

**LAWYERS PROFESSIONAL LIABILITY INSURANCE POLICY
SURPLUS LINES
(AILA INSURANCE PROGRAM)**

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LAWYERS PROFESSIONAL LIABILITY INSURANCE POLICY

This is a **CLAIMS-MADE AND REPORTED** policy. Subject to the terms, conditions, exclusions and limitations of this policy, coverage is limited to liability for only those claims that are first made against you and reported to us in writing after the retroactive date and during the policy period or any optional extended reporting period, if exercised by you.

This is a “defense within limits” policy with claim expenses included within the Limit of Liability. The Limit of Liability available to pay damages will be reduced by amounts we pay for claim expenses as defined in the policy. Further note that amounts incurred for damages are subject to the deductible. Please read this policy carefully.

Throughout this **policy**, the terms **we**, **us** and **our** refer to the **company** providing this insurance. The terms **you** and **your** refer to the persons and entities insured under this **policy**. Other terms in bold print have special meaning and are defined in the **policy**.

A. COVERAGE

1. Professional Services Coverage

We will pay on **your** behalf those sums which **you** become legally obligated to pay as **damages** and **claim expenses** because of any **claim** made against **you** arising from a **wrongful act** in the rendering of or failure to render **professional services**, provided that:

- a. The **wrongful act** must have first occurred on or after the applicable **retroactive date(s)**;
- b. **You** had no knowledge of facts which could have reasonably caused **you** to foresee a **claim**, or any knowledge of the **claim**, prior to the effective date of this **policy**; and,
- c. The **claim** or **potential claim** must first be made and reported to **us** in writing during the **policy period** or any **extended reporting period**, if applicable, and must arise from any **wrongful act** to which this **policy** applies.

2. Disciplinary Proceedings Coverage

We will pay up to \$50,000 in **disciplinary proceeding expenses** per **policy period**, regardless of the number of **disciplinary proceedings** commenced against **you** and reported to **us** in writing during the **policy period**, subject to the following:

- a. We will not pay any **damages** incurred as a result of **disciplinary proceedings**;
- b. The coverage provided under this section only applies to **you** if **you** are a partner, limited liability company member, officer, director, stockholder or employee of the **named insured** at the time **you** report the investigation or proceeding;
- c. There will be no **extended reporting period** for the coverage provided in this section;
- d. Any payment made hereunder will not be subject to the deductible and will not reduce any applicable Limit of Liability.

For purposes of this section, reporting a preliminary investigation or a request for an investigation will be considered the same as reporting a **disciplinary proceeding**.

3. Subpoena Assistance Coverage

In the event **you** receive a subpoena for documents or testimony arising out of **professional services**, and **you** would like **our** assistance in responding to the subpoena, **you** may provide **us** with a copy of the subpoena, and **we** at **our** sole discretion may retain an attorney to provide advice regarding the production of documents, to prepare **you** for sworn testimony, and to represent **you** at any related deposition of **you**, provided that:

- a. The subpoena arises out of a lawsuit to which **you** are not a party; and
- b. **You** have not been engaged to provide advice or testimony in connection with the lawsuit, nor have **you** provided such advice or testimony in the past.

If **we** retain an attorney pursuant to the above, **we** will pay such attorney’s legal fees and costs. Such payments are included in the Limit of Liability and may be subject to the deductible. Any notice **you** give to **us** of such subpoena will be deemed notification of a **potential claim**.

4. Pre-claim Assistance

Until the date a **claim** is made, **we** will pay all costs or expenses **we** incur at **our** sole discretion as a result of investigating a **potential claim** that **you** report to **us**. Such payments are included in the Limit of Liability and are subject to the deductible.

B. DEFENSE, SETTLEMENT & EXHAUSTION OF LIMITS (INCLUDED IN THE LIMIT OF LIABILITY)

We have the right to appoint counsel, and the exclusive right to defend any **claim** made under this **policy**, even if the allegations are groundless, false or fraudulent until there is a final adjudication against **you**. **You** may recommend counsel to **us**. **We** may accept that recommendation of counsel and such acceptance will not be unreasonably withheld, provided such counsel agrees to comply with **our** litigation management guidelines and agrees to accept **our** hourly fee payment. **We** are not obligated to defend any criminal investigation, criminal proceeding or prosecution against **you**. If a **claim** is not covered under this **policy**, **we** will have no duty to defend it.

Payment of **claim expenses** will reduce the amounts available to pay **damages**. **Our** duty to defend any **claim** or pay any amount as **damages** or **claim expenses** will cease when **our** Limit of Liability has been exhausted. Upon exhaustion of the Limit of Liability, **we** will tender control of the defense to the **named insured**. The **named insured** agrees to accept this tender of defense.

