, under which the federal government shares, with the insurance industry, the risk of loss from future terrorist attacks. That Program was extended by the federal government under **the Terrorism Risk Insurance Program Reauthorization Act of 2007** and will not expire until December 31, 2014. Your policy will become effective (or will be renewed) with the coverage provided under the new act and you have elected to purchase terrorism coverage. This Notice is being provided to you for the purpose of summarizing your coverage. The summary is a brief synopsis of significant exclusionary provisions and limitations.

This Notice does **not** form a part of your insurance contract. The Notice is designed to alert you to coverage restrictions and to other provisions in certain terrorism endorsement(s) in this policy. If there is any conflict between this Notice and the policy (including its endorsements), the provisions of the policy (including its endorsements) apply.

Carefully read your policy, including the endorsements attached to your policy.

### **YOUR POLICY AT THE START OF YOUR NEW POLICY TERM:**

**422-0082** - The coverage for certified acts of terrorism is subject to the statutory \$100 billion cap on liability for losses and subject to the nuclear hazard exclusion and all other underlying policy exclusions. Coverage for acts of terrorism that are not certified (for example, acts which do not exceed the dollar threshold for federal certification or acts which occur outside the jurisdictional boundary of the federal program) is not subject to the statutory cap. The coverage for "certified acts of terrorism" is more fully defined in the endorsement. This coverage is subject to a limit on our liability pursuant to the federal Terrorism Risk Act Program Reauthorization Act of 2007.

With respect to "certified acts of terrorism" and acts of terrorism that are not certified the policy exclusions (for example, the nuclear hazard and war exclusions) and other policy provisions continue to apply.

**422-0083** - The endorsement excludes "punitive damages" either directly or indirectly arising out of a certified act of terrorism and for which you are awarded damages. Neither the federal government nor insurance company is obligated to pay "punitive damages".

**See the definition of terrorism for purposes of the terrorism exclusion.**



**U.S. TREASURY DEPARTMENT'S  
OFFICE OF FOREIGN ASSETS CONTROL ("OFAC")**

**ADVISORY NOTICE TO POLICYHOLDERS**

No coverage is provided by this policyholder notice nor can it be construed to replace any provisions of your policy. You should read your policy and review your Declarations page for complete information on the coverages you are provided.

This notice provides information concerning possible impact on your insurance coverage due to directives issued by OFAC. **Please read this notice carefully.**

The Office of Foreign Assets Control ("OFAC") administers and enforces sanctions policy, based on Presidential Declarations of National Emergency.

OFAC has identified and listed numerous foreign agents, front organizations, terrorists, terrorists organizations, and narcotic traffickers as "Specially Designated Nationals and Blocked Persons". This list can be located on the United States Treasury's web site: <http://www.treas.gov/ofac>.

In accordance with OFAC regulations, if it is determined that you or any other insured, or any person or entity claiming the benefits of this insurance has violated United States sanctions law or is a Specially Designated National and Blocked Person, as identified by OFAC, this insurance will be considered a blocked or frozen contract and all provisions of this insurance are immediately subject to OFAC. When an insurance policy is considered to be such a blocked or frozen contract, no payments nor premium refunds may be made without authorization from OFAC.

Other limitations on the premiums and payments also apply.

# NONPROFIT MANAGEMENT LIABILITY INSURANCE

## COMMON POLICY TERMS AND CONDITIONS SECTION

### CLAIMS-MADE WARNING FOR POLICY

**NOTICE: THIS "POLICY" PROVIDES COVERAGE ON A CLAIMS-MADE AND REPORTED BASIS. SUBJECT TO ITS TERMS, THIS "POLICY" APPLIES ONLY TO "CLAIMS" FIRST MADE AGAINST THE "INSURED" AND REPORTED TO THE INSURER DURING THE "POLICY PERIOD" OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY. PLEASE READ THE "POLICY" CAREFULLY TO DETERMINE RIGHTS, DUTIES, COVERAGE AND COVERAGE RESTRICTIONS.**

Throughout this insurance "Policy" the words "you" and "your" refer to the "insured" as defined in **SECTION III** of the **Common Policy Terms and Conditions Section** and any purchased "Coverage Parts". The words "we", "us" and "our" refer to the Company providing this insurance.

All words that appear in quotation marks have special meaning. They are defined in **SECTION III - DEFINITIONS**. The descriptions in the Headings of this "Policy" are solely for convenience and form no part of the terms and conditions of coverage.

In consideration of the premium paid and in reliance on the correctness and completeness of your "Application", which is attached to and becomes part of this insurance "Policy", we agree to provide coverage as shown in the **Declarations** and described below. Coverage may be denied or canceled with respect to any applicant or "insured" who provides incomplete or inaccurate information to us.

#### **I. SECTION I - COMMON POLICY TERMS AND CONDITIONS**

The Common Policy Terms and Conditions Section of this "Policy" shall apply to all "Coverage Parts". Unless stated to the contrary in any "Coverage Part", the terms and conditions of each "Coverage Part" of this "Policy" shall apply only to that "Coverage Part" and shall not apply to any other "Coverage Part" of this "Policy". If any provision in this Common "Policy" Terms and Conditions Section is inconsistent or in conflict with the terms and conditions of any "Coverage Part", the terms and conditions of such "Coverage Part" shall control for purposes of that "Coverage Part". Any defined term referenced in this Common Policy Terms and Conditions Section and also defined in a "Coverage Part" shall, for purposes of coverage under that "Coverage Part", have the meaning set forth in that "Coverage Part". A "Coverage Part" shall only apply if designated in the **Declarations** and attached hereto.

#### **II. SECTION II - EXTENDED REPORTING PERIOD**

**A.** We will provide an Extended Reporting Period, as described below:

1. For no additional premium, we will provide an Automatic Extended Reporting Period for the coverage granted under this "Policy", with respect to any "claim" first made and reported during a period of 90

days after the date upon which the "policy period" ends, but only with respect to any "wrongful act" committed prior to the end of the "policy period" and otherwise covered under the "Policy". The Automatic Extended Reporting Period shall not apply to any "insured" that has purchased insurance from us or any other insurer covering such "claim". An Automatic Extended Reporting Period will not apply if we cancel for nonpayment of premium.

2. If this "Policy" is canceled or not renewed, you shall have the right, upon payment of an additional premium, to an extension of the Reporting Period for any "claim" first made and reported against the "insured" after the date upon which the "Policy period" ends, but only with respect to "wrongful acts" committed prior to the end of the "policy period" and otherwise covered by this "Policy". Such period shall be referred to as the Optional Extended Reporting Period. If the Optional Extended Reporting Period is purchased, then the Automatic Extended Reporting Period, as described in Paragraph **A.1.** above, does not apply.

The available Optional Extended Reporting Periods and associated additional premiums are displayed in the table below.

Optional Reporting Period	Percent of Annual Premium
One Year	50%
Two Years	75%
Three Years	100%

In the table, Annual Premium means the total premium in effect immediately prior to the end of the "policy period" for all "Coverage Part(s)" purchased as part of the "Policy".

3. You must request this Optional Extended Reporting Period in writing and must pay us the additional premium within 30 days following the date of such cancellation, nonrenewal or termination. If we do not receive your request and premium payment within 30 days following the date of such cancellation, nonrenewal or termination, the first "Named Insured's" right to purchase the Optional Extended Reporting Period shall end.
4. If similar insurance is in force covering any "claims" first made during this Optional Extended Reporting Period, coverage provided by this "Policy" shall be excess over any such other insurance.
5. If we cancel for non-payment of premium, the first "Named Insured" may purchase the Optional Extended Reporting Period only after any earned premium due us is paid within 10 days after the date of cancellation or "Policy" expiration, whichever comes first.

B. All premiums paid for an Optional Extended Reporting Period shall be deemed fully earned as of the first day of the Optional Extended Reporting Period. The Optional Extended Reporting Period may not be canceled.

C. The fact that we provide an Automatic Extended Reporting Period or an Optional Extended Reporting Period shall not increase any "Policy" limits stated in Item 3. of the **Declarations**. For the purpose of "Policy" limits, the Reporting Periods are part of, not in addition to, the "policy period".

### III. SECTION III - DEFINITIONS

The following words, either in the singular or plural, shall have the meanings indicated below.

A. "Application" means:

1. The form titled "Application" submitted to request this "Policy", including any documents or other materials submitted with it;
2. All similar forms, including any material submitted with them, submitted to request previous policies issued by us of which this "Policy" is a direct or indirect renewal or replacement; and
3. All other materials or information provided by the "insured" for the underwriting or issuance of this "Policy".

