



**A. INSURING AGREEMENTS**

**PROFESSIONAL LIABILITY DECLARATIONS**

  No    
Accepted

Item 1. Professional Services:

Item 2. Limit of Liability:                   \$           Per Claim   \$           Aggregate

Item 3. Deductible:                         \$           Per Claim   \$           Supplemental

Item 4. **COVERAGE PROVIDED BY THIS INSURANCE DOES NOT APPLY TO ACTS, ERRORS OR OMISSIONS WHICH TAKE PLACE BEFORE THE RETROACTIVE DATE, IF ANY, SHOWN BELOW.**

Date:

Item 5. Forms and Endorsements Attached: See DECLARATIONS SUPPLEMENT A.

**B. INSURING AGREEMENTS**

**EXECUTIVE LIABILITY DECLARATIONS**

  No   Coverage A.       DIRECTORS AND OFFICERS  
Accepted

  No   Coverage B.       PENSION TRUST AND EMPLOYEE BENEFIT PLAN  
Accepted

  No   Coverage C.       EMPLOYMENT PRACTICES LIABILITY  
Accepted

Item 1. Limit of Liability:                 \$

Item 2. Deductible:                         \$

Item 3. **COVERAGE PROVIDED BY THIS INSURANCE DOES NOT APPLY TO ACTS, ERRORS OR OMISSIONS WHICH TAKE PLACE BEFORE THE RETROACTIVE DATE, IF ANY, SHOWN BELOW.**

Date:

ISSUE DATE:

By: \_\_\_\_\_  
Authorized Representative

# ARCHITECTS & ENGINEERS PROFESSIONAL LIABILITY INSURANCE

## This is a Claims Made Policy

### A. INSURING AGREEMENTS

#### I. COVERAGE

The **Company** shall pay on behalf of the **Insured** those **Damages** in excess of the deductible and up to the limit of liability that the **Insured** becomes legally obligated to pay anywhere in the world:

- A. if such **Damages** result from an error or omission of the **Insured**, or those architectural, engineering or surveying consultants in privity of contract with the **Insured**, in performing **Professional Services** anywhere in the world; and
- B. if the **Insured**, or those architectural, engineering or surveying consultants in privity of contract with the **Insured**, performed or failed to perform such **Professional Services** subsequent to the retroactive date specified in Item 4 of the PROFESSIONAL LIABILITY DECLARATIONS; and
- C. if **Claim** for such **Damages** is first made against the **Insured** during the **Policy Period**; and
- D. if such **Claim** is reported in writing to the **Company** and such reporting is received by the **Company** no later than sixty (60) days immediately subsequent to the end of the **Policy Period**; and
- E. if on the effective date of the policy, the **Insured** had no basis to reasonably anticipate such **Claim**; and
- F. if no other insurance affords **Coverage** for such **Claim**, including any deductible provision thereof, including Professional Liability Project Specific Insurance.

The **Company** shall have both the right and duty to provide for the defense of the **Insured** with respect to a **Claim** made for which this insurance applies even though the allegations of such **Claim** may be groundless, false or fraudulent. The **Company** shall consult with the **Insured** regarding the selection of legal counsel. Regardless of agreement or disagreement between the **Insured** and the **Company**, the **Company** shall have the exclusive right to investigate such **Claim** to which this insurance applies, to designate and appoint all legal counsel to defend the **Insured** in the event of such **Claim** and to otherwise control the defense.

Notwithstanding the foregoing or anything in the policy to the contrary, the **Company's** duty to provide for the defense of the **Insured** or pay on behalf of the **Insured** will terminate at such time as the limit of liability of the policy may become exhausted by payment of **Damages, Claims Expense** or any combination thereof.

Notwithstanding the foregoing or anything in this policy to the contrary, if the **Purchasing Group Member** fails to pay any Deductible with respect to a **Claim** due under the policy within 30 days after receipt of written notice from the **Company**, the **Insured** will void the **Coverage** hereunder for the **Claim**, including the **Company's** duty to provide for the defense of the **Insured** or pay **Damages** and/or **Claims Expense** on behalf of the **Insured**, and the **Company** will cancel the policy in keeping with A. INSURING

AGREEMENTS, III DEDUCTIBLE and A. INSURING AGREEMENTS, VI. CONDITIONS 10. CANCELLATION.

## II. LIMIT OF LIABILITY

Notwithstanding anything contained in the policy to the contrary and regardless of the number of **Insured(s), Claim(s)** or claimants, the **Company's** obligation to pay **Damages** or **Claims Expense** for any **Claim** during the **Policy Period** shall not exceed the per claim amount specified in Item 2 of the PROFESSIONAL LIABILITY DECLARATIONS and the **Company's** obligations to pay **Damages** and **Claims Expense** for all **Claim(s)** shall not exceed the aggregate amount specified in Item 2 of the PROFESSIONAL LIABILITY DECLARATIONS.