We will not settle a **claim** without the consent of the **named insured**, which will not be unreasonably withheld. If the **named insured** refuses to consent to a settlement **we** recommend that is acceptable to the claimant, then **our** liability for the **claim** will not exceed the amount for which the **claim** could have been settled, plus the **claim expenses** incurred up to the date of such refusal, or the applicable Limit of Liability, whichever is less. After the time of the **named insured's** refusal, **we** will have the right to withdraw from further defense of the **claim** by tendering control of the defense to the **named insured** who will be responsible for all **damages** and **claims expenses** incurred thereafter. For the purpose of this section, settlement includes, but is not limited to, any resolution of a **claim** that would have occurred as a result of any court-ordered process which the **named insured** chose not to accept.

The **named insured** is responsible for any fees or costs charged by a lawyer defending **you** or any other expenses incurred without **our** written consent.

C. LIMIT OF LIABILITY AND DEDUCTIBLE

1. LIMIT OF LIABILITY

The Limit of Liability shown in the Declarations for each **claim** is the most **we** will pay for the sum of all **damages** and **claim expenses** arising out of a single **claim** or a series of **related claims**, regardless of the number of persons or entities insured under this **policy**, number of **claims** made or the number of persons or entities making **claims** during the **policy period** or during any **extended reporting period**, if any.

If **related claims** are subsequently made against **you** and reported to **us**, all such **related claims**, whenever made, will be considered a single **claim** first made and reported to **us** within the **policy period** in which the earliest of the **related claims** was first made and reported to **us**.

The Limit of Liability shown in the Declarations as the Aggregate Limit of Liability is the most **we** will pay for the sum of all **damages** and **claim expenses** for all **claims** under this **policy**.

2. DEDUCTIBLE

- a. **You** will pay the deductible amount shown in the Declarations. The deductible applies to each **claim** and to all **damages**. Each of **you** is jointly and severally liable for these payments, regardless of **your** individual business arrangements. **We** will not be required to make any payment for, settlements reached, or judgments rendered in an otherwise covered **claim** unless and until **you** have paid the deductible in full. **You** must pay the deductible (i) immediately when invoiced or, (ii) in the event that offers of judgment or settlement demands are made which **you** and **we** agree should be accepted, prior to the expiration of the time period for responding to such offers or demands.
- b. All **claim expenses** will first be subtracted from the Limit of Liability, with the remainder, if any, being the amount available to pay for **damages** after **you** have paid the deductible in Paragraph a. above.
- c. If **you** and **we** agree to use **mediation** to resolve any **claim** brought against **you** and if the **claim** is resolved by **mediation** within sixty (60) days after **you** receive the suit or demand, **your** deductible obligation for that **claim** will be reduced by 50%. The maximum amount of any reduction is \$10,000.

3. AGGREGATE DEDUCTIBLE

The Aggregate Deductible amount will be shown in the Declarations if applicable and is the most **you** will pay for the sum of all **damages** for all **claims** first made and reported to **us** during the **policy period**.

4. REIMBURSEMENT

You will be liable for amounts **we** have paid in settlement of **claims** or satisfaction of judgments in excess of the Limit of Liability. In the event that **we** voluntarily choose or are compelled by a court of law to make any payment for **claims expenses** or **damages** and request reimbursement from **you**, the reimbursement is payable immediately upon written demand but no later than thirty (30) days after written demand.

In the event that **we** voluntarily choose or are compelled by a court of law to make any payment for the deductible and request reimbursement from **you**, the reimbursement is payable immediately upon written demand but no later than thirty (30) days after written demand.

D. DEFINITIONS

1. Claim means:

- a. A demand or suit for money or services **you** receive, including any arbitration proceedings to which **you** are required to submit or to which **you** have submitted with **our** consent;
- b. **Your** first receipt of oral or written information or **your** first knowledge of specific circumstances involving a particular person or entity which could reasonably be expected to result in a demand or suit for money or services, including but not limited to **your** first receipt of an oral or written request to notify **us** of a **potential claim**; or
- c. **Your** first receipt of oral or written notification of any **disciplinary proceeding**.

2. Claim expenses means all expenses **we** incur or authorize in writing for the investigation, adjustment, defense or appeal of a **claim**. These expenses include fees charged by a lawyer, mediator or arbitrator with **our** consent for which **you** are obligated. **Claim expenses** also means premiums for any appeal bond, attachment bond or similar bond but without any obligation of the **company** to apply for or furnish any such bond. **Claim expenses** does not include salaries, wages, fees, overhead or benefit expenses associated with **our** employees, or with any **insured** or **insured's** employees.

3. Company means the insurance company that issued this **policy**, as shown on the Declarations or referred to herein as **we**, **us**, or **our**.

