

# ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY

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## ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY

**THIS IS A CLAIMS-MADE POLICY WITH CLAIM EXPENSES INCLUDED IN THE LIMIT OF LIABILITY.  
PLEASE READ THE 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. Regulatory Proceedings Coverage

**We** will pay **regulatory proceeding expenses** because of any **regulatory proceeding** 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 **regulatory 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 and is subject to the sub-limit of liability referenced in Item 4.a. of the Declarations. The sub-limit of liability is part of, and not in addition to, the Limits of Liability referenced in Item 3. of the Declarations..

For purposes of this section, reporting a preliminary investigation or a request for an investigation will be considered the same as reporting a **regulatory proceeding**. However, **we** have no obligation under this section until the reported investigation is elevated to a **regulatory proceeding**.

#### 3. Employment Practices Liability and Discrimination 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** commenced against **you** and reported to **us** in writing during the **policy period**, arising out of **employment practices** or **discrimination**, solely while acting on behalf of the **named insured** or **predecessor firm**, after the applicable **retroactive date(s)**, provided that such **claim** is not otherwise excluded by this **policy**, subject to the following:

- a. 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 **claim**;
- b. There will be no **extended reporting period** for the coverage provided in this section; and
- c. Any payment made hereunder will not be subject to the deductible and is subject to the sub-limit of liability referenced in Item 4.b. of the Declarations. The sub-limit of liability is part of, and not in addition to, the Limits of Liability referenced in Item 3. of the Declarations.

#### 4. Subpoena Assistance Coverage

In the event **you** receive a subpoena for documents or testimony arising out of **professional services** provided after the applicable **retroactive date(s)**, and **you** would like **our** assistance in responding to the subpoena, **you** may provide **us** with a copy of the subpoena, and **we** will 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. Any payment made hereunder will not be subject to the deductible and are part of, and not in addition to, the Limits of Liability referenced in Item 3. of the Declarations.

Any notice **you** give to **us** of such subpoena will be deemed notification of a **claim** under Section G.1. of this **policy**.

#### 5. Pre-claim Assistance Coverage

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**. Any payment made hereunder will not be subject to the deductible and are part of, and not in addition to, the Limits of Liability referenced in Item 3. of the Declarations.

#### 6. Crisis Event Coverage

**We** will pay reasonable fees, costs and expenses for consulting services provided by a public relations firm to the **named insured**, incurred with **our** written consent, in response to a **crisis event** first occurring and reported to **us** in writing during the **policy period**. Any payment made hereunder will not be subject to the deductible and is subject to the sub-limit of liability referenced in Item 4.c. of the Declarations. The sub-limit of liability is part of, and not in addition to, the Limits of Liability referenced in Item 3. of the Declarations.

#### 7. SUPPLEMENTAL COVERAGES

##### a. Privacy Event Coverage

**We** will pay reasonable fees, costs and expenses for services provided to the **named insured**, incurred with **our** written consent, in response to a **privacy event** first occurring and reported to **us** in writing during the **policy period**. Such services include those necessary to:

- 1) Respond to unfavorable publicity arising out of a **privacy event**;
- 2) Comply with any statute or regulation requiring notice to individuals as a result of a **privacy event**;
- 3) Monitor credit bureau records of an individual whose non-public personal information may have been used or disclosed as a result of a **privacy event**; or
- 4) Assist the **named insured** in correcting deficiencies that have caused a **privacy event** and managing relationships with regulatory or law enforcement authorities as a result of a **privacy event**.

Any payment made hereunder is subject to the deductible and the Limit of Liability referenced in Item 5.a. of the Declarations. The Limit of Liability is in addition to the Limits of Liability referenced in Item 3. of the Declarations.

##### b. Network Security Breach Coverage

**We** will pay on **your** behalf those sums **you** become legally obligated to pay as **damages** and **claim expenses** arising out of a **network security breach**, regardless of the number of **network security breaches**, in the performance of **professional services** by the **you** or by any person for whom **you** are legally liable, first occurring and reported to **us** in writing during the **policy period**. Any payment made hereunder will not be subject to the deductible and will be subject to the Limits of Liability referenced in Item 5.b. of the Declarations. The Limit of Liability is in addition to the Limits of Liability referenced in Item 3. of the Declarations.

##### c. Reimbursement for Loss of Income Coverage

**We** will pay reasonable expenses **you** incur to attend hearings, trials or depositions at **our** request or with **our** consent. Any payment made hereunder will not be subject to the deductible and will be subject to the Limits of Liability referenced in Item 5.c. of the Declarations. The Limit of Liability is in addition to the Limits of Liability referenced in Item 3. of the Declarations.