All amounts paid hereunder by the **Company** as **Damages, Claims Expense** or any combination thereof shall serve to reduce the per claim and aggregate limits of liability specified in Item 2 of the PROFESSIONAL LIABILITY DECLARATIONS and the limit of liability specified Item 1 of the EXECUTIVE LIABILITY DECLARATIONS.

## III. DEDUCTIBLE

Notwithstanding anything contained in the policy to the contrary, the per claim deductible specified in Item 3 of the PROFESSIONAL LIABILITY DECLARATIONS is the obligation of the **Purchasing Group Member** to pay. The per claim deductible applies to **Damages** and **Claims Expense** for each **Claim** made irrespective of the number of **Claim(s)**. The supplemental deductible specified in Item 3 of the PROFESSIONAL LIABILITY DECLARATIONS is the obligation of the **Purchasing Group Member** to pay. The supplemental deductible applies to **Damages** and **Claims Expense** and applies, in addition to the per claim deductible, to each and every **Claim** made until the supplemental deductible amount specified on the PROFESSIONAL LIABILITY DECLARATIONS is paid in full. The **Company's** obligation hereunder to pay **Damages, Claims Expense** or any combination thereof set forth in A and B INSURING AGREEMENTS with respect to any **Claim** shall only apply if the deductible obligation(s) has been fully paid by the **Purchasing Group Member**.

The **Purchasing Group Member** shall make all payments directed by the **Company** under these deductible obligation(s) promptly when presented by the **Company**. If any deductible payment is not made within 30-days of demand by the **Company**, then the **Company** will cancel this policy by mailing a written notice of cancellation to the **Purchasing Group Member** shown in Item 3 of the GENERAL DECLARATIONS stating when, but not less than 60 days thereafter, such cancellation shall be effective. The mailing of such notice shall be sufficient notice and the effective date of cancellation stated in the notice shall become the expiration date of the **Policy Period**, replacing the expiration date stated in Item 2 of the GENERAL DECLARATIONS. Upon cancellation of this policy for non-payment of any obligation under the deductible provision, the **Company** shall have no duty to defend or pay **Damages** or **Claims Expense** on behalf of any Insured for any **Claim(s)** or **Specific Circumstances** which may have been made against any Insured and reported to the **Company** during the **Policy Period**.

## IV. AWARENESS

The **Purchasing Group Member** shall have the right to provide the **Company**, AEIC, Inc., 2056 Westings Avenue, Suite 20, Naperville, IL 60563 or as otherwise may be specified by endorsement to the policy, written notice describing a **Specific Circumstance**, of which the **Insured** first became aware during the **Policy Period**. Such notice must be received by the **Company** during the **Policy Period**. If the foregoing conditions are met, a **Claim** is made against the **Insured** at any time thereafter arising from the **Specific Circumstance** so reported, and no prior **Claim** or **Specific Circumstance** has been reported emanating from the same project, such **Claim** shall be considered a **Claim** first made against the **Insured** during the **Policy Period** with **Coverage** therefore subject to all provisions of the policy. In the event that a prior

**Claim** or **Specific Circumstance** has been reported to the **Company** emanating from the same project, this **Claim** and all subsequent **Claim(s)** and **Specific Circumstance(s)** emanating from the same project, provided that the **Claim(s)** and **Specific Circumstance(s)** are received and reported while the Insured remains a continuous and uninterrupted member of the AEIC Purchasing Group, shall be considered as a single **Claim** first made during the **Policy Period** in which the earliest **Claim** or **Specific Circumstance** emanating from the same project was reported with **Coverage** therefore subject to all provisions of that policy.

The **Company** may elect, but is not required, to investigate or provide the **Insured** a defense for such **Specific Circumstance** other than a **Claim**. Should the **Company** undertake an investigation or defense, the obligation of the **Insured** and **Company** under the policy shall be identical to the obligations the parties would otherwise have, had a **Claim** been made.

## V. DEFINITIONS

The following shall apply wherever used in the policy, including any endorsement attached hereto.

- A. The term **Claim** shall mean the **Insured's** receipt of a written demand arising out of the performance of **Professional Services**, including the service of process and a demand for arbitration, seeking **Damages** involving money or services.

In the event that a prior **Claim** or **Specific Circumstance** has been reported emanating from the same project, all **Claim(s)** and **Specific Circumstance(s)** reported to the **Company** emanating from the same project, whenever made, shall be treated as a single **Claim** first made during the **Policy Period** in which the earliest **Claim** or **Specific Circumstance** emanating from the same project was reported, with **Coverage** limited to that policy and subject to all provisions of that policy, whether the **Claim(s)** and **Specific Circumstance(s)** arise from the performance of **Professional Services** under a single contract or multiple contracts, irrespective of the number of claimants, provided that the **Claim(s)** and **Specific Circumstance(s)** are received while the **Insured** remains a continuous and uninterrupted member of the AEIC Purchasing Group. If the earliest **Claim** or **Specific Circumstance** was made under a prior policy, **Coverage** is afforded under that policy only and this policy shall not afford **Coverage**.