4. Damages means monetary judgments, awards or settlements unless otherwise excluded. **Damages** includes pre-judgment interest; and post judgment interest that accrues after entry of judgment and before **we** have paid, offered to pay or deposited in court that part of the judgment within the applicable Limit of Liability.

Damages does not include fines, sanctions, or punitive or exemplary **damages** or the multiple portions thereof; except that this **policy** will cover punitive **damages** or exemplary **damages** or the multiple portions thereof, if insurable by law. The most **we** will pay under the exception is \$50,000. This limit is included in and not in addition to the Limit of Liability and is subject to the deductible.

Damages does not include any costs or expenses in complying with any demand for or award of **equitable relief**, even if such compliance is compelled as a result of a judgment, award or settlement.

Damages does not include any costs or expenses relating to **your**:

- a. Return, restitution or reduction of professional fees;
- b. Fees from third parties;
- c. Fees to third parties;
- d. Correcting, re-performing or completing any **professional services**.

5. Disciplinary proceeding expenses means all expenses **we** or, with our prior written consent, **you** incur in investigation, defense or appeal of any **disciplinary proceeding**.

6. Disciplinary proceeding means any grievance proceeding, judicial proceeding, disciplinary proceeding or formal administrative or regulatory proceeding brought against **you** and alleging professional misconduct or ethical violations in the performance of **your professional services**.

7. Employment practices means any actual or alleged:

- a. Wrongful termination of the employment of, or demotion of, or failure or refusal to hire or promote any person in violation of law or in breach of any agreement to commence or continue employment;
 - b. Unlawful employment discrimination;
 - c. Sexual harassment of an employee or applicant for employment; or
 - d. Retaliatory treatment against an employee on account of that employee's exercise or attempted exercise of his or her rights under law.
8. **Equitable relief** means a remedy not involving the payment of monetary **damages**.
9. **Extended reporting period** means an additional period of time for reporting **claim(s)**. The **extended reporting period** starts on the **policy termination date** and ends at the **extended reporting period** expiration date.
10. **Insured** means:
- a. The **named insured** or any **predecessor firm**; or
 - b. Any lawyer, partnership, professional corporation, professional association, limited liability company or limited liability partnership who is or becomes a partner, officer, director, stockholder-employee, associate, manager, member or employee of the **named insured** during the **policy period** shown in the Declarations solely while acting in a professional capacity on behalf of the **named insured** or a **predecessor firm**; or
 - c. Any lawyer, partnership, professional corporation, professional association, limited liability company or limited liability partnership who was a partner, officer, director, stockholder-employee, associate, manager, member or employee of the **named insured** or a **predecessor firm** solely while acting in a professional capacity on behalf of the **named insured** or a **predecessor firm**; or
 - d. Any non-lawyer who was or is an employee or independent contractor of the **named insured** or a **predecessor firm** solely while acting on behalf of the **named insured** or a **predecessor firm**; or
 - e. Any Of Counsel or contracted lawyer who is or was formerly covered under a policy held by the **named insured**, but solely while acting in a professional capacity on the **named insured's** behalf; or
 - f. The **named insured's** heirs, assigns, spouse or domestic partner, and legal representatives in the event of the **named insured's** death, incapacity or bankruptcy to the extent that the **named insured** would have been covered.
11. **Loss** means **claim expenses**, **damages** and **disciplinary proceeding expenses** and does not include **equitable relief**.
12. **Material change** means:
- a. A fifteen percent (15%) increase or decrease in the total number of individuals covered by this **policy**, as shown on the application, however, this will not pertain to any **named insured** which has six (6) or fewer lawyers who meet the definition of **insured** as of the date as set forth in the application;
 - b. Any mergers, acquisitions, spin-offs, dissolutions or splits involving the **named insured**; or
 - c. Financial impairment of the **named insured**, including but not limited to the appointment of a receiver, conservator, liquidator, or trustee for the **named insured**, or if under the bankruptcy laws, the **named insured** has become a debtor in possession.
13. **Mediation** means the non-binding intervention of a qualified neutral third party to resolve disputes between **you** and the other party(ies) to a **claim** who is chosen by **you** and the other party(ies) to a **claim** with agreement by **us**.
14. **Named insured** means the individual, entity, partnership, or corporation designated as such on the Declarations.
15. **Personal injury** means:
- a. False arrest, detention or imprisonment;
 - b. Wrongful entry, eviction or other invasion of private occupancy;
 - c. Malicious prosecution;
 - d. Abuse of process;
 - e. The publication or utterance of libel, slander or other defamatory or disparaging material; or
 - f. A publication in violation of a person's right of privacy; and

arising out of **your** rendering of or failure to render **professional services**.