## **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.

If we are prevented by law or otherwise unable to defend or investigate a **claim** brought outside the United States, the **insured** under our supervision may arrange for the investigation, appointment of counsel and defense of such **claim**. Subject to the Limit of Liability and deductible, we will reimburse the **insured** for any reasonable and necessary **claim expenses** incurred that we would have paid if we had defended such **claim**.

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 **claim 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, DEDUCTIBLE AND RISK MANAGEMENT BENEFITS**

### **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 the **extended reporting period**, if any.

**Related claims**, whenever made, will be considered a single **claim** first made against **you** at the time that the earliest of the **related claims** was first made, whether prior to or during the **policy period**.

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**.

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.

### **2. DEDUCTIBLE**

**You** will pay the deductible amount shown in the Declarations. **Our** obligation to pay **damages** and **claim expenses** is in excess of the applicable amount of the deductible. The deductible applies to each **claim** and to all **claim expenses** and **damages**; however, the first \$10,000 of **claim expenses** incurred during the **policy period** will not be applied to **your** deductible. 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 **claim expenses**, 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.

### 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 **claim expenses** and **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 **claim 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.

### 5. RISK MANAGEMENT BENEFITS

- a. If **you** and **we** agree to use **mediation** to resolve any **claim** brought against **you** and if the **claim** is resolved by **mediation** within one hundred twenty (120) days after **you** receive the suit or demand, **your** deductible obligation for that **claim** will be reduced by 100%. The maximum amount of any reduction is \$25,000.
- b. If **you** and **we** agree to use arbitration to resolve any **claim** brought against **you** and if the **claim** is resolved by arbitration within one hundred twenty (120) days after **you** receive the suit or demand, **your** deductible obligation for that **claim** will be reduced by 50%. The maximum amount of any such reduction is \$50,000.
- c. If a **claim** arises from **professional services** that are the subject of an **engagement letter**, then **your** deductible obligation for that **claim** will be reduced by 50%. The maximum amount of any reduction is \$10,000.

## D. DEFINITIONS

**Claim** means:

1. A demand or suit for money or services **you** receive, including any arbitration or mediation proceedings to which **you** are required to submit or to which **you** have submitted with **our** consent;
2. When **you** first receive oral or written information or have 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 when **you** first receive a subpoena for documents or testimony, or an oral or written request to notify **us** of a **potential claim**; or
3. When **you** first receive oral or written notification of any **regulatory proceeding**.

**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.

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

**Computer systems** means computers and associated input and output devices, data storage devices, networking equipment, backup facilities, and internet sites operated by and either owned by or leased by any third party for whom **you** provide **professional services**.

**Crisis event** means:

1. **Wrongful act**;
2. Potential dissolution of the **named insured**;
3. Death, serious illness or departure of a principal, partner, owner, director, executive officer, risk manager or in-house general counsel of the **named insured**;
4. Incident of workplace violence; or
5. Other event (with agreement by **us**)

that the **named insured** reasonably believes will have a material adverse effect upon the reputation of the **named insured**.

**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** also includes punitive and exemplary damages, and the multiple portions thereof, to the extent that such **damages** are insurable under the law of the most favorable applicable jurisdiction.

**Damages** does not include any fines, or the 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**:

1. Return, restitution or reduction of professional fees;
2. Fees owed from third parties;
3. Fees to third parties; or
4. Correcting, re-performing or completing any **professional services**.

**Discrimination** means your alleged refusal to provide **professional services** due to discrimination based on age, race, gender, creed, color, religion, national origin, disability, marital status or sexual preference.

**Employment practices** means any actual or alleged:

1. 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;
2. Unlawful employment discrimination;
3. Sexual harassment of an employee or applicant for employment; or
4. Retaliatory treatment against an employee on account of that employee's exercise or attempted exercise of his or her rights under law.

**Employment practices** does not include any labor or grievance arbitration, or other proceeding pursuant to a collective bargaining agreement, unemployment or wage/hour violation.

**Engagement letter** means a written description of the scope of the **professional services** to be provided by **you** and the anticipated remuneration therefor, and executed by **you** and the client within one calendar year prior to the provision of such **professional services**.

**Equitable relief** means a remedy not involving the payment of monetary **damages**.

**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.

**Insured** means:

1. The **named insured** or any **predecessor firm**; or
2. Any individual, who was, 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
3. Any independent contractor of the **named insured** or a **predecessor firm** solely while acting on behalf of the **named insured** or a **predecessor firm**; or
4. 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.