The word **Claim** shall not include a demand:

1. by a person, firm or organization, (or its subrogee, assignee, contractor, subcontractor, subsidiary, affiliate or division) who at the time of the **Claim** wholly or partly owns, operates, manages or otherwise controls any **Insured**, whether directly or indirectly, or that is wholly or partly owned, operated, managed or otherwise controlled by any **Insured**, whether directly or indirectly; or
2. by a firm or organization (or its subrogee, assignee, contractor, subcontractor, subsidiary, affiliate or division) of which any principal, partner, director, officer or stockholder of any **Insured**, who at the time of the **Claim** directly or indirectly maintains ownership, or who directly or indirectly operates, manages or otherwise controls such firm or organization; or
3. by a principal, partner, director, officer, stockholder, employee or prospective employee of any **Insured** (or any subrogee or assignee of such person); or
4. received by the **Insured** subsequent to the end of the **Insured's Coverage** as a member in the AEIC Purchasing Group and /or received by the **Company** later than sixty days immediately subsequent to the end of the **Insured's Coverage** as a member of the AEIC Purchasing Group, unless such demand arises from a **Specific Circumstance** reported under and meeting the condition of A. INSURING AGREEMENT IV. AWARENESS.

- B. The term **Claims Expense** shall mean all costs, charges and expenses generated by an attorney designated by the **Company** to represent the **Insured** and costs, charges and expenses resulting from the investigation, defense, settlement, arbitration or appeal of any **Claim** if such costs, charges and expenses are incurred by the **Company**, an attorney designated by the **Company** or by the **Purchasing Group Member** with the written consent of the **Company**; except that it shall not include the costs of investigating or administering any **Claim** by employees of the **Company**, or such costs incurred by any firm engaged by the **Company** to perform the investigation or administration of such **Claim**, or loss of earnings incurred by the **Insured** in investigating, defending, settling, arbitrating, or appealing any **Claim** at the **Company's** direction.
  
- C. The term **Coverage** shall mean the **Company's** duty to pay **Damages** and the **Company's** right and duty and/or right to provide for the defense of the **Insured**, as set forth in A. INSURING AGREEMENTS I. COVERAGE.
  
- D. The term **Damages** shall mean:
  - 1. A judgment, award or settlement monetarily compensating a claimant, except as follows:
    - a. **Damages** do not include return of fees, fines or penalties, sanctions, punitive or exemplary **Damages** or the penalty portion of any treble damage award, taxes, or any matter which may be deemed uninsurable under the law pursuant to which the policy shall be construed;
    - b. **Damages** do not include a judgment, award or settlement monetarily compensating a claimant for **Bodily Injury** and/or **Property Damage** arising from any actual, potential, alleged or threatened presence of any diseases, bacteria, virus, mold, mildew, fungi, spores or otherwise harmful chemical agents of any kind whatsoever;
    - c. **Damages** do not include a judgment, award or settlement monetarily compensating a claimant for all actual or threatened loss or damage to persons or property, whether tangible or intangible (including all consequential loss or damage of any type) arising through any means whatsoever from any preparations for, attempt at or any actual action intended to intimidate or coerce a government, the civilian population, or any segment thereof, in furtherance of political, social, ideological or religious objectives;
    - d. **Damages** do not include a judgment, award or settlement monetarily compensating a claimant for **Bodily Injury** or **Property Damage** arising from an **Occurrence** related to **Construction Activities**, unless:
      - 1. no other insurance affords **Coverage** for such **Claim**; and
      - 2. the judgment, award or settlement arises from the performance of **Professional Services** by the **Insured**.

Additional Definitions

- a. The term **Bodily Injury** shall mean any harm to a person(s) including, sickness, disease, mental anguish or shock sustained by any person(s), including death resulting therefrom.
  
- b. The term **Property Damage** shall mean:
  - 1. Physical injury to or destruction of tangible property including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
  - 2. Loss of use of tangible property that has not been physically injured or destroyed. All such loss of use shall be deemed to occur at the time of the **Occurrence** that caused it.

- c. The term **Occurrence** shall mean an accident, including continuous or repeated exposure to substantially the same general harmful conditions.
  - d. The term **Construction Activities** shall mean the performance of any work by or on behalf of any **Insured** or any other person or entity for which the **Insured** is responsible or alleged to be responsible.
- E.** The term **Product** shall mean goods designed and manufactured for replication and intended to be put into service or put into service, including design of means to adopt such goods for specific use.
- F.** The term **Purchasing Group Member** shall mean the proprietor, firm or organization specified in Item 3 of the GENERAL DECLARATIONS.
- G.** The term **Insured** shall mean:
- 1. The **Purchasing Group Member**; and
  - 2. A principal, partner, director, officer or stockholder of the **Purchasing Group Member**, but only while acting in his respective capacity as such; and
  - 3. A salaried employee of the **Purchasing Group Member**, but only with respect to **Professional Services** performed or failed to have been performed on behalf of the **Purchasing Group Member** in his capacity as such; and
  - 4. A former principal, partner, director, officer or salaried employee of the **Purchasing Group Member**, but only with respect to **Professional Services** performed or failed to have been performed on behalf of the **Purchasing Group Member** prior to the termination of his respective capacity; and
  - 5. A joint venture undertaken by any **Purchasing Group Member**, but only if the **Company** is notified of such joint venture, and such joint venture is endorsed to the policy, prior to the delivery of any plans and specifications and/or commencement of the work.
- H.** The term **Policy Period** shall mean the period of time specified in Item 2 of the GENERAL DECLARATIONS or ending at an earlier termination or cancellation date, if any.
- I.** The term **Professional Services** shall mean the rendering of or failure to render the services specified in Item 1 of the PROFESSIONAL LIABILITY DECLARATIONS.