16. **Policy** means this policy form, the Declarations, and any endorsement to the policy issued by **us**, and **your** application, including all supplements.
17. **Policy period** means the period from the effective date of the **policy** to the **policy termination date**.
18. **Policy termination date** means the expiration date of the **policy** as shown on the Declarations or the cancellation date of the **policy**, if applicable, whichever is earlier.
19. **Potential claim** means any **wrongful act** or any facts or other circumstances which may subsequently give rise to a **claim**.
20. **Predecessor firm** means any law firm or legal entity that was engaged in the private practice of law and to whose financial assets and liabilities the **named insured** is the majority successor (more than 50%) in interest.
21. **Professional services** means:
 - a. Services **you** render as a lawyer, mediator, arbitrator, notary public, administrator, conservator, receiver, executor, guardian, trustee, or in any similar fiduciary capacity, but only if the services **you** render are those ordinarily performed by a lawyer;
 - b. Services (including title opinions or title certifications) **you** perform for others for a fee as a title insurance agent, title abstractor, title searcher, escrow agent, or closing agent;
 - c. Services **you** render as a lawyer as a mediator or arbitrator, speaker, author of legal treatises or lobbyist;
 - d. **Your** activities as a member of a formal accreditation, ethics, peer review, licensing board, standards review, bar association or similar professional board or committee; and
 - e. Pro-bono services in any of the above capacities which are performed with the knowledge and consent of the **named insured**.

Professional services does not include:

- a. Services **you** provide as a public official or an employee or representative of a governmental body, subdivision or agency. This exclusion does not apply if **your** status is due only to the legal services **you** render under contract;
 - b. Services **you** provide as a notary in which **you** provide notarization without the signor being present;
 - c. Services **you** provide in relation to or as the promoter, seller or solicitor of securities, real estate, or other investments; or
 - d. Any of **your** activities as a Certified Public Accountant, Insurance Broker or Agent, or Real Estate Broker or Agent.
22. **Related wrongful acts** means all **wrongful acts** in the rendering of **professional services** that are temporally, logically or causally connected by any common fact, circumstance, situation, transaction, event, advice or decision.
 23. **Related claims** mean all **claims** arising out of a single or series of **wrongful acts** or arising out of **related wrongful acts** in the rendering of **professional services**.
 24. **Retroactive date** refers to the date shown on the Declarations for the **named insured** firm. **Wrongful acts** that occurred prior to the **retroactive date** are not covered by this **policy**.
 25. **Totally and permanently disabled** means that an **insured** is so disabled as to be wholly prevented from rendering **professional services** provided that such disability:
 - a. Has existed continuously for not less than six (6) months; and
 - b. Is reasonably expected to be continuous and permanent.
 26. **Wrongful act** means any actual or alleged negligent act, error, omission, misstatement or **personal injury** committed in **your professional services**.

E. EXCLUSIONS

This **policy** does not apply to **claim(s)**:

1. Based upon or arising out of, or relating directly or indirectly to:
 - a. Any **insured** committing any intentional, dishonest, criminal, malicious or fraudulent act or omission. However, this exclusion does not apply to **personal injury**; or

- b. Any **insured** gaining any profit, remuneration or advantage to which such **insured** was not legally entitled.

The above exclusions will not apply until a final adjudication establishes **a.**, or **b.** above;

- c. Any breach of responsibility, or obligation, or alleging activities **you** performed in connection with any employee benefit or pension plan, including violations of the responsibilities, obligations or duties imposed upon fiduciaries by the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, or similar statutory or common law of the United States of America or any state or jurisdiction therein; or
 - d. Any breach by a former, existing or prospective officer, director, shareholder, partner, manager, member, or trustee of any entity including pension, welfare, profit-sharing, mutual or investment fund or trust, if such entity is not named in the Declarations. However, this exclusion does not apply if **you** are deemed to be a fiduciary solely because of legal advice rendered or that should have been rendered with respect to an employee benefit plan;
 - e. Any **loss** sustained by an **insured** or **claim** made against an **insured** as beneficiary or distributee of any trust or estate;
 - f. Any defects in title of which **you** had knowledge at the date of issuance of such title insurance but failed to disclose to the title insurance company; or any breach of underwriting authority in **your** capacity as a title insurance agent;
 - g. Any liability **you** assume under any contract or agreement; however, this exclusion does not apply to liability **you** would have in the absence of such contract or agreement;
 - h. Any actual or alleged conversion, commingling, defalcation, misappropriation, intentional or illegal use of funds, monies or property; or inability or failure to pay or collect any funds, notes, drafts, or other negotiable instruments; or any resulting deficiency or default;
2. Arising out of or based upon;
- a. Any **employment practices** or any discrimination on any basis, including, but not limited to: race, creed, color, religion, ethnic background, national origin, age, handicap, disability, gender, sexual orientation or pregnancy, or any other basis prohibited by law; or
 - b. **Your** sexual contact or conduct or the threat of sexual contact or conduct;
3. Arising out of a **claim** by any **insured** under this **policy** against any other **insured** under this **policy** unless the **claim** arises from **professional services** rendered by one **insured** to another **insured** as a client;
4. Arising out of or made by any entity not named in the Declarations in which **you**:
- a. Hold an interest of more than 5% if a publicly traded company or more than 15% if a privately owned entity as a partner, member, principal or stockholder; or
 - b. Are an employee; or
 - c. Directly control, operate or manage.
- This exclusion will not apply to any **claim** by a non-profit entity for which **you** are a director, officer or trustee; or
5. Arising solely out of:
- a. A **wrongful act** of any person or entity with whom the **named insured** shares a common office space at the **named insured's** premises and who is not an **insured** under this **policy**; or
 - b. Any **claim** made against **you** if the **claim** arises solely out of an act, error or omission of any other person or lawyer who is not an **insured** as defined in this **policy**, including but not limited to **claims** based upon theories of partnership by estoppel, apparent partnership, apparent agency, ostensible agency, vicarious liability and/or any similar theory.