All such forms, documents and other materials shall be deemed a part of this "Policy" as if physically attached to it.

B. "Claim" shall have the meaning as defined in the applicable "Coverage Part".

C. "Coverage Part" means the Nonprofit Directors and Officers and Organization Liability, Employment Practices Liability and Fiduciary Liability Coverage Parts of this "Policy", if purchased as set forth in Item 3. of the **Declarations** and attached hereto.

D. "Damages" shall have the meaning as defined in the applicable "Coverage Part".

E. "Defense Expense" shall have the meaning as defined in the applicable "Coverage Part".

F. "Insured" and "Insured Individual" shall have the meanings as defined in the applicable "Coverage Part".

G. "Insured Organization" means the "Named Insured" and any "Subsidiary".

H. "Loss" shall have the meaning as defined in the applicable "Coverage Part".

I. "Named Insured" means the entity designated in Item 1. of the **Declarations**.

J. "Outside Organization" shall have the meaning as defined in the applicable "Coverage Part".

K. "Policy" means collectively, the **Declarations**, the Common Policy Terms and Conditions Section, the purchased "Coverage Parts", applicable endorsements and the "Application".

L. "Policy Period" means the period of time from the inception date shown in Item 2. of the **Declarations** to the earlier of the expiration date shown in Item 2. of the **Declarations** or the effective date of termination of this "Policy".

M. "Pollutants" means any solid, liquid, gaseous or thermal irritants or contaminants, including smoke, vapors, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

N. "Subsidiary" means an entity that qualifies as a nonprofit organization under 501 (c)(3), (c)4, c(5), c(6), (c)7, c (8), c(10) or (c)13 of the Internal Revenue Code of 1986 including amendments thereto, if, on or before the inception of the "policy period", the "Named Insured" has the right to elect or appoint more than 50 percent of such entity's directors or trustees.

"Subsidiary" does not include any political committee organized pursuant to Section 432 of the Federal Election Campaign Act of 1971, including any amendments thereto, or an entity, subject to the terms of the Coverage Part(s) attached to this "Policy", that the insured forms or acquires during the "Policy period".

Coverage shall apply to a "subsidiary" only during the time it qualifies as a "subsidiary".

O. "Wrongful Act" shall have the meaning as defined in the applicable "Coverage Part".

#### IV. SECTION IV - EXCLUSIONS

This insurance does not apply to "loss" on account of any "claim" made against any "insured" directly or indirectly arising out of, based upon or attributable to:

##### A. Pollution

1. The actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants"; or
2. "Loss", cost or expense arising out of any request, demand, order or statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "pollutants"; or
3. "Claim" by or on behalf of a governmental authority for "damages" because of testing for, monitoring, removing, containing, treating, detoxifying or neutralizing, or in any way responding to or assessing the effects of "pollutants".

##### B. Nuclear

The radioactive, toxic, or explosive properties of nuclear material which includes, but is not limited to, Source Material, Special Nuclear Material and Byproduct Material as those

terms are defined in the Atomic Energy Act of 1954 and any amendments thereto and any similar provisions of any federal, state or local statutory or common law.

#### V. SECTION V - LIMITS OF LIABILITY AND RETENTION

##### A. Limits of Liability

Regardless of the number of "insureds" involved, "claims" made or persons or organizations making "claims", our liability under the "Policy" is limited as follows:

1. If the Policy Aggregate Limit of Liability as set forth in Item 3.A. of the **Declarations** is purchased, then the maximum limit of liability for all "loss", other than "defense expenses", arising out of all "claims" first made against the "insureds" during the "policy period" that may apply under all "Coverage Parts" shall not exceed the Policy Aggregate Limit of Liability stated in Item 3.A. of the **Declarations**.
2. If the Separate Aggregate Limit of Liability for each "Coverage Part" is purchased as set forth in Item 3.B. of the **Declarations**, then the maximum limit of liability for "loss", other than "defense expenses", arising out of all "claims" first made against the "insureds" during the "policy period" that may apply shall not exceed the Separate Aggregate Limit of Liability for each "Coverage Part" stated in Item 3.B. of the **Declarations**.

In the event a "claim" is covered under more than one "Coverage Part", then any "loss" for such "claim" shall first be paid under, and subject to, the available Limit of Liability applicable to the Employment Practices Liability Insurance Coverage Part.

Any remaining "loss" for such "claim" that is covered by any other "Coverage Part(s)" of this "Policy", and is not paid under the Employment Practices Liability Insurance Coverage Part, shall be covered as provided in, and shall be subject to, the remaining Limit of Liability applicable to the appropriate "Coverage Part(s)". However, the remaining Limit of Liability of the applicable "Coverage Part(s)" for such "claim" shall be reduced by the amount of "loss" paid under the Employment Practices Liability Coverage Part.

In the event a "claim" is covered under more than one "Coverage Part", and the Employment Practices Liability Insurance Coverage Part does not apply, then the highest remaining applicable Limit of Liability, at the time the "claim" is first made, shall apply.

3. "Defense expenses" are in addition to and are not part of the applicable Limits of Liability specified in Item 3. of the **Declarations**. Our payments of "defense expenses" made on account of any "claim" shall not reduce the Limits of Liability. When an applicable Limit of Liability has been exhausted by payment of "loss" other than "defense expenses" our obligation to defend, continue to defend or to pay "defense expenses", under the coverage or coverages to which that Limit of Liability applies, shall cease.
4. The Limits of Liability of this "Policy" apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the "policy period" shown in the **Declarations**, unless the "policy period" is extended after issuance for an additional period of less than 12 months. In that case, the additional period shall be deemed part of the last preceding period for purposes of determining the Limits of Liability.
5. The Limit of Liability for any Reporting Period, if applicable, shall be a part of and not in addition to the respective Limit of Liability of the "Policy" to which the Reporting Period applies.

#### **B. Retention**

1. This "Policy" applies only to that part of covered "loss" on account of each "claim" which is in excess of the applicable Retention set forth in Item 4. of the **Declarations**.
2. You shall pay the Retention.
3. If different parts of a single "claim" are subject to different Retentions, the applicable Retentions will be applied separately to each part of such "claim", but the sum of such Retentions shall not exceed the largest applicable Retention.
4. One Retention applies to all "claims" arising out of a single "wrongful act".

### **VI. SECTION VI - DEFENSE OF CLAIMS**

We have the right and duty to defend "claims" to which this insurance applies, even if the

allegations in such "claims" are groundless, false or fraudulent. We have no duty to defend "claims" or pay related "defense expenses" for "claims" to which this insurance does not apply.

#### **A. With respect to "claims" we defend we may:**

1. Make any investigation of a "claim" we deem necessary; and
2. Settle any resulting "claim" provided that we have your written consent to settle, which shall not be unreasonably withheld.

#### **B. If you refuse consent to the settlement of any "claim" which we recommend and which is acceptable to the claimant, subject to any applicable Limit of Liability or Retention, our liability for the "claim" is limited to:**

1. What we would have contributed to the settlement if you had consented to the settlement, including "defense expenses" incurred up to the date of such refusal; and
2. 70% of such "loss" excess of the amount for which the "claim" could have been settled.

#### **C. Our right and duty to defend end when we have used up the applicable Limit of Liability provided under Item 3. of the **Declarations**. This applies to "claims" pending at the time and "claims" filed afterward.**

### **VII. SECTION VII - DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS**

#### **A. If you receive a "claim", you and any other involved "insured(s)" must see to it that we receive written notice of the "claim", with full details including the date received, as soon as practicable, but in no event later than 90 days after such "claim" is first made.**

#### **B. You and any other involved "insured" must:**

1. Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "claim";
2. Authorize us to obtain records and other information; and
3. Cooperate with us in the investigation, defense or settlement of the "claim"; and
4. Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the "insured" because of "damages" to which this insurance may apply.

- C. No "insured" will, except at that "insured's" own cost, voluntarily make a payment, assume any obligation, or incur any expense related to a "claim" without our consent.
- D. If you become aware of a "wrongful act" or other circumstance that may subsequently give rise to a "claim", you must give written notice to us as soon as practicable, but in any event not later than the end of the "policy period" or any Extended Reporting Period we provide, of any "wrongful act" that may result in a "claim". To the extent possible notice should include:
1. How, when and where the "wrongful act" took place;
  2. The names and addresses of any persons and entities involved.
- E. Any "claim" arising out of a "wrongful act" which is subsequently made against you shall be deemed to have been first made at the time we received such written notice from you, if:
1. It is not otherwise excluded by the terms of this "Policy"; and
  2. We receive proper notice of the "wrongful act" according to paragraph D. above.