**Professional Services** do not include:

- 1. An assumption of liability under any contract or agreement, whether written or oral, including but not limited to any indemnification agreement, purchase order, penalty clause, certification, guarantee or warranty, exempting the responsibility to perform **Professional Services** under contract in accordance with the standard of care; and
- 2. A defamatory, dishonest, fraudulent, malicious or criminal act or omission, the infringement of any copyright, or any act of a knowingly wrongful nature, including acts committed intentionally or at the direction of the **Insured**; and
- 3. Discrimination on the basis of race, creed, sex, disability or age; and
- 4. Advice with respect to any bond, suretyship or insurance requirement; and

5. Any service or operation not considered as customary or usual to the **Professional Services** cited in Item 1 of the PROFESSIONAL LIABILITY DECLARATIONS; and
  6. The performance of any work, including but not limited to any construction, demolition, erection, excavation or the assembly or installation of components or equipment; and
  7. The supplying or licensing of any components, **Product(s)**, or processes incorporated in the work or the management thereof; and
  8. Design of any **Product(s)** or manufactured goods unless **Coverage** for such **Product** or manufactured good is specifically endorsed herein.
- J.** The term **Specific Circumstance** shall mean a written notice describing a circumstance other than a **Claim**, that could reasonably be expected to give rise to a **Claim**, and specifies the actual or anticipated error or omission and the **Damages** that the **Insured** anticipates resulting therefrom.

## VI. CONDITIONS

Notwithstanding anything in the policy to the contrary, if the **Insured** fails to perform its duties or violates the terms under any one or more the following CONDITIONS hereafter, the **Insured** will void the **Coverage** hereunder, including the **Company's** duty to provide for the defense of the **Insured** or pay **Damages** and/or **Claims Expense** on the behalf of the **Insured**.

### 1. NOTICE OF CLAIM

In the event of a **Claim**, whether or not the demand falls under or in excess of the deductible, the **Purchasing Group Member** shall have the duty to immediately provide written notice to the **Company**, AEIC, Inc., 2056 Westings Avenue, Suite 20, Naperville, IL 60563 or as otherwise may be specified by endorsement to the policy. Such written notice must contain complete details, including but not limited to the exact date the **Claim** was made, location, circumstances giving rise to such **Claim**, all claimants and a full description of the nature and scope of the allegations. The **Purchasing Group Member** must forward to the **Company** every demand, notice, summons or other process immediately. The duty imposed upon the **Purchasing Group Member** hereunder shall not be delegable.

### 2. SETTLEMENT

The **Company** shall have the right to negotiate the settlement of any **Claim**, as it deems expedient, whether under or in excess of the deductible, but the **Company** shall not commit the **Purchasing Group Member** to any settlement without the **Purchasing Group Member's** consent. If, however, the **Purchasing Group Member** refuses to consent to a settlement recommended by the **Company** and elects to contest such **Claim** or continue legal proceedings in connection with such **Claim**, the **Company's** liability hereunder shall be limited to the amount for which the **Claim** could have been settled and all **Claims Expense** incurred up to the time of such refusal.

### 3. COOPERATION AND ASSISTANCE OF THE INSURED

The **Insured** shall have the duty to fully cooperate with and assist the **Company** with respect to the investigation, defense, settlement, arbitration or appeal of any **Claim** at its own cost. The **Insured** will not be compensated hereunder for any expenses or loss of earnings incurred in such cooperation or assistance, nor will any such expense or loss of earnings apply toward the satisfaction of the



deductible. However, the **Company** will pay reasonable costs incurred in obtaining the cooperation of former principals, officers or employees in the defense of a **Claim** under the policy, but only if that cooperation is expressly requested by the **Company**.

#### 4. **ADMISSION OF LIABILITY**

In the event of a **Claim**, the **Insured** shall not, without the prior written consent of the **Company**, incur any expenses, including, but not limited to, forgiving or reducing any compensation due or alleged to be due the **Insured**, make any payment, assume any obligation or admit or in any way acknowledge liability for such **Claim**. With the written consent of the **Company**, the **Insured** may attempt or make settlement within the deductible.

#### 5. **NO ACTION AGAINST COMPANY**

No action shall lie against the **Company** unless, as a condition precedent thereto, the **Insured** shall have fully complied with all the provisions of the policy, or until the amount of the **Insured's** obligation to pay has been finally determined either by written agreement of the **Insured**, the claimant and the **Company** or by final judgment against the **Insured** after the actual trial of the issues and the time to appeal therefrom has expired without an appeal having been taken or, if an appeal has been taken, then until after such appeal has been determined. In no event shall any action be commenced against the **Company** by the **Insured**, unless brought within twelve (12) months after his right of action accrues.