F. EXTENDED REPORTING PERIOD

1. AUTOMATIC EXTENDED REPORTING PERIOD

The **named insured** will be entitled to an automatic **extended reporting period** for no additional premium. This extension is applicable to any **claim** made against **you** during the **policy period** and reported to **us** in writing during the sixty (60) days immediately following the **policy termination date**.

This automatic **extended reporting period** applies only to **SECTION A.1. Professional Services Coverage**.

2. OPTIONAL EXTENDED REPORTING PERIOD

We will provide an optional **extended reporting period** as described below:

- a. If this **policy** is canceled, terminated or nonrenewed, the **named insured** will have the right, upon payment of an additional premium, to an extension of the reporting period for any **claim** against **you** first made and reported after the date upon which the **policy period** ends, but only with respect to **wrongful acts** committed after the applicable **retroactive date** and prior to the end of the **policy period** and otherwise covered by this **policy**. Such period will be referred to as the optional **extended reporting period**.
 - 1) The additional premium for the optional **extended reporting period** will be based upon the rates in effect on the date this **policy** was issued or last renewed and will be for one (1) year at 100% of such premium; two (2) years at 150% of such premium; three (3) years at 175% of such premium; six (6) years at 225% of such premium; or, for an unlimited period at 250% of such premium.
 - 2) The **named insured** must request the optional **extended reporting period** in writing and must pay **us** the additional premium within sixty (60) days following the date of such cancellation, termination or nonrenewal. If **we** do not receive **your** request and premium payment within sixty (60) days following the date of such cancellation, termination or nonrenewal, the **named insured's** right to purchase the optional **extended reporting period** will cease.
 - 3) If **we** cancel for non-payment of premium, **you** may purchase the optional **extended reporting period** only after any earned premium due **us** is paid within ten (10) days after the date of cancellation or **policy** expiration, whichever comes first.
- b. All premiums paid for an optional **extended reporting period** will 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 optional **extended reporting period** will not increase any Limit of Liability stated in the Declarations. For the purpose of **policy** limits, the reporting periods are part of, not in addition to, the **policy period**. The deductible is waived.

If there is other valid and collectible insurance that would apply to a **loss** reported during the **extended reporting period**, then coverage under this section will not apply, even though the Limit of Liability for the other insurance may be inadequate to pay all **damages** and **claim expenses**. This optional **extended reporting period** applies only to **SECTION A.1. Professional Services Coverage**.

3. DEATH OR DISABILITY EXTENDED REPORTING PERIOD

If **you** die or become **totally and permanently disabled**, do not have any other available insurance coverage and meet our eligibility requirements, **we** will issue an **extended reporting period** endorsement of unlimited duration without cost to **you**, provided:

- a. Death was not caused by a self-inflicted injury or misuse or abuse of any substance.
- b. The total and permanent disability is established after the effective date of the **policy**. The disability must be a result of accidental bodily injury, physical illness or disease, and not arise out of any self-inflicted injury or attempted suicide, or the abuse of intoxicants or controlled substances. **Your** inability to practice law must be certified in writing by a physician acceptable to **us**.

4. RETIREMENT EXTENDED REPORTING PERIOD

If **you** have retired completely from the practice of law, been continuously insured with **us** for the immediately preceding three (3) years, and have reached the age of 55, **we** will issue an **extended reporting period** endorsement of unlimited duration without cost to **you**.