The date of mailing shall constitute the date that such notice was given and proof of mailing shall be sufficient proof of notice.

## **VIII. SECTION VIII - GENERAL CONDITIONS**

### **A. Cancellation and Nonrenewal**

1. We may not cancel this "Policy" except for failure to pay premium when due, in which case we will give 10 days written notice to the first "Named Insured" before such cancellation is effective.
2. The first "Named Insured" may cancel this "Policy" for itself and all other "insureds" by written notice to us or to our authorized agent stating when thereafter the cancellation shall be effective. If the first "Named Insured" cancels, earned premium shall be computed in accordance with the customary short rate table procedure.
3. We are not required to renew this "Policy". However, written notice of our intent to non-renew this "Policy" shall be sent to the first "Named Insured" at least 30 days prior to expiration of the "policy period".

### **B. Representations and Application**

By accepting this "Policy" you agree that:

1. The statements in the **Declarations** are accurate and complete;
2. Those statements are based on representations you made in your "Application" for this insurance "Policy";
3. The representations made in your "Application" are the basis of this "Policy" and are to be considered as incorporated into and constituting a part of this "Policy";
4. Those representations are material to the acceptance of the risk we assumed under this "Policy";
5. We have issued this "Policy" in reliance upon the truth and completeness of such representations;
6. The "Application" shall be interpreted as a separate application for coverage by each "insured individual". No statement in the "Application", fact pertaining to or knowledge possessed by any "insured individual" shall be imputed to any other "insured individual" for the purpose of determining if coverage is available; and
7. Statements in the "Application", facts pertaining to or knowledge possessed by the individual signing the "Application" shall be imputed to the "insured organization".

### **C. Legal Action Against Us**

No person or organization has a right under this "Policy":

1. To join us as a party or otherwise bring us into a suit asking for "damages" from an "insured"; or
2. To sue us on this "Policy" unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an "insured"; but we 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 Liability. An agreed settlement means a settlement and release of liability signed by us, the "insured" and the claimant or the claimant's legal representative.

### **D. Change in Ownership, Control or Exposure**

1. If during the "policy period":
  - a. Another person or organization or group of persons or organizations acquires more than 50% of the assets of the "Named Insured"; or

- b.** Another person or organization, or group of persons or organizations, acquires the right to select a majority of the "named insured's" directors or trustees; or
- c.** The "Named Insured" consolidates with or merges with another organization; or
- d.** The "Named Insured" ceases to qualify as a nonprofit organization under the Internal Revenue Code,

you shall notify us of the change within 60 days after the effective date of the change described in **a.**, **b.**, **c.** or **d.** above and provide such additional information as we require.

- 2.** If an event described in **D.1.** above occurs, coverage under this "Policy" shall continue until termination of the "policy period" but only with respect to "claims" made for "wrongful acts" which take place prior to the change in ownership control or exposure described in paragraph **D.1.** above.
- 3.** If you fail to provide notice as described in **D.1.** above, coverage provided to the "insured" under this "Policy" shall terminate as of the date of the change.
- 4.** The entire premium for this "Policy" shall be deemed fully earned upon the occurrence of any change in ownership, control or exposure described in paragraph **D.1.** above.

#### **E. Transfer of Rights of Recovery Against Others to Us**

If you have rights to recover all or part of any payment we have made under this "Policy", these rights are transferred to us. You must do nothing after loss to impair them. At our request, you will sue those responsible or transfer those rights to us and help us enforce them. In the event of any payment under this "Policy", we shall be subrogated to the extent of such payment to all of your rights of recovery. You shall execute and deliver such instruments and papers and do whatever else is necessary to secure such rights and shall do nothing to prejudice or compromise such rights without our express written consent.

#### **F. Assignment**

No change in, modification of or assignment of interest in this "Policy" shall be effective except when made by a written endorsement to the "Policy".

#### **G. Sole Agent for the Insured**

By accepting this "Policy", you agree that only the first "Named Insured" is authorized to act on behalf of all "insureds" with respect to the following: payment for premiums and retentions, receiving return premiums, giving or receiving notice of cancellation or nonrenewal, requesting any Extended Optional Reporting Period and agreeing to any changes in this insurance "Policy". Each "insured" agrees that the first "Named Insured" shall act on its behalf with respect to such matters.

#### **H. Coverage Territory and Valuation**

- 1.** This "Policy" applies to a "wrongful act" committed anywhere in the world provided that the "claim" is made and suit is brought against the "Insured" within the United States, its territories or possessions or Canada.
- 2.** All premiums, limits, retentions, "loss" and other amounts are expressed and payable in the currency of the United States of America. If a judgment is rendered, a settlement is denominated or another element of "loss" under this "Policy" is stated in a currency other than the United States of America dollars, payment under this "Policy" shall be made in United States of America dollars at the prevailing rate of exchange on the date the judgment becomes final, the amount of the settlement is agreed upon or any element of "loss" is due, respectively.

#### **I. Other Insurance**

- 1.** If other valid and collectible insurance is available to the "insured" for "loss" covered under this "Policy", the insurance provided by this "Policy" shall be excess over such other insurance, regardless of whether or not such insurance is primary, contributory, excess, contingent or otherwise.
- 2.** When this insurance is excess we have no duty to defend the "insured" against any "claim" if any other insurer has a duty to defend the "insured" against the "claim". If no other insurer defends we will undertake to do so but we will be entitled to the "insured's" rights against those other insurers.

3. When this insurance is excess over other insurance we will pay only our share of the amount of "loss", if any, that exceeds the sum of:
  - a. The total amount that all such other insurance would pay for the "loss" in the absence of this insurance;
  - b. The total of all deductibles, self-insurance and retentions under all that other insurance; and
  - c. Any indemnification available from an "outside organization" to an "insured".

We will share the remaining "loss", if any, with any other insurance that is not described in this provision and was not bought specifically to apply in excess of the Limit of Liability shown in the **Declarations** of this "Policy".

#### 4. Method of Sharing

If all the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of liability or none of the loss remains, whichever comes first.

If any other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of liability to the total applicable limits of liability of all insurers.

#### J. Two or More Policies, Coverage Parts, or Endorsements Issued by Us

It is our stated intention that this "Policy" and any other "Policy", "Coverage Part" or endorsement issued by us, or by another member of the Hanover Insurance Group, shall not provide duplication or overlap of coverage for the same "claim". If this "Policy" and any other "Policy" issued by us, or by another member of The Hanover Insurance Group, to you, apply to the same "claim" then,  
**Condition I. Other Insurance**  
notwithstanding:

1. We shall not be liable under this "Policy" for a greater proportion of the Loss than the applicable Limit of Liability of this "Policy" bears to the sum of the total Limits of Liability of all such policies; and
2. The maximum amount payable under all such policies combined shall not exceed the highest applicable Limit of Liability under any one "Policy".

#### K. Allocation

If you incur both "loss" covered by this "Policy" and "loss" not covered by this "Policy" on account of any "claim" because such "claim" includes both covered and non-covered matters, coverage with respect to such "claim" shall apply as follows:

1. One hundred percent (100%) of "defense expenses" on account of the "claim" will be considered covered "loss"; and
2. We shall fairly allocate all remaining "loss" that you incurred on account of such "claim" between covered "loss" and non-covered "loss".

#### L. Separation of Insureds

Except with respect to the Limits of Liability, Retention and any rights or obligations assigned to the first "Named Insured", this insurance applies:

- a. As if each "insured" were the only "insured"; and
- b. Separately to each "insured" against whom a "claim" is made.

## PRIOR AND PENDING LITIGATION EXCLUSION ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### COMMON POLICY TERMS AND CONDITION SECTION

The following is added to **SECTION IV – EXCLUSIONS** of the **Common Policy Terms and Condition Section** of this "Policy":

This insurance does not apply to "loss" on account of any "claim" made against any "insured" directly or indirectly arising out of, based upon or attributable to:

1. Any prior or pending litigation, administrative or arbitration proceeding as of 12/8/1993 ; or
2. Any fact, circumstance, situation, transaction or event underlying or alleged in such litigation, administrative or arbitration proceeding, regardless of the legal theory upon which such "claim" is predicated.