#### 6. **SUBROGATION**

If the **Company** pays an amount hereunder as **Damages, Claims Expense** or any combination thereof, it shall be subrogated to all the **Insured's** rights of recovery against any person, firm or organization. The **Insured** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insured** shall not waive or prejudice such rights either prior to or subsequent to any **Claim**.

#### 7. **CHANGES**

Notwithstanding anything to the contrary, no provision of the policy may be amended, waived or otherwise changed except by endorsement hereto signed by the **Company's** managing underwriter.

#### 8. **PURCHASING GROUP MEMBER AS AGENT**

The **Purchasing Group Member** initially specified in Item 3 of the GENERAL DECLARATIONS shall be considered the agent of the **Insured** with respect to all matters involving the policy and shall be responsible for the payment of all premiums and the deductible.

#### 9. **ASSIGNMENT**

The interest of the **Insured** hereunder shall not be assignable to any person, firm or organization.

#### 10. **CANCELLATION**

The **Purchasing Group Member** may cancel the policy by mailing to the **Company**, c/o its administrative address, 2056 Westings Avenue, Suite 20, Naperville, IL 60563, or as otherwise may be specified by endorsement to the policy, written notice stating when thereafter such cancellation shall be effective. The **Company** must receive the notice before the requested date of cancellation for the cancellation to take effect.

If the **Purchasing Group Member** invokes cancellation of the policy, the earned premium due to the **Company** by the **Purchasing Group Member** shall be computed in accordance with the customary short rate table with one hundred percent (100%) of any policy issuance fee being fully earned at inception. However, notwithstanding the aforementioned, if any **Claim(s)** or circumstances(s) which may give rise to a **Claim** under the policy is (are) reported to the **Company** during the **Policy Period** prior to cancellation, then no premium will be returned to the **Purchasing Group Member** as all premium will be considered earned at the time of such notification.

The **Company** may cancel the policy by mailing to the **Purchasing Group Member**, specified in Item 3 of the GENERAL DECLARATIONS, written notice stating when the cancellation is to take effect, which cannot be less than sixty (60) days nor more than one hundred and twenty (120) days from the date the written notice is sent to the **Purchasing Group Member**, except for non-payment of premium. In the case of non-payment of premium, not less than ten (10) days' advance notice of cancellation shall be given. The mailing of notice as aforesaid shall be sufficient notice of the intent to cancel. The effective date of cancellation specified in such notice shall terminate the **Policy Period**.

The **Company** can initiate the cancellation process for any reason within sixty (60) days of the policy effectuating. After the policy has been in effect for more than sixty (60) days, reasons for the **Company** to cancel the policy, other than nonpayment of premium as described above, include the following:

- i) A material misrepresentation or nondisclosure of fact to the **Company** at the time the risk was accepted;
- ii) An increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time the risk was accepted;
- iii) A substantial breach of contractual duties, including but not limited to A. INSURING AGREEMENTS, III DEDUCTIBLE, VI CONDITIONS or warranties that materially affect the nature and/or insurability of the risk;
- iv) A fraudulent act against the **Company** by the **Purchasing Group Member** or its representative that materially affects the nature of the risk;
- v) A lack of cooperation from the **Purchasing Group Member** on loss control matters affecting the nature of the risk;
- vi) A change in statutory or case law after the issuance of the policy materially affecting the insurability of the risk.

If the **Company** invokes cancellation of the policy, the earned premium due to the **Company** by the **Purchasing Group Member** shall be computed pro rata with one hundred percent (100%) of any policy issuance fee being fully earned at inception. Notwithstanding the aforementioned, if any **Claim(s)** or circumstances(s) which may give rise to a **Claim** under the policy is (are) reported to the **Company** during the **Policy Period** prior to cancellation, then no premium will be returned to the **Purchasing Group Member** as all premium will be considered earned at the time of such notification.

In the event the **Purchasing Group Member** ceases to be a shareholder of Architects & Engineers Insurance **Company**, A Risk Retention Group, for any reason whatsoever, the **Company** shall cancel the policy in accordance with the aforementioned cancellation procedure.

## 11. EXTENDED REPORTING PERIOD

In the event of cancellation or nonrenewal of the policy, the **Purchasing Group Member** shall then have the right, in consideration of an additional premium equal to one hundred percent (100%) of the annual premium charged hereunder, to an extension of the **Coverage** granted by the policy, subject to its TERMS, INSURING AGREEMENTS, DEFINITIONS, EXCLUSIONS and

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CONDITIONS, in respect of any **Claim** first made against the **Purchasing Group Member** and reported in writing to the **Company** during the period of twelve (12) months after the cancellation or expiration date of the policy but only when such **Claim** arises as a result of **Professional Services** rendered on or after the retroactive date and prior to the cancellation of the policy, or the expiration date as set forth in Item 2 of the GENERAL DECLARATIONS, whichever date is earlier.