5. LOSS, SUSPENSION, REVOCATION OR SURRENDER OF YOUR LICENSE

If **you** leave the practice of law as a result of loss, suspension, revocation or surrender of **your** license because of threatened, pending or actual disciplinary action, **you** are not eligible to purchase or receive an **extended reporting period** endorsement. If **you** have a solo practice when **you** lose **your** license, then neither the firm nor **you** are eligible to purchase or receive an **extended reporting period** endorsement.

G. DUTIES IN THE EVENT OF CLAIM(S) OR POTENTIAL CLAIM(S)

1. NOTICE OF CLAIM OR DISCIPLINARY PROCEEDING

- a. If **you** receive notice of a **claim** or **disciplinary proceeding**, **you** and any other involved **insured(s)** must provide to **us** written notice of the **claim** or **disciplinary proceeding**, with full details including the date received, the claimant's name and address, the dates and nature of retention, and the alleged **wrongful act** as soon as practicable, but in no event later than sixty (60) days after such **claim** or **disciplinary proceeding** 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** or **disciplinary proceeding**;
 - 2) Authorize **us** to obtain records and other information;
 - 3) Cooperate with **us** in the investigation, defense or settlement of the **claim** or **disciplinary proceeding**;
 - 4) Cooperate with **us** in the investigation of coverage for the **claim** or **disciplinary proceeding**; and
 - 5) Assist **us**, upon **our** request, in the enforcement of any right against any person or entity which may be liable to **you** 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, agree to a settlement or incur any expense related to a **claim** or **disciplinary proceeding** without **our** consent.

2. NOTICE OF POTENTIAL CLAIM OR DISCIPLINARY PROCEEDING

- a. If, during the **policy period**, **you** become aware of a **wrongful act** or any facts or other circumstance that occurred on or after the **retroactive date** but prior to the end of the **policy period** which may reasonably be expected to subsequently give rise to a **claim** or **disciplinary proceeding** against **you**, **you** must give **us** written notice as soon as practicable of the **potential claim** or **disciplinary proceeding**, but in any event not later than the end of the **policy period** or any **extended reporting period**, if applicable. To the extent possible notice should include:
 - 1) Where the **wrongful act** took place and any facts or circumstance concerning the **wrongful act**; and
 - 2) The names and addresses of any persons and entities involved.
- b. Any **claim** or **disciplinary proceeding** arising out of the **wrongful act**, facts or circumstance which is subsequently made against **you** will be deemed to have been first made at the time **we** received such written notice of the **potential claim** or **disciplinary proceeding** from **you**, if **we** receive proper notice of the **potential claim** or **disciplinary proceeding** according to Paragraph **a.** above.

H. CONDITIONS

1. CANCELLATION AND NON RENEWAL

- a. **We** may cancel this **policy** by mailing to the **named insured's** last known address, with postage fully prepaid:
 - 1) Ten (10) days' written notice of cancellation for nonpayment of premium or deductible; or
 - 2) Thirty (30) days' written notice of cancellation for reasons other than nonpayment of premium; and
 - 3) Whether or not **we** offer a return of unearned paid premium or assessment.
- b. The **named insured** may cancel this **policy** for itself and all other **insureds** by written notice to **us** stating when thereafter the cancellation will be effective. If this **policy** is cancelled, earned premium will be computed in accordance with the customary short rate proportion of the premium.
- c. **We** are not required to renew this **policy**. However, **we** will send written notice of **our** intent to nonrenew this **policy** to the **named insured** at least (thirty) 30 days prior to expiration of the **policy period**. **We** will extend the period of coverage of the current **policy** at the expiring premium to comply with this notice requirement. The earned premium for any period of coverage beyond the expiration date will be considered pro rata based upon the rates in effect at the inception date of the expiring **policy**.

d. **We** will not amend the **retroactive date(s)** during a period of continuous coverage.

2. REPRESENTATIONS AND APPLICATION

By accepting this **policy** you agree that:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based on representations **you** made in **your** application for this insurance **policy**;
- c. 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**;
- d. Those representations are material to the acceptance of the risk **we** assumed under this **policy**;
- e. **We** have issued this **policy** in reliance upon the truth, accuracy and completeness of such representations;
- f. The application will be interpreted as a separate application for coverage by each **insured**. No statement in the application, fact pertaining to or knowledge possessed by any **insured** will be imputed to any other **insured** for the purpose of determining if coverage is available; and
- g. Statements in the application, facts pertaining to or knowledge possessed by the individual signing the application will be imputed to the **named insured**.

3. LEGAL ACTION AGAINST US

No person or entity has a right under this **policy**:

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

A person or entity 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.