## PRIORITY OF PAYMENTS ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### COMMON POLICY TERMS AND CONDITIONS SECTION

The following is added to **SECTION VI - DEFENSE OF CLAIMS** of the **Common Policy Terms and Conditions Section** of this "Policy":

In the event of "loss" arising from any "claim" for which payment is due under the provisions of this "Policy", then we shall:

1. First pay "loss" on behalf of the "insured individual" for which coverage is provided under **SECTION I - INSURING AGREEMENT** of the **Nonprofit Directors, Officers and Organization Liability Insurance Coverage Part**; and then

2. With respect to whatever remaining amount of the applicable Limit of Liability is available after payments under Paragraph 1. above, at the written request of the chief executive officer of the "named insured", either pay or withhold payment of such other "loss" for which coverage is provided under this "Policy".

In the event we withhold payments pursuant to Paragraph 2. above, then we shall at such time and in such manner as shall be set forth in written instructions of the chief executive officer of the "named insured", remit such payment to the "insured organization" or directly to an "insured individual".

## WAIVER OF RETENTION IF NO LIABILITY ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### COMMON POLICY TERMS AND CONDITIONS SECTION

The following is added to **SECTION V - LIMITS OF LIABILITY AND RETENTION** of the **Common Policy Terms and Conditions Section** of this "Policy":

A. No Retention shall apply to any "claim" which is in the form of a civil action for monetary relief, in which:

1. There is a determination of "no liability"; or
2. The "claim" is dismissed or stipulated dismissed without prejudice and without any payment of any consideration by any "insured".

If there is a determination of "no liability" in a "claim", we shall reimburse the "defense expenses" paid by the "insured" in such "claim".

B. If a "claim" is dismissed or stipulated dismissed without prejudice and without any payment by any "insured", we shall reimburse the "defense expenses" paid by the "insured" in such "claim" 90 days after the date of the dismissal or stipulation so long as:

1. The "claim" or any other "claim" which together with such "claim" would be deemed a single "claim" is not brought again within such 90 day period; and

2. The "insured organization" provides us with a written undertaking in a form satisfactory to us to repay us for such reimbursement in the event the "claim" or any other "claim" which together with such "claim" would be deemed a single "claim" is brought again after such 90 day period and before the expiration of the statute of limitations for such "claim".

C. For the purposes of this endorsement, "no liability" means with respect to a "claim" made against any "insured":

1. A final judgment of no liability obtained prior to trial, in favor of all "insureds", by reason of a motion to dismiss or a motion for summary judgment, after the exhaustion of all appeals; or
2. A final judgment of no liability is obtained after trial, in favor of all "insureds", after the exhaustion of all appeals.

In no event shall the term "No Liability" apply to a "claim" made against an "insured" for which a settlement has occurred.

## ABUSE AND MOLESTATION EXCLUSION ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

COMMON POLICY TERMS AND CONDITIONS SECTION

The following is added to **SECTION IV - EXCLUSIONS** of the **Common Policy Terms and Conditions Section** of this "Policy":

This insurance does not apply to "loss" on account of any "claim" made against any "insured" directly or indirectly arising out of, based upon or attributable to:

1. The actual or threatened abuse or molestation by anyone of any person regardless of whether the abuse or molestation was specifically intended or resulted from negligent conduct and regardless of whether any "insured" subjectively intended the injury or damage for which a "claim" is made; or

2. The negligent:

- a. Employment;
- b. Investigation;
- c. Supervision;
- d. Reporting to the proper authorities, or failure to so report; or
- e. Retention,  
of a person for whom any "insured" is or ever was legally responsible and whose conduct would be excluded by Paragraph 1. above.

## EXCLUSION OF PUNITIVE DAMAGES RELATED TO A CERTIFIED ACT OF TERRORISM ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### COMMON POLICY TERMS AND CONDITIONS SECTION

- A. The following is added to **SECTION IV – EXCLUSIONS** of the **Common Policy Terms and Conditions Section** of this "Policy":

This insurance does not apply to damages arising, directly or indirectly, out of a "Certified Act of Terrorism" that are awarded as punitive damages.

- B. The following Definition is added to **SECTION III - DEFINITIONS** of the **Common Policy Terms and Conditions Section** of this "Policy":

"Certified Act of Terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act

of terrorism pursuant to the federal Terrorism Risk Insurance Act. The criteria contained in the Terrorism Risk Insurance Act for a "Certified Act of Terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

## MINNESOTA AMENDATORY ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### COMMON POLICY TERMS AND CONDITIONS SECTION

- A. The last Paragraph of the Introduction of the **Common Policy Terms and Conditions Section** of this "Policy" is replaced by the following:

In consideration of the premium paid and in reliance on the correctness and completeness of your "Application", which is attached to and becomes part of this insurance "Policy", we agree to provide coverage as shown in the **Declarations** and described below. This insurance is void in any case of fraud, material misrepresentation or material omission made by you or with your knowledge in obtaining this insurance or pursuing a claim under this "Policy".

- B. The following is added to **SECTION V – LIMITS OF LIABILITY AND RETENTION**, Paragraph A. **Limits of Liability of the Common Policy Terms and Conditions Section** of this "Policy":

6. If a judgment is entered against you, the principal amount of which is within the applicable "Policy" Limits, we will be responsible for your share of the costs, disbursements, and prejudgment interest included in the judgment even if the total amount of the judgment is in excess of the applicable "Policy" Limits.

- C. The following is added to **SECTION VII – DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS** of the **Common Policy Terms and Conditions Section** of this "Policy":

References to written notice in this section shall mean that oral or written notice to us or the insurance agent or broker shall be considered notice to us.

- D. **SECTION VIII – GENERAL CONDITIONS** of the **Common Policy Terms and Conditions Section**, Paragraph A.3. of **Cancellation and Nonrenewal** of this "Policy" is replaced by the following:

3. We are not required to renew this "Policy". However, written notice of our intent to non-renew this "Policy" shall be sent to the first "Named Insured" at least 60 days prior to the expiration date of the "Policy".

- E. The following is added to **SECTION VIII – GENERAL CONDITIONS** of the **Common Policy Terms and Conditions Section**, Paragraph A. of **Cancellation and Nonrenewal** of this "Policy":

4. Notices of cancellation or nonrenewal shall be sent by first class mail to the "Named Insured" at the last address known to us with a copy to the agent of record and a statement of the specific reasons for cancellation or nonrenewal. Notices of cancellation will state the effect of nonpayment by the due date. Notices of nonrenewal need not be given if you have insured elsewhere, accepted replacement coverage or have requested or agreed to nonrenewal. The "Policy Period" may be extended to comply with notice requirements. Proof of mailing of any notice shall be sufficient proof of notice.

5. If we offer renewal terms, notice will be mailed by first class mail to the "Named Insured", at least 60 days prior to the expiration of the "Policy". If we fail to provide notice 60 days prior to the renewal date, the "Named Insured" may elect to cancel the renewal "Policy" within the 60 day period after receipt of the notice. Earned premium for the period of coverage, if any, shall be calculated pro rata upon the prior rate.

- E. **SECTION VIII – GENERAL CONDITIONS**, Paragraph B.4. of **Representations and Application** is replaced by the following:

4. Misrepresentations or omissions shall not be material unless knowledge by us of the facts misrepresented or omitted would have led to our refusal to offer this "Policy".

- F. **SECTION VIII – GENERAL CONDITIONS**, Paragraph D.4. of **Change in Ownership, Control or Exposure** is deleted.

- G. The following is added to **SECTION VIII – GENERAL CONDITIONS**, Paragraph E. **Transfer of Rights of Recovery Against Others to Us** of the **Common Policy Terms and Conditions Section** of this "Policy":

However, we shall not subrogate ourselves to your rights to proceed against another person if that other person is insured by us for the same "Loss". This only applies if the "Loss" was caused by a non-intentional act.

- H. The following is added to **SECTION VIII – GENERAL CONDITIONS** of the **Common Policy Terms and Conditions Section** of this "Policy":

### **Your Right to Claim and Wrongful Act Information**

1. We will provide the first "Named Insured" shown in the **Declarations** the following information relating to this and any preceding claims-made "Coverage Part" we have issued to you during the previous three years:
  - a. A list or other record of each "wrongful act", not previously reported to any other insurer, of which we were notified in accordance with **SECTION VII – DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS** of this "Policy". We will include the date and brief description of the "wrongful act" if that information was in the notice we received.
  - b. A summary by "policy year", of payments made and amounts reserved, stated separately, under any applicable Aggregate Limit.

Amounts reserved are based on our judgment. They are subject to change and should not be regarded as ultimate settlement values.