To exercise this right, the **Purchasing Group Member** must give notice in writing within thirty (30) days of the cancellation or expiration date of the policy to the **Company** and remit full payment of the premium for this Extended Reporting Period to the **Company** within thirty (30) days of such notice. In the event or failure by the **Purchasing Group Member** to give such notice and remit such premium prior to such date, it shall not at a later date be able to invoke this extension. The mailing by the **Purchasing Group Member** by registered or certified mail of notice to the **Company** shall be sufficient proof of notice. In the event of the purchase of the Extended Reporting Period, the entire premium shall be deemed earned at its commencement and the **Company** shall not be liable to return any portion of the premium paid for the Extended Reporting Period.

The quotation by the **Company** of a different premium, Limit of Liability, Deductible or changes in policy **Coverage** for the purpose of renewal shall not constitute a refusal to renew by the **Company**.

The purchase of the Extended Reporting Period shall not reinstate or increase the per claim or aggregate limit of liability as stated in Item 2 of the PROFESSIONAL LIABILITY DECLARATIONS.

## 12. AUDIT

The **Company** shall have the right to examine or audit the **Purchasing Group Member's** records during the **Policy Period** and within three (3) years subsequent to the end of the **Policy Period** or any future **Policy Period** specified in a future contract.

## 13. PREMIUM

The premium for the policy shall be the amount specified in Item 4 of the GENERAL DECLARATIONS, provided that if during the **Policy Period** there is a change in the **Coverage** afforded hereunder, the **Company** shall have the right to adjust such premium as of the date of such change in accordance with the **Company's** prevailing rules and rates.

## 14. ACCEPTANCE

By acceptance of the policy, the **Purchasing Group Member** agrees that all provisions of the policy, including all endorsements attached hereto, embody all agreements existing between the **Purchasing Group Member** and the **Company** and supersede any prior agreements, whether expressed or implied.

## 15. CONFORMITY TO STATUTE

Terms of the policy which are not protected by The Liability Risk Retention Act and which are in conflict with any statute of the state wherein the policy is issued are hereby amended to conform to such statutes.

**IN WITNESS WHEREOF**, the **Company** has caused A. INSURING AGREEMENTS to be executed and attested, but this **Coverage** shall not be valid unless executed on the GENERAL DECLARATIONS by the **Company's** underwriting manager and by the **Company** below.

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President

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Treasurer

## ARCHITECTS & ENGINEERS EXECUTIVE LIABILITY INSURANCE

**This is a Claims Made Policy**

### B. INSURING AGREEMENTS

#### I. COVERAGES

##### A. DIRECTORS AND OFFICERS

The **Company** shall reimburse the Directors and Officers for **Damages** not exceeding the limit of liability specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS in excess of the applicable deductible set forth in Item 2 of the EXECUTIVE LIABILITY DECLARATIONS sustained by such Directors and Officers, resulting from a **Claim** first made during the **Policy Period** against any of them for a **Wrongful Act**, except for such **Damages** which the **Insured** actually pays to the Directors and Officers as indemnification, and except for such **Damages** which the **Insured** is required or permitted by law to indemnify the Directors and Officers, unless and to the extent that the **Insured** is unable to make actual indemnification solely by reason of its financial insolvency; and

The **Company** shall reimburse the **Insured** for **Damages** not exceeding the amount specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS in excess of the applicable deductible set forth in Item 2 of the EXECUTIVE LIABILITY DECLARATIONS for which the **Insured** shall have lawfully indemnified or is required or permitted by law to indemnify the Directors and Officers, resulting from any **Claim** first made during the **Policy Period** against any of them for a **Wrongful Act**.

##### B. PENSION TRUST AND EMPLOYEE BENEFIT PLAN

The **Company** shall pay on behalf of the **Insured** **Damages** not exceeding the amount specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS in excess of the applicable deductible set forth in Item 2 of the EXECUTIVE LIABILITY DECLARATIONS which the **Insured** shall become legally obligated to pay as a result of a **Claim** first made against the **Insured** during the **Policy Period** by reason of liability arising out of any negligent act, error or omission in rendering or failing to render **Professional Services** of:

Administering pension trust or employee benefit plans, including managing real or personal property, acting as a custodian, giving of financial, economic or investment advice, or the rendering of investment advisory or management service to any employee, pensioner or beneficiary of the pension trust or employee benefit plan whether committed or alleged to have been committed by the **Insured** or by others for whom the **Insured** is legally responsible.

##### C. EMPLOYMENT PRACTICES LIABILITY

The **Company** shall pay, on behalf of the **Insured**, **Damages** not exceeding the amount specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS in excess of the applicable deductible as set forth in Item 2 of the EXECUTIVE LIABILITY DECLARATIONS which the **Insured** shall be legally obligated to pay by reason of a **Claim** arising from **Wrongful Employment Practices**, where such **Claim** is first made

against the **Insured** during the **Policy Period** and is reported in writing to the **Company** as soon as possible during the **Policy Period**.