**Investment adviser** means an **insured** who provides financial, economic or investment advice, including personal financial planning and investment management services.

**Loss** means **claim expenses**, **damages** and **regulatory proceeding expenses** and does not include **equitable relief**.

**Malicious code** means any virus, trojan horse, worm or similar software program, code or script intentionally designed to insert itself into computer memory.

**Material change** means:

1. Any mergers, acquisitions, spin-offs, dissolutions or splits involving the **named insured**; or
2. 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.

**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**.

**Named insured** means the individual, entity, partnership, or corporation designated as such on the Declarations.

**Network security breach** means the failure to prevent the unintentional introduction or transmission of a computer virus or any other **malicious code** to a third party computer, **computer system**, or network causing harm or damage to a computer, **computer system** or network.

**Personal fiduciary** is an executor, administrator or representative of an estate or a trustee of a **personal trust**.

**Personal injury** means:

1. False arrest, detention or imprisonment;
  2. Wrongful entry, eviction or other invasion of private occupancy;
  3. Malicious prosecution;
  4. Abuse of process;
  5. The publication or utterance of libel, slander or other defamatory or disparaging material; or
  6. A publication in violation of a person's right of privacy; and
- arising out of a **wrongful act** in **your** rendering of or failure to render **professional services**.

**Personal trust** means an individual or family trust established for the sole benefit of the individual or family or a charitable remainder trust as defined under Internal Revenue Code Section 664.

**Policy** means this **policy** form, the Declarations, and any endorsement to this **Policy** issued by **us**, and **your** application, including all supplementary information and statements **you** have provided to **us**.

**Policy period** means the period from the effective date of the **policy** to the **policy termination date**.

**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.

**Potential claim** means any **wrongful act** or any facts or other circumstances which may subsequently give rise to a **claim**.

**Predecessor firm** means any accounting firm or legal entity that was engaged in **professional services** and to whose financial assets and liabilities the **named insured** is the majority successor (more than 50%) in interest.

**Privacy event** means the unintended and unauthorized disclosure or use of non-public personal information, including identification information unavailable to the general public such as an individual's name, address, telephone number, social security number, account numbers, account balances and account histories.

**Professional services** means the following, as long as such services are performed by **you** with the knowledge and consent of the **named insured**:

1. Accountant and Consultant services;
2. **Investment adviser** services;
3. Bookkeeper, enrolled agent and tax preparer services;
4. Service as a **personal fiduciary**;
5. Service as an arbitrator, mediator or notary public;
6. Service as a member of a formal accreditation, standards review or similar professional board or committee related only to the accounting profession; and
7. Pro bono services in any of the above capacities.

**Regulatory proceeding** means any formal administrative or regulatory proceeding by a regulatory or disciplinary official or agency to investigate or prosecute charges alleging professional misconduct or ethical violations in the performance of **your professional services**.

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

**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**.

**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.

**Retroactive date** refers to the date shown on the Declarations. **Wrongful acts** that occurred prior to the **retroactive date** are not covered by this **policy**.

**Totally and permanently disabled** means that an **insured** is so disabled as to be wholly prevented from rendering **professional services** provided that such disability:

1. Has existed continuously for not less than six (6) months; and
2. Is reasonably expected to be continuous and permanent.

**Wrongful act** means any actual or alleged negligent act, error, omission, or misstatement committed in **your** rendering of or failure to render **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;
  - b. Any **insured** gaining any profit, remuneration or advantage to which such **insured** was not legally entitled;
  - c. **Personal injury**, however, **we** will provide for the defense of **claims** alleging **personal injury** arising out of **your** performance of **professional services**.  
The above exclusions will not apply until a final adjudication establishes **a.**, **b.**, or **c.** above.
  - d. 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 trustees, administrators or 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. However, this exclusion does not apply if **you** are deemed to be a fiduciary solely as a result of **professional services** provided by **you** to such plan; or  
Any breach by a trustee of any investment fund established for the benefit of any entity or group of unrelated individuals. However, this exclusion does not apply to **you** in your capacity as a trustee of a **personal trust**;
  - e. **Professional services** rendered by you as an executor, administrator or personal representative of an estate or as a trustee if you or your spouse are a beneficiary or distributee of said estate of trust;
  - f. The development of computer hardware or software for others;
  - 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 **insured's** conversion, commingling, defalcation, misappropriation, or other intentional misuse or illegal use of funds, monies or property;
  - i. **Your** capacity as a broker or dealer in securities, as those terms are defined in Sections 3(a)(4) and 3(a)(5), respectively, of the Securities Exchange Act of 1934;
  - j. Any anti-trust law violation or any agreement or conspiracy to restrain trade unless the allegations arise solely from **your** performance of **professional services** as a member of a formal accreditation, standards review or similar professional board or committee, related only to accountancy, and such services are within the scope of that committee's or board's established guidelines.
2. 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



client. However, this exclusion shall not apply to **Section A.3. Employment Practices Liability Coverage**.