You must not disclose this information to any claimant or any claimant's representative without our consent.

2. If we cancel or elect not to renew this "Coverage Part", we will provide such information no later than 30 days before the date of "Policy" termination. In other circumstances, we will provide this information without cost only if we receive a request from the first "Named Insured". In this case, we will provide this information within 30 days of receipt of the request. We will not provide this information without cost more than once in a 12 month period.
3. We compile "claim" and "wrongful act" information for our own business purposes and exercise reasonable care in doing so. In providing this information to the first "Named Insured", we make no representations or warranties to "insureds", insurers, or others to whom this information is furnished by or on behalf of any "insured". Cancellation or nonrenewal will be effective even if we inadvertently provide inaccurate information.

# NONPROFIT DIRECTORS, OFFICERS AND ORGANIZATION LIABILITY INSURANCE COVERAGE PART

## CLAIMS-MADE WARNING FOR POLICY

**NOTICE: THIS "POLICY" PROVIDES COVERAGE ON A CLAIMS-MADE AND REPORTED BASIS. SUBJECT TO ITS TERMS, THIS "POLICY" APPLIES ONLY TO "CLAIMS" FIRST MADE AGAINST THE "INSURED" AND REPORTED TO THE INSURER DURING THE "POLICY PERIOD" OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY. PLEASE READ THE "POLICY" CAREFULLY TO DETERMINE RIGHTS, DUTIES, COVERAGE AND COVERAGE RESTRICTIONS.**

Throughout this "Coverage Part" of this insurance "Policy" the words "you" and "your" refer to the "insured" as defined in **SECTION III - ADDITIONAL DEFINITIONS** of this "Coverage Part". The words "we", "us" and "our" refer to the Company providing this insurance.

All words that appear in quotation marks have special meaning. They are defined in **SECTION III - ADDITIONAL DEFINITIONS**. The descriptions in the Headings of this "Policy" are solely for convenience and form no part of the terms and conditions of coverage.

In consideration of the premium paid and in reliance on the correctness and completeness of your "Application", which is attached to and becomes part of this insurance "Policy", we agree to provide coverage as shown in the **Declarations** and described below. Coverage may be denied or canceled with respect to any applicant or "insured" who provides incomplete or inaccurate information to us.

### I. SECTION I - INSURING AGREEMENT

#### Nonprofit Directors, Officers and Organization Liability Insurance

##### Part 1: "Insured Individuals"

We will pay, on behalf of each "insured individual", "loss" which the "insured individual" is legally obligated to pay because of "claims" first made against that "insured individual" during the "policy period" and reported to us in accordance with **SECTION VII - DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS** of the **Common Policy Terms and Conditions Section** for any "wrongful acts" to which this insurance applies except for "loss" which the "insured organization" pays to or on behalf of the "insured individual as indemnification.

##### Part 2: "Insured Organization"

- a. We will pay, on behalf of the "insured organization", "loss" which an "insured individual" is legally obligated to pay because of "claims" first made against that "insured individual" during the "policy period" and reported to us in accordance with **SECTION VII - DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS** of the **Common Policy Terms and Conditions Section** for any "wrongful acts" to which this insurance applies to the extent the "insured organization" has indemnified the "insured individual" for such "loss".
- b. We will pay "loss" which the "insured organization" is legally obligated to pay

because of "claims" first made against the "insured organization" during the "policy period" and reported to us during the policy period" or within 90 days thereafter for any "wrongful acts" to which this insurance applies.

### II. SECTION II - EXTENDED REPORTING PERIOD

Refer to **Common Policy Terms and Conditions Section**.

### III. SECTION III - ADDITIONAL DEFINITIONS

In addition to the Definitions listed in **SECTION III - DEFINITIONS** of the Common Policy Terms and Conditions Section, the following terms shall have the meanings indicated below, when used in this "Coverage Part":

#### A. "Claim" means:

1. Any written demand presented for monetary "damages" or non-monetary relief for a "wrongful act"; or
2. Any complaint or similar pleading initiating a judicial, civil, administrative, regulatory, alternative dispute or arbitration proceeding (including any appeal resulting from it), to which an "insured" is provided notice and which subjects an "insured" to a binding adjudication of liability for monetary or non-monetary relief for a "wrongful act".

However, "claim" shall not include a labor or grievance proceeding pursuant to a collective bargaining agreement.

All "claims" made on account of a single "wrongful act" shall be treated as a single

"claim" first made on the date the earliest of the "claims" was made, regardless of whether that date is before or during the "policy period" or, if applicable, during an Extended Reporting Period.

B. "Damages" means a monetary judgment, award or settlement, pre-judgment interest and post-judgment interest. "Damages" also means punitive or exemplary damages or the multiple portion thereof, if insurable under the applicable law of the jurisdiction most favorable to the insurability of such damages provided such jurisdiction is where:

1. Those damages were awarded or imposed;
2. Any "wrongful act" occurred for which such damages were awarded or imposed;
3. The "insured" resides, is incorporated or has its principal place of business; or
4. We are incorporated or have our principal place of business.

C. "Defense expenses" means and is limited to:

1. Any reasonable and necessary legal fees and expenses, including attorney fees and expert fees, incurred in the defending and appeal of a "claim";
2. The premium on appeal, attachment or similar bonds; and
3. Up to \$250 per day per "insured individual" for supplemental payment for reasonable expenses incurred for attendance at hearings, trials or depositions at our request or with our consent by such "insured individual". Such payment shall not exceed \$5,000 in the aggregate for all "insured individuals" in each "claim".

"Defense expenses" do not include:

4. Salaries, wages, fees, overhead or benefit expenses associated with any "insured" except as specified in subparagraph 3. above; or
5. Salaries, wages, overhead or benefit expenses associated with our employees.

D. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, any similar federal, state, local or common law, and any rules and regulations promulgated under it.

E. "Executive" means any natural person who is, was, or shall become:

1. A duly-elected or appointed director, officer, manager, in-house general counsel, or trustee of the "insured organization"; or

2. Any past, present or future members of any duly-constituted commissions, boards, committees or other units operated under the "insured organization's" charter or with the "insured organization's" written approval.

F. "Insured individual" means:

1. Any "executive" of the "insured organization";
2. Any past, present or future employees of the "insured organization" but only for acts within the scope of their employment by the "insured organization" or while performing duties related to the conduct of the "insured organization's";
3. Any natural person providing volunteer services for the "insured organization" at the request of the "insured organization" and under the "insured organization's" direction and control;
4. Any natural person serving as a director or officer of an "outside organization" at the direction of the "insured organization";
5. The estates, heirs, legal representatives or assigns of deceased persons who were "insured individuals" at the time of the "wrongful act" on which a "claim" is based;
6. The legal representatives or assigns of an "insured individual" in the event of the "insured individual's" incompetence, insolvency or bankruptcy; and
7. The lawful spouse of an "insured individual" under item 1. above, but solely with respect to such spouse's status as a spouse or such spouse's ownership interest in property that a claimant seeks as recovery for an alleged "wrongful act", and not for any "wrongful acts" actually or allegedly committed by the spouse.

G. "Insured" means the "insured organization" and any "insured individual".

H. "Loss" means the amount the "Insured" is legally obligated to pay for "damages", and "defense expenses" for a covered "claim" under this "Coverage Part".

"Loss" does not include:

1. Civil, criminal or administrative fines, taxes or other penalties;
2. Any amounts which an "insured" is obligated to pay as result of a "claim" seeking relief or redress in any form other than monetary "damages";
3. Matters deemed uninsurable by law;

4. Wages or Benefits or contributions payable under an "employee benefits plan";
5. Any expenses associated with any accommodation required under the Americans with Disabilities Act, the Civil Rights Act of 1964, rules or regulations promulgated under them, amendments to them or similar provisions in any federal, state or local law or common law;
6. Any amount not indemnified by the "insured organization" for which an "insured individual" is absolved from payment by reason of any covenant, agreement or court order; or
7. Any amount allocated to non-covered loss in accordance with **SECTION VIII - GENERAL CONDITIONS** of the **Common Policy Terms and Conditions, Paragraph K., Allocation.**

I. "Outside organization" means any:

1. Nonprofit organization described in section 501(c)3 of the Internal Revenue Code of 1986 (as amended) that is not included in the definition of "insured organization". But an "outside organization" does not include any "subsidiary";
2. Other entity organized for a religious or charitable purpose under any nonprofit organization act or statute; or
3. Other entity, partnership, joint venture or other organization listed by endorsement to this policy.