**Coverage** is afforded under B. INSURING AGREEMENTS, I. COVERAGES A, B and C provided always that:

1. At or prior to the inception of the **Policy Period** the **Insured** had no knowledge of any event that could reasonably be expected to give rise to a **Claim** covered by any of the INSURING AGREEMENTS above; and
2. Such fact or circumstance that could give rise to a **Claim**, or actual **Claim**, occurred on or after the retroactive date indicated in Item 3 of the EXECUTIVE LIABILITY DECLARATIONS of the policy; and
3. The **Purchasing Group Member** elected to accept I. COVERAGES A and/or B and/or C of B. INSURING AGREEMENTS. **Coverage** is afforded only for the EXECUTIVE LIABILITY COVERAGE part(s) accepted.

## II. LIMIT OF LIABILITY

Notwithstanding anything contained in the policy to the contrary and regardless of the number of **Insured(s)**, **Claim(s)** or claimants, the **Company's** limit of liability to pay **Damages**, arising out of wrongful or negligent acts, errors and omissions, including **Defense, Supplementary Payments** for any and all **Claim(s)** during the **Policy Period** shall not exceed the amount stated in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS.

All amounts paid hereunder by the **Company** as **Damages** and **Defense, Supplementary Payments** or any combination thereof shall serve to reduce the limit of liability specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS and the per claim and aggregate limits of liability specified in Item 2 of the PROFESSIONAL LIABILITY DECLARATIONS.

## III. DEDUCTIBLE

Notwithstanding anything contained in the policy to the contrary, the deductible specified in Item 2 of the EXECUTIVE LIABILITY DECLARATIONS is the obligation of the **Purchasing Group Member** to pay. The deductible applies to **Damages** and **Defense, Supplementary Payments** for each **Claim** made irrespective of the number of **Claim(s)**. The **Company's** obligation hereunder to pay **Damages, Claim Expense** and **Defense, Supplementary Payments** or any combination thereof set forth in A and B INSURING AGREEMENTS with respect to any **Claim** shall only apply if the deductible obligation(s) specified in Item 3 of PROFESSIONAL LIABILITY DECLARATIONS and Item 2 of the EXECUTIVE LIABILITY DECLARATIONS has been fully paid by the **Insured**.

The **Purchasing Group Member** shall make all payments directed by the **Company** under these deductible obligation(s) promptly when presented by the **Company**. If any deductible payment is not made within 60-days of demand by the **Company**, then the **Company** may cancel the policy by mailing a written notice of cancellation to the **Purchasing Group Member** shown in Item 3 of the GENERAL DECLARATIONS stating when, but not less than 60 days thereafter, such cancellation shall be effective. The mailing of such notice shall be sufficient notice and the effective date of cancellation stated in the notice shall become the expiration date of the **Policy Period**, replacing the expiration date stated in Item 2 of the GENERAL DECLARATIONS. Upon cancellation of the policy for non-payment of any obligation under the

deductible provision, the **Company** shall have no duty to defend or pay **Damages** or **Defense, Supplementary Payments** on behalf of any Insured for any **Claim(s)** or **Specific Circumstances** which may have been made against any Insured and reported to the **Company** during the Policy Period.

#### IV. AWARENESS

The **Purchasing Group Member** shall have the right to provide the **Company** written notice describing a **Specific Circumstance** other than a **Claim**, of which the **Insured** first became aware during the **Policy Period** that could reasonably be expected to give rise to a **Claim**. Such notice must be received by the **Company** during the **Policy Period** and must specify the action of the **Insured** that could give rise to **Claim** and the **Damages** that the **Insured** anticipates resulting therefrom. If the foregoing conditions are met and a **Claim** is made against the **Insured** at any time thereafter arising from the **Specific Circumstance** so reported, such **Claim** shall be considered a **Claim** first made against the **Insured** during the **Policy Period** with **Coverage** therefore subject to all provisions of the policy.

The **Company** may elect, but is not required, to investigate or provide the **Insured** a defense for such **Specific Circumstance** other than a **Claim**. The obligation of the **Insured** under the policy shall be identical to the obligations the **Insured** would otherwise have, had a **Claim** been made.

#### V. DEFINITIONS

- A. The term **Purchasing Group Member** shall mean the proprietor, firm or organization specified in Item 3 of the GENERAL DECLARATIONS.
- B. The term **Policy Period** shall mean the period of time specified in Item 2 of the GENERAL DECLARATIONS or ending at an earlier termination or cancellation date, if any.
- C. The term **Insured** shall mean:
  - 1. The **Purchasing Group Member**; and
  - 2. Any **Supervisory Employee** of the **Insured**, including **Directors and Officers**, while acting within the scope of his/her duties as such; and
  - 3. Any heir, executor, administrator, assignee, or legal representative of any **Insured** as defined in 1 or 2 above in the event of the **Insured's** death, incapacity, or bankruptcy.
- D. The term **Claim** shall mean any written demand or notice received by an **Insured** from a person advising that it is the intention of such person to hold the **Insured** responsible for any of the activities set forth in B. INSURING AGREEMENTS I. COVERAGES A, B or C of the policy, shown as accepted in the EXECUTIVE LIABILITY DECLARATIONS. The term **Claim** includes any demand received by the **Insured** for **Damages** and/or the service of suit.