4. MATERIAL CHANGE

If during the **policy period** a **material change** occurs, **you** will notify **us** of the **material change** as soon as practicable, but not later than thirty (30) days after the effective date of the **material change**, and provide such additional information as **we** require. **We** will have the right to amend the terms and conditions of this **policy** according to **our** existing approved rates, rules and rating plans.

5. 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 a **loss** to impair our rights to seek or obtain recovery from others. 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** will be subrogated to the extent of such payment to all of **your** rights of recovery. **You** will execute and deliver such instruments and papers and do whatever else is necessary to secure such rights and will do nothing to prejudice or compromise such rights without **our** express written consent.

6. ASSIGNMENT

No change in, modification of or assignment of interest in this **policy** will be effective except when made by a written endorsement to the **policy**.

7. SOLE AGENT FOR THE INSURED

By accepting this **policy**, **you** agree that only the **named insured** is authorized to act on behalf of all **insureds** with respect to the following: consenting to settlement or releasing rights under this **policy**, payment for premiums, receiving return premiums, giving or receiving notice of cancellation or nonrenewal, requesting any optional **extended reporting period** and agreeing to any changes in this insurance **policy**. Each **insured** agrees that the **named insured** will act on its or their behalf with respect to such matters.

8. COVERAGE TERRITORY AND VALUATION

- a. 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.

- b. All premiums, limits, deductibles, **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** will be made in United States of America dollar equivalent determined by the rate of exchange published in the *Wall Street Journal* on the date the judgment becomes final, the amount of the settlement is agreed upon or any element of **loss** is due, respectively.

9. OTHER INSURANCE

- a. If other valid and collectible insurance is available to **you** for **loss** covered under this **policy**, the insurance provided by this **policy** will be excess over such other insurance, regardless of whether or not such insurance is primary, contributory, excess, contingent or otherwise.
- b. When this insurance is excess **we** have no duty to defend **you** against any **claim** if any other insurer has a duty to defend **you** against the **claim**. If no other insurer defends **we** will undertake to do so but **we** will be entitled to **your** rights against those other insurers.
- c. 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:
 - 1) The total amount that all such other insurance would pay for the **loss** in the absence of this insurance; and
 - 2) The total of all deductibles, self-insurance and retentions under all that other insurance.

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 on the Declarations of this **policy**.

10. 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 will 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 9. Other Insurance** notwithstanding:

- a. **We** will 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
- b. The maximum amount payable under all such policies combined will not exceed the highest applicable Limit of Liability under any one **policy**.

11. 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** will apply as follows:

- a. 100 percent of **claim expenses** on account of the **claim** will be considered covered **loss**; and
- b. **We** will fairly allocate all remaining **loss** that **you** incurred on account of such **claim** between covered **loss** and non-covered **loss**.

12. SEPARATION OF INSURED

Except with respect to the Limit of Liability, deductible and any rights or obligations assigned to the **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.

13. CONFORMANCE TO STATUTE

The terms of this **policy** which are in conflict with the statutes of the state in which this **policy** is issued are amended to conform to those statutes.

14. SECTION TITLES

The titling of sections and paragraphs within this **policy** is for convenience only and will not be interpreted as a term or condition of this **policy**.

15. INNOCENT INSURED

In the event that coverage under this **policy** would be excluded, suspended or lost because any of **you** concealed a **claim** from **us**, **we** will cover any other of **you** who did not participate in, acquiesce in or fail to promptly notify **us** of this concealment, provided that **you** complied with all other **policy** provisions.

In the event that coverage under this **policy** would be excluded, suspended or lost because of a dishonest, criminal, malicious, or fraudulent act, error, or omission by one or more of **you** under Exclusions **1.a.**, **1.b.**, **1.g.**, **2.a.** or **2.b.** **we** will cover any other of **you** who did not participate in, acquiesce in or fail to take appropriate action when **you** discovered the conduct, provided that **you** complied with all other **policy** provisions.

We have the right to recover against any **insured** responsible for dishonest, criminal, malicious or fraudulent acts errors, omissions, or discrimination, or concealment, or any other illegal act, whether or not intentional, for any **claim expenses** or **damages** paid under this section.

16. POLICY DISPUTES

If there is a dispute between **you** and **us** in the interpretation, validity, construction or enforceability of this **policy**, the dispute will be referred to non-binding **mediation** prior to the initiation of any legal proceeding. **We** and **you** agree to meet with a qualified mediator in a good faith effort to negotiate a resolution of the dispute unless **we** and **you** both agree in writing to waive this provision. **We** and **you** agree to split the cost of the mediator equally. If **you** and **we** cannot agree on the specifics of the **mediation**, including but not limited to date, time, and/or mediator, the **mediation** process will instead follow the Commercial Mediation Procedures of the American Arbitration Association in effect at the inception of this **policy**. The **mediation** will continue until the dispute is resolved; or the mediator notifies **you** and **us** that it is unlikely that the dispute will be resolved through **mediation**; or any party elects to end the **mediation**.