J. "Personal Injury" means any actual or alleged:

1. Defamation of character, libel, slander, or publication of material in violation of a person's right of privacy; or
2. The wrongful entry or eviction or other invasion of the right of privacy; or
3. False arrest, wrongful detention or imprisonment; or
4. Malicious prosecution; or
5. Infringement of copyright or trademark, unauthorized use of title, plagiarism, or misappropriation of advertising ideas.

K. "Wrongful act" means:

1. Any actual or alleged act, error, omission, misstatement, misleading statement, neglect, breach of duty committed or attempted by:
  - a. An "insured individual" in his or her capacity as an "insured individual";

- b. An "insured individual" while serving as a director, officer or trustee of any "outside organization", if such service is at the written request or direction of the "insured organization"; or

- c. By the "insured organization"; or

2. Any "personal injury".

Any series of "wrongful acts" that are connected by reason of a common claimant, transaction, event, policy, action, omission or decision are a single "wrongful act".

#### IV. SECTION IV - ADDITIONAL EXCLUSIONS

In addition to the Exclusions listed in **SECTION IV - EXCLUSIONS** of the **Common Policy Terms and Conditions**, the following exclusions apply to this "Coverage Part".

This insurance does not apply to "loss" on account of any "claim" made against any "insured":

A. Directly or indirectly arising out of, based upon or attributable to:

1. Such "insured" gaining any profit, remuneration or advantage to which such "insured" was not legally entitled; or
2. Any dishonest or fraudulent act or omission, any criminal act or omission or any willful violation of any statute or regulation by such "insured"; or
3. Any payments to an "insured" of any remuneration without the previous approval of the governing bodies of the "insured organization" which payment without such previous approval shall be held to have been illegal;

However, 1. 2. and 3. above, shall not apply unless a judgment or other final adjudication adverse to any of the "insureds" in such a "claim" is obtained.

4. For any actual or alleged violation of the responsibilities, obligations or duties imposed by "ERISA";
5. Brought or maintained by, at the behest, or on behalf of the "insured". This exclusion does not apply if the "claim" is made and maintained totally independently of and totally without the solicitation, assistance, participation or intervention of any "executive";
6. Any "wrongful act", transaction, decision, fact, circumstance or situation which has been the subject of any notice given prior to the inception of this "Policy" under any other policy of insurance;

7. Any "wrongful act", fact, circumstance or situation of which, any "insured" authorized to receive notice had knowledge and from which such "insured" could reasonably expect a "claim" to arise;
  8. For any "wrongful act" directly or indirectly arising out of, based on or attributable to service by any "insured individual" in any position or capacity in any organization other than the "insured organization" or an "outside organization", even if the "insured organization" directed or requested the "insured individual" to serve in such other position or capacity;
  9. Any action brought or maintained by, at the behest, or on behalf of an "outside organization" or past, present, or future director, officer, manager, trustee, governor or equivalent "executive" of the "outside organization". This exclusion does not apply if the "claim" is made and maintained without any active assistance, participation of, or solicitation by any director, officer, manager, trustee, governor or equivalent "executive" of the "outside organization";
  10. Any past, present or future actual or potential employment relationship; or
  11. Any violation of the Organized Crime Control Act of 1970 (commonly known as Racketeer Influenced And Corrupt Organizations Act, or "RICO"), as amended, or any regulation promulgated there under or any federal, state or local law similar to the foregoing, whether such law is statutory, regulatory or common law.
- B.** Based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any federal, state, local or foreign wage and hour laws, including, without limitation, the Fair Labor Standards Act; or
- C.** "Loss" on account of any "claim" made against any "insured" directly or indirectly arising out of, based on or attributable to any actual or alleged liability under a written or oral contract or agreement. However, this exclusion does not apply to your liability that would have attached in the absence of such contract or agreement.
- D.** Directly arising out of, based upon or attributable to:
1. The physical injury to or destruction of any tangible property, including all resulting loss of use of that property and loss of use of property that is not physically injured.

2. Bodily injury, isability, sickness, disease, death, assault or battery sustained by any person;

No fact pertaining to or knowledge possessed by or "wrongful act" of any "insured Individual" shall be imputed to any other "insured individual" for the purpose of determining the applicability of the exclusions listed above.

## **V. SECTION V - ADDITIONAL GENERAL CONDITIONS**

In addition to the conditions listed in **SECTION VIII - GENERAL CONDITIONS** of the **Common Policy Terms and Conditions**, the following condition applies to this "Coverage Part".

### **Acquisition of Subsidiaries**

Acquisition or Formation of a Nonprofit "Subsidiary"

If after the inception of the "policy period" the "insured organization" forms or acquires a "subsidiary" that qualifies as a nonprofit organization under the Internal Revenue Code or acquires or assumes more than fifty percent (50%) of the assets, liabilities, or equity of, or obtains the right to elect or select a majority of directors or trustees of such an organization, coverage under this "Coverage Part" shall apply to the "subsidiary" only if the first "Named Insured" meets the following conditions:

- A.** If, at the time of the acquisition or formation described above, the total assets of the acquired or formed "subsidiary" exceed ten percent (10%) of the total assets of the "insured organization" as of the beginning of the "policy period"; then the first "Named Insured" shall give us written notice of the formation or acquisition as soon as practicable, but not later than sixty (60) days after the date of such formation or acquisition.
- B.** If at the time of the acquisition or formation described above, the total assets of the acquired or formed "subsidiary" exceed twenty-five percent (25%) of the total assets of the "insured organization" as of the beginning of the "policy period"; then the first "Named Insured" shall agree to any amendments to the terms of this "Coverage Part" we require and shall pay any additional premium we require.
- C.** If the first "Named Insured" does not comply with the conditions **A.** or **B.** above, coverage under this "Policy" for the "subsidiary" shall terminate regarding "claims" first made more than 60 days after the formation or acquisition of the "subsidiary".

## TOTAL PROFESSIONAL SERVICES WITH MANAGEMENT AND SUPERVISION EXCEPTION ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

### NONPROFIT DIRECTORS, OFFICERS AND ORGANIZATION LIABILITY INSURANCE COVERAGE PART

The following is added to **SECTION IV - ADDITIONAL EXCLUSIONS** of the **Nonprofit Directors, Officers and Organization Liability Insurance Coverage Part** of this "Policy":

1. This insurance does not apply to "loss" on account of any "claim" made against any "insured" for "wrongful acts" directly or indirectly arising out of, based on or attributable to the rendering or failure to render any professional service, advice or instruction by you or on your behalf, regardless of whether or not any such service, advice or instruction is ordinary to any "insured's" profession. This includes but is not limited to:
  - a. Medical, surgical, dental, x-ray or nursing service, treatment, advice or instruction, or the related furnishing of food or beverages;
  - b. Any health therapeutic service, treatment, advice or instruction;
  - c. Any service, treatment, advice or instruction for the purpose of appearance or skin enhancement, hair removal, hair replacement or personal grooming;
  - d. Counseling Services;
  - e. The furnishing or dispensing of drugs or medical, dental or surgical supplies or appliances;
  - f. Legal, accounting or advertising services, notary, title abstract, tax preparation, real estate, stockbroker, publishing, architects or insurance services;
  - g. Preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications;
  - h. Supervisory, inspection or engineering services;
  - i. Services in the practice of a pharmacy; or
  - j. The handling or treatment of dead bodies, including autopsies, organ donations or other procedures.
2. This exclusion does not apply to any "claim", or portion of a "claim", made against an "insured" for a "wrongful act" in the "insured's" management or supervision of an "insured organization".

## EXCESS BENEFIT PENALTY COVERAGE ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies the following:

NONPROFIT DIRECTORS, OFFICERS AND ORGANIZATION LIABILITY INSURANCE COVERAGE PART

**SECTION III – ADDITIONAL DEFINITIONS,** paragraph H.1., “Loss” of the **Nonprofit Directors, Officers and Organization Liability Insurance Coverage Part** of this “Policy” is replaced with the following:

Civil, criminal or administrative fines, taxes or other penalties, except, we will reimburse an “insured organization” for any:

- a. Employer share of payroll taxes on any portion of “damages” or settlements which constitute backpay otherwise considered “loss”; or
- b. 10 percent excess benefit penalty assessed by the Internal Revenue Service on any organization manager who participates in an excess benefit transaction, as defined by the

Taxpayer Bill of Rights 2 (H.R. 2337), up to a maximum aggregate limit of \$25,000 per “policy period” for all “insureds”. Any excess benefit transaction paid by us shall be part of and not in addition to the Limits of Liability set forth in Item 3. of the **Declarations**.