Except as otherwise provided in IV. Awareness, a **Claim** shall be deemed to have been first made on the date an **Insured** first received a written demand or notice as described in the preceding paragraph.

- E. The term **Defense, Supplementary Payments** shall mean all costs, charges and expenses, generated by an attorney designated by the **Company** to represent the **Insured** and costs, charges and expenses resulting from the investigation, defense, settlement, arbitration or appeal of any **Claim** if such costs, charges and expenses are incurred by the **Company**, an attorney designated

by the **Company** or by a **Purchasing Group Member** with the written consent of the **Company**; except that it shall not include the cost of investigating or administering any **Claim** by employees of the **Company**, or such costs incurred by any firm engaged by the **Company** to perform the investigation or administration of such **Claim**, or loss of earnings or expense incurred by the **Insured** in assisting in and/or investigating, defending, settling, arbitrating, or appealing any **Claim** at the **Company's** direction. **Defense, Supplementary Payments** also includes premiums on appeal bonds required in any suit and premiums on bonds to release attachments. However, the **Company** shall not be obligated to furnish any such bond.

- F. The term **Damages** shall mean loss, settlements, judgments and **Defense, Supplementary Payments**; provided always that **Damages** shall not include fines or penalties, whether civil or criminal, imposed by law or other matters which may be deemed uninsurable under the law pursuant to which the policy shall be construed.
- G. The term **Supervisory Employee** shall mean an employee of the **Insured** who has the authority to, or ability to effectively recommend with regard to hire, fire, promote, discipline, terminate, review, grant salary increases for other employees of the **Insured**.
- H. The term **Wrongful Act** for purposes of the **Directors and Officers Coverage** shall mean any actual or alleged error, misstatement, misleading statement, act or omission or neglect or breach of duty by the **Directors and Officers** in discharge of their duties solely in their capacity as **Directors and Officers** of the entity.
- I. The term **Wrongful Employment Practices** shall mean:
1. The liability imposed upon the **Insured** for the failure to prevent, investigate, correct, or otherwise take remedial measures concerning any unwelcome sexual advances, requests for sexual favors and other verbal, visual or physical conduct of a sexual nature when:
    - a. Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment; or
    - b. Submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or
    - c. Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment.
  2. Actual or alleged wrongful termination by an **Insured** of an employee of the **Insured**.
  3. Actual or alleged discrimination by an **Insured** against an employee of the **Insured** or an applicant for employment with the **Insured**.
  4. Actual or alleged violation of any federal, state or municipal statute, law or regulation, protecting the rights of employees.
- J. The term **Directors and Officers** shall mean any person or persons, who were, now are, or shall be, Directors or Officers of the **Insured**, including their estates, heirs, legal representatives or assignees in the event of their death, incapacity, or bankruptcy.
- K. The term **Specific Circumstance** shall mean a written notice describing a circumstance other than a **Claim**, that could reasonably be expected to give rise to a **Claim**, and specifies the actual or anticipated **Wrongful Act** or **Wrongful Employment Practices** and the **Damages** that the **Insured** anticipates resulting therefrom.

## VI. EXCLUSIONS

B. INSURING AGREEMENTS will not apply to liability arising from:

- A. Any **Wrongful Employment Practice** committed by the **Insured** or at the **Insured's** direction with dishonest, fraudulent, criminal or malicious purpose or intent if such purpose or intent is established in fact. The applicability of this exclusion to any **Insured** under the policy shall not be imputed to any other **Insured** of the **Insured**.
- B. Any act for which an **Insured** has assumed another's liability pursuant to a contract or an agreement. This exclusion shall not apply to liability which the **Insured** would have otherwise incurred notwithstanding the contract or agreement.
- C. Any direct or indirect costs, including any attorney's fees or other expenses incurred by the **Insured**, or by any party other than the **Insured**, arising from or related to any **Claim** for relief other than money **Damages**, including but not limited to, injunctive relief, declaratory relief, job reinstatement, or other equitable remedies, or any kind of criminal proceeding irrespective of the relief sought.
- D. Any employment termination where such termination results from the **Insured**:
  - 1. Entering into bankruptcy, receivership, liquidation, or reorganization; or
  - 2. Closing one or more places of business operation(s); or
  - 3. Merging or being acquired by any other business entity.
- E. Any employment termination seeking **Damages** pursuant to the Workers Adjustment and Retraining Notification Act or any similar federal, state, or local law.
- F. The mechanical or electronic malfunction of business machines or systems.
- G. Non-pecuniary relief.
- H. An actual, alleged or threatened discharge, dispersal, escape, release or saturation (whether sudden or gradual or whether by accident or by intention) of any Pollutant into the atmosphere