3. Arising out of or made by any entity not named in the Declarations in which **you**:
  - a. Hold an interest of more than 10%, 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.

## F. EXTENDED REPORTING PERIOD

### 1. AUTOMATIC EXTENDED REPORTING PERIOD

**You** 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, **you** 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**.
- b. **You** 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, **your** right to purchase the optional **extended reporting period** will cease.
- c. 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.
- d. 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.
- e. 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**.

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**, have been continuously insured with **us** for the immediately preceding three (3) years, 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**.

### 4. RETIREMENT EXTENDED REPORTING PERIOD

If **you** have retired completely from the accounting profession, been continuously insured with **us** under an Accountants Professional Liability insurance policy 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**.

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

## 1. NOTICE OF CLAIM OR REGULATORY PROCEEDING

- a. If **you** receive notice of a **claim** or **regulatory proceeding**, **you** and any other involved **insured(s)** must provide to **us** written notice of the **claim** or **regulatory 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 **regulatory 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 **regulatory proceeding**;
  - 2) Authorize **us** to obtain records and other information;
  - 3) Cooperate with **us** in the investigation, defense or settlement of the **claim** or **regulatory proceeding**;
  - 4) Cooperate with **us** in the investigation of coverage for the **claim** or **regulatory 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 **regulatory proceeding** without **our** consent.

## 2. NOTICE OF POTENTIAL CLAIM OR REGULATORY 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 subsequently give rise to a **claim** or **regulatory proceeding** against **you**, **you** may give **us** written notice as soon as practicable of the **potential claim** or **regulatory proceeding**. To the extent possible, notice should include:
  - 1) The date upon which **you** became aware of the **wrongful act**, and the circumstances of such awareness;
  - 2) Where the **wrongful act** took place and any facts or circumstances concerning the **wrongful act**; and
  - 3) The names and addresses of any persons and entities involved.
- b. Any **claim** or **regulatory 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 **regulatory proceeding** from **you**, if **we** receive proper notice of the **potential claim** or **regulatory proceeding** according to Paragraph **a.** above.

## 3. NOTICE OF CRISIS EVENT OR PRIVACY EVENT OR POTENTIAL CRISIS EVENT OR PRIVACY EVENT

- a. If, during the **policy period**, **you** become aware of an actual or potential **crisis event** or **privacy event** or receive notice of a **crisis event** or **privacy event**, **you** and any other involved **insured(s)** must provide to **us** written notice of the actual or potential **crisis event** or **privacy event**, as soon as practicable, but in no event later than sixty (60) days after **you** becomes aware of or receive notice of such actual or potential **crisis event** or **privacy event**.
- b. 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 **crisis event** or **privacy event** without **our** consent.

## 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) Sixty (60) 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 computed 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. All of the statements provided to the **company** by **you** are true, accurate and complete and will be deemed to constitute material representations by you;
- b. 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**;
- c. Those representations are material to the acceptance of the risk **we** assumed under this **policy**;
- d. **We** have issued this **policy** in reliance upon the truth, accuracy and completeness of such representations;
- e. 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;
- f. Statements in the application, facts pertaining to or knowledge possessed by the individual signing the application will be imputed to the **named insured**; and
- g. This **policy** consists of the Declarations, the **policy** form, all endorsements attached to the **policy**, the completed and signed application and all supplementary information and statements **you** have provided to **us**.

## 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 as the sole agent on behalf of all **insureds** with respect to the following: effecting or accepting notices under this **policy**, and amendments to or cancellations of this **policy**, completing of any application, making of statements representation and warranties, consenting to settlement or releasing rights under this **policy**, payment of premiums, receiving return premiums, 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 anywhere in the world.
- 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 INSUREDS

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 LAW AND TRADE SANCTIONS

Coverage under this **policy** does not apply to the extent trade, economic sanction, insurance or other laws or regulations prohibit us from providing insurance.

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 INSUREDS

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.** or **1.h.** **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** both 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.