We shall not be liable for any “loss” attributable to, or a part of, the 200 percent tax penalty assessed by the Internal Revenue Service for failure to correct the award of an excess benefit tax penalty, and the assessment of a 200 percent tax penalty shall void any coverage extended by this endorsement.

# EMPLOYMENT PRACTICES LIABILITY INSURANCE COVERAGE PART

## CLAIMS-MADE WARNING FOR POLICY

**NOTICE: THIS "POLICY" PROVIDES COVERAGE ON A CLAIMS-MADE AND REPORTED BASIS. SUBJECT TO ITS TERMS, THIS "POLICY" APPLIES ONLY TO "CLAIMS" FIRST MADE AGAINST THE "INSURED" AND REPORTED TO THE INSURER DURING THE "POLICY PERIOD" OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY. PLEASE READ THE POLICY CAREFULLY TO DETERMINE RIGHTS, DUTIES, COVERAGE AND COVERAGE RESTRICTIONS.**

Throughout this "Coverage Part" of this insurance "Policy" the words "you" and "your" refer to the "insured" as defined in **SECTION III - ADDITIONAL DEFINITIONS** of this "Coverage Part". The words "we", "us" and "our" refer to the Company providing this insurance.

All words that appear in quotation marks have special meaning. They are defined in **SECTION III - ADDITIONAL DEFINITIONS**. The descriptions in the Headings of this "Policy" are solely for convenience and form no part of the terms and conditions of coverage.

In consideration of the premium paid and in reliance on the correctness and completeness of your "Application", which is attached to and becomes part of this insurance "Policy", we agree to provide coverage as shown in the **Declarations** and described below. Coverage may be denied or canceled with respect to any applicant or "insured" who provides incomplete or inaccurate information to us.

### I. SECTION I - INSURING AGREEMENT

#### Employment Practices Liability Insurance

We will pay on behalf of the "insureds", all "loss" which you are legally obligated to pay because of "claims" first made against you during the "policy period" and reported to us in accordance with **SECTION VII - DUTIES IN THE EVENT OF WRONGFUL ACTS OR CLAIMS** of the **Common Policy Terms and Conditions Section** for any "wrongful act" to which this insurance applies.

### II. SECTION II - EXTENDED REPORTING PERIOD

In addition to **SECTION II - EXTENDED REPORTING PERIOD** of the **Common Policy Terms and Conditions Section**, the following shall apply:

If the "Named Insured" cancels or refuses to renew this "Coverage Part", then without any additional premium being required, there shall be an automatic extension of the coverage granted by this "Coverage Part" with respect to any "claim" first made and reported during the period of 36 months after the date upon which the "policy period" ends, but only with respect to any "wrongful act" of any duly-elected or appointed director or officer who was an "insured", but who did not serve as a duly-elected or appointed director or officer at the time of the cancellation or non-renewal, fully occurring prior to the end of the "policy period" and otherwise covered by this "Coverage Part" and only if there is no other "Policy" or policies that would otherwise provide insurance for such "wrongful act". This 36-month period shall be referred to as the Automatic Extended Reporting Period for former directors

and officers.

### III. SECTION III - ADDITIONAL DEFINITIONS

In addition to the Definitions listed in **SECTION III-DEFINITIONS** of the **Common Policy Terms and Conditions Section**, the following terms shall have the meanings indicated below, when used in this "Coverage Part":

#### A. "Claim" means:

1. Any written demand presented for monetary "damages" or non-monetary relief for a "wrongful act"; or
2. Any complaint or similar pleading initiating a judicial, civil, administrative, regulatory, alternative dispute or arbitration proceeding (including any appeal resulting from it), to which an "insured" is provided notice and which subjects an "insured" to a binding adjudication of liability for monetary or non-monetary relief for a "wrongful act".

However, "claim" shall not include any arbitration or grievance proceeding pursuant to a collective bargaining agreement.

All "claims" made on account of a single "wrongful act" shall be treated as a single "claim" first made on the date the earliest of the "claims" was made, regardless of whether that date is before or during the "policy period" or, if applicable, during an Extended Reporting Period.

- #### B. "Damages" means a monetary judgment, award or settlement, pre-judgment interest

and post-judgment interest. "Damages" also means punitive or exemplary damages or the multiple portion thereof, if insurable under the applicable law of the jurisdiction most favorable to the insurability of such damages provided such jurisdiction is where:

1. Those damages were awarded or imposed;
2. Any "wrongful act" occurred for which such damages were awarded or imposed;
3. The "insured" resides, is incorporated or has its principal place of business; or
4. We are incorporated or have our principal place of business.

C. "Defense expenses" means and is limited to:

1. Any reasonable and necessary legal fees and expenses, including attorney fees and expert fees, incurred in the defending and appeal of a "claim";
2. The premium on appeal, attachment or similar bonds; and
3. Up to \$250 per day per "insured" for supplemental payment for reasonable expenses incurred for attendance at hearings, trials or depositions at our request or with our consent by such "insured". Such payment shall not exceed \$5,000 in the aggregate for all "insureds" in each "claim".

"Defense expenses" do not include:

4. Salaries, wages, fees, overhead or benefit expenses associated with any "insured" except as specified in subparagraph c. above; or
5. Salaries, wages, overhead or benefit expenses associated with our employees.

D. "Employee" means:

1. A natural person employed by and directed by the "insured organization", including any part-time, leased, temporary or seasonal employees; or
2. An individual who is a volunteer, intern, committee or staff member or independent contractor for the "insured organization", but only if the "insured organization" provides indemnification to such individual in the same manner as that provided to the "insured organization's" employees.

An individual's employment status shall be determined as of the date of the "wrongful act".

E. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended,

any similar federal, state, local or common law, and any rules and regulations promulgated under it.

F. "Executive" means any natural person who is, was, or shall become:

1. A duly-elected or appointed director, officer, manager, in-house general counsel, or trustee of the "insured organization", or
2. Any past, present or future members of any duly-constituted commissions, boards, committees or other units operated under the "insured organization's" charter or with the "insured organization's" written approval.

G. "Insured" means:

1. Any "executive" of the "insured organization" while acting solely within the course and scope of employment with the "insured organization";
2. Any past, present or future "employees" of the "insured organization" while acting solely within the course and scope of employment with the "insured organization";
3. The estates, heirs, legal representatives or assigns of deceased persons who were "insureds" at the time of the "wrongful act" on which a "claim" is based;
4. The legal representatives or assigns of an "insured" in the event of the "insured's" incompetence, insolvency or bankruptcy;
5. The lawful spouse of an "executive" under item 1. above, but solely with respect to such spouse's status as a spouse or such spouse's ownership interest in property that a claimant seeks as recovery for an alleged "wrongful act", and not for any "wrongful acts" actually or allegedly committed by the spouse; or
6. The "insured organization".

H. "Loss" means the amount the "insured" is legally obligated to pay for "damages", and "defense expenses" for a covered "claim" under this "Coverage Part". "Loss" includes back pay and front pay.

"Loss" does not include:

1. Civil, criminal or administrative fines, taxes or other penalties;
2. Any amounts which an "insured" is obligated to pay as result of a "claim" seeking relief or redress in any form other than monetary "damages";