You have thirty (30) days to accept **our** written invitation to participate in **mediation**. Refusal to participate in **mediation**, respond to a request to participate in **mediation**, or, after agreeing to participate, refusal to agree to terms of **mediation**, or to pay **your** share of **mediation** expenses will result in a waiver of this clause.

17. BANKRUPTCY

You or **your** estate's bankruptcy or insolvency does not relieve **us** of **our** obligations under this **policy**.

18. LIBERALIZATION

If **we** adopt any revisions to the terms and conditions of this **policy** form to provide more coverage without an additional premium charge during the **policy** term, the broadened coverage will immediately apply. However, the broadened terms and conditions will not apply to any **claims** that were first made against **you** prior to the effective date of the revision.

19. NOTICES

Any notices required to be given by an **insured** will be submitted in writing to the **company** or its authorized representative. If mailed, the date of mailing of such notice will be deemed to be the date such notice was given and proof of mailing will be sufficient proof of notice.

20. SERVICE OF SUIT

In the event of **our** failure to pay any amount claimed to be due hereunder, **we** will, at the request of the **named insured**, submit to the jurisdiction of any court of competent jurisdiction within the United States and will comply with all requirements necessary to give such court jurisdiction and will comply with all requirements necessary to give such court jurisdiction and all matters arising hereunder will be determined in accordance with the law and practice of such court.

EMPLOYMENT PRACTICES LIABILITY DEFENSE SUPPLEMENTAL LIMIT ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Named Insured:

Policy Number:

Issued by AIX Specialty Insurance Company.

This endorsement, effective 12:01 A.M. modifies the following:

LAWYERS PROFESSIONAL LIABILITY INSURANCE POLICY
(AILA INSURANCE PROGRAM)

1. The following is added to **SECTION A. – COVERAGE:**

Employment Practices Liability – Defense Coverage

We will pay up to \$50,000

per **policy period**, regardless of the number of **claims** made or the number of persons making the **claims**, for the reasonable fees of a lawyer assigned by **us** or, with **our** written consent, by **you** to defend **you** against **claims** commenced against **you** and reported to **us** in writing during the **policy period** arising out of **employment practices** solely while acting on behalf of the **named insured** or **predecessor firm**, subject to the following:

- a. The **claim** must not include any labor or grievance arbitration or other proceeding pursuant to a collective bargaining agreement, unemployment, or wage and hour violation;
- b. The **claim** must not arise out of ownership of the **named insured** or **predecessor firm**;
- c. The **claim** must not otherwise be excluded by this **policy**;
- d. **We** will not pay any **damages** incurred as a result of an **employment practices claim**;
- e. The coverage provided under this section only applies to **you** if **you** are a partner, limited liability company member, officer, director, stockholder or employee of the **named insured** at the time **you** report the investigation or proceeding;
- f. There will be no **extended reporting period** for the coverage provided in this section; and
- g. Any payment made hereunder will not be subject to the deductible and will not reduce any applicable Limit of Liability.

2. **Section E. EXCLUSIONS**, paragraph 2.a. is deleted and replaced by the following:

2. Arising out of or based upon:
 - a. Any **employment practices** or any discrimination on any basis, including, but not limited to: race, creed, color, religion, ethnic background, national origin, age, handicap, disability, gender, sexual orientation or pregnancy, or any other basis prohibited by law; however, this exclusion does not apply to coverage in **SECTION A.**;

All other terms and conditions remain unchanged.

REIMBURSEMENT FOR LOSS OF INCOME ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Named Insured:

Policy Number:

Issued by AIX Specialty Insurance Company.

This endorsement, effective 12:01 A.M. modifies the following:

Under **SECTION D – DEFINITIONS**, the definition of **claim expenses** is replaced by the following:

Claim expenses means all expenses **we** incur or authorize in writing for the investigation, adjustment, defense or appeal of a **claim**. These expenses include fees charged by a lawyer, mediator or arbitrator with **our** consent for which **you** are obligated. **Claim expenses** also means premiums for any appeal bond, attachment bond or similar bond but without any obligation of the **company** to apply for or furnish any such bond. **Claim expenses** do not include salaries, wages, fees, overhead or benefit expenses associated with any **insured** or **your** employees.

Claim expenses also means up to \$500 per day per **insured** for supplemental payment for loss of earnings incurred as a result of attendance at hearings, trials, or depositions at **our** request or with **our** consent by such **insured**. Such payment shall not exceed \$20,000 in the Aggregate for all **insureds** in each **claim** subject to a \$50,000 **policy** Aggregate.

All other terms and conditions remain unchanged.