3. Any future wages or benefits of any reinstated "employee" or wages or benefits associated with the continued employment of an "employee";
  4. Matters deemed uninsurable by law;
  5. Benefits or contributions payable under an "employee benefits plan";
  6. Any expenses associated with any accommodation required under the Americans with Disabilities Act, the Civil Rights Act of 1964, rules or regulations promulgated under them, amendments to them or similar provisions in any federal, state or local law or common law;
  7. Any amount not indemnified by the "insured organization" for which an "insured" is absolved from payment by reason of any covenant, agreement or court order; or
  8. Any amount allocated to non-covered loss in accordance with **SECTION VIII - GENERAL CONDITIONS** of the **Common Policy and Terms Section**, Paragraph **K., Allocation**.
- I. "Third party" means any natural person who is a customer, supplier, vendor, service provider, volunteer, leased worker, temporary worker or independent contractor, business invitee or other client of the "insured organization".
- J. "Wrongful act" means:
1. With respect to any "claim" brought by or on behalf of your "executives", "employees", or applicants for employment, any actual or alleged:
    - a. Wrongful dismissal, discharge or termination of employment, including constructive termination, dismissal or discharge;
    - b. Breach of a written, oral or implied employment contract;
    - c. Wrongful failure to employ or promote;
    - d. Wrongful demotion, denial of tenure or practice privileges or deprivation of a career opportunity;
    - e. Negligent supervision, training, evaluation, reassignment, hiring or retention;
    - f. Negligent failure to adopt or enforce employment-related policies and procedures by an "insured organization";
    - g. Employment-related wrongful discipline;
    - h. Employment discrimination or violation of any employment discrimination law;
    - i. Disparate treatment of or failure or refusal to hire a claimant because he or she is or claims to be a member of a class which is or is alleged to be legally-protected;
    - j. Employment-related invasion of privacy, false arrest or false imprisonment;
    - k. Employment-related defamation, libel or slander, including statements in an employee reference;
    - l. Employment-related wrongful infliction of emotional distress, mental anguish or humiliation;
    - m. Employment-related misrepresentation;
    - n. Sexual or other workplace harassment of any kind, including any unwelcome sexual or non-sexual advances, requests for sexual or non-sexual favors, or other verbal, visual, or physical conduct of a sexual or non-sexual nature that is made a condition of employment with or used as a basis for employment decisions by, interferes with performance or creates an intimidating, hostile or offensive working environment;
    - o. Retaliation against an "executive" or "employee" arising out of employment by or services performed for the "insured organization"; or
    - p. Violation of any federal, state or local civil rights laws, committed or attempted by an "insured" in his or her capacity as an "insured" or by the "insured organization".
  2. With respect to any "claim" brought by or on behalf of a "third party" means, any actual or alleged:
    - a. Discrimination against a "third party",
    - b. Sexual harassment of a "third party"; or
    - c. Violation of a "third party's" civil rights because of discrimination or sexual harassment, committed or attempted by an "insured" in their capacity as an "insured" or by the "insured organization".
- Any series of "wrongful acts" that are connected by reason of a common claimant, transaction,

"Policy", action, omission or decision are a single "wrongful act".

#### **IV. SECTION IV - ADDITIONAL EXCLUSIONS**

In addition to the Exclusions listed in **SECTION IV. EXCLUSIONS** of the **Common Policy Terms and Conditions Section**, the following exclusions apply to this "Coverage Part".

A. This insurance does not apply to "loss" on account of any "claim" made against any "insured" directly or indirectly arising out of, based upon or attributable to:

1. The physical injury to or destruction of any tangible property, including all resulting loss of use of that property and loss of use of property that is not physical injured;
2. Bodily injury, disability, sickness, disease, death, assault or battery sustained by any person. This exclusion shall not apply to mental anguish or emotional distress arising out of "wrongful acts";
3. Any actual or alleged violation of the responsibilities, obligations or duties imposed by "ERISA";
4. Obligations or payments owed under:
  - a. An express written or verbal contract of employment;
  - b. An agreement to make payments in the event of the termination of employment; or
  - c. An agreement to assume another's liability. However, this exclusion does not apply to the liability of an "insured organization" which would have attached even in the absence of such contract or agreement.
5. Any "wrongful act", transaction, decision, fact, circumstance or situation which has been the subject of any notice given prior to the inception of this "Policy" under any other "Policy" of insurance.
6. Any "wrongful act", fact, circumstance or situation of which, any "insured" authorized to receive notice had knowledge and from which such "insured" could reasonably expect a "claim" to arise.
7. Any violation of any of the responsibilities, obligations, or duties imposed by any federal, state or local statutory or common law, including but not limited to the National Labor Relations Act, or amendments to or regulations promulgated under any such law that governs the rights of employees to engage in union or other collective activities, the duty of an employer to meet,

discuss or bargain with employees or employee representatives, the enforcement of any collective bargaining agreement or any grievance or arbitration proceedings. This exclusion does not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above referenced statute, law, rule, regulation or order;

8. Any violation of any of the responsibilities, obligations, or duties imposed by any federal, state or local statutory or common law, including but not limited to the Occupational Safety and Health Act, or amendments to or regulations promulgated under any such law that governs workplace safety and health. This exclusion does not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above referenced statute, law, rule, regulation or order;
9. Any violation of any of the responsibilities, obligations, or duties imposed by any federal, state or local statutory or common law, including but not limited to, The Consolidated Omnibus Budget Reconciliation Act, or amendments to or regulations promulgated under any such law that governs any employee benefit arrangement, program, plan or "Policy". This exclusion does not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above referenced statute, law, rule, regulation or order;
10. Any violation of any of the responsibilities, obligations, or duties imposed by any federal, state or local statutory or common law, including but not limited to the Worker Adjustment and Retraining Notification Act, or amendments to or regulations promulgated under any such law that governs any obligation of an employer to notify, discuss, or bargain with employees or others in advance of any plant or facility closing or mass layoff, or any similar obligation; This exclusion does not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above referenced statute, law, rule, regulation or order;

11. Any failure to comply with any law concerning workers compensation, unemployment insurance, Social Security, disability benefits or any similar laws. This exclusion shall not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above laws; or
  12. Any violation of any of the responsibilities, obligations, or duties imposed by any federal, state or local statutory or common law, including but not limited to the Fair Labor Standards Act, or amendments to or regulations promulgated under any such law, that governs wage, hour and payroll policies and practices, except the Equal Pay Act. This exclusion does not apply to any "claim" for retaliatory treatment against any "insured" who is attempting to exercise his or her rights under the above referenced statute, law, rule, regulation or order.
- B. This insurance does not apply to "loss" on account of any "claim" made against any "insured":
1. For unpaid wages or overtime pay for hours actually worked or labor actually performed by any "employee" or for improper payroll deductions;
  2. Directly or indirectly arising out of, based on or attributable to a lockout, strike, picket line, replacement or other similar action resulting from labor disputes, labor negotiations, or collective bargaining agreements; or
  3. To the extent such "loss" constitutes employment-related benefits, stock options, perquisites, deferred compensation or any other type of compensation earned by the claimant in the course of employment or the equivalent value thereof. This Exclusion shall not apply to front pay or back pay.

No fact pertaining to or knowledge possessed by or "wrongful act" of any "insured" shall be imputed to any other "insured" for the purpose of determining the applicability of the exclusions listed above.

## V. SECTION V – ADDITIONAL GENERAL CONDITIONS

In addition to the conditions listed in **SECTION VIII – GENERAL CONDITIONS** of the **Common Policy Terms and Conditions Section**, the following condition applies to this "Coverage Part":

### Acquisition of Subsidiaries

If after the inception of the "policy period" you form an organization that qualifies as a nonprofit organization under the Internal Revenue Code or acquire or assume more than fifty percent (50%) of the assets, liabilities, or equity of, or obtain the right to elect or select a majority of directors or trustees, of such an organization, coverage under this "Coverage Part" shall apply to the "subsidiary" only if the first "Named Insured" meets the following conditions:

A. If, at the time of the acquisition or formation described above:

1. The total assets of the acquired or formed "subsidiary" exceed ten percent (10%) of the total assets of the "insured organization" as of the beginning of the "policy period"; or
2. The total number of "employees" of the acquired or formed "subsidiary" exceeds ten percent (10%) of the total number of "employees" of the "insured organization" as of the beginning of the "policy period",

then the first "Named Insured" shall give us written notice of the formation or acquisition as soon as practicable, but not later than sixty (60) days after the date of such formation or acquisition.

B. If at the time of the acquisition or formation described above:

1. The total assets of the acquired or formed "subsidiary" exceed twenty-five percent (25%) of the total assets of the "insured organization" as of the beginning of the "policy period"; or
2. The total number of "employees" of the acquired or formed "subsidiary" exceeds twenty-five percent (25%) of the total number of "employees" of the "insured organization" as of the beginning of the "policy period",

then the first "Named Insured" shall agree to any amendments to the terms of this "Policy" we require and shall pay any additional premium we require.

If the first "Named Insured" does not comply with the conditions 1. or 2. above, coverage under this "Coverage Part" for the "subsidiary" shall terminate regarding "claims" first made more than 60 days after the formation or acquisition of the "subsidiary".



THE ONLY SIGNATURES APPLICABLE TO THIS POLICY ARE THOSE REPRESENTING THE COMPANY NAMED ON THE FIRST PAGE OF THE DECLARATIONS.

We have caused this policy to be signed by our President and Secretary and countersigned on the declarations page, where required, by a duly authorized agent of the company.

The Hanover Insurance Company  
440 Lincoln Street  
Worcester, Massachusetts 01653

Charles F. Cronin  
Secretary

Marita Zuraitis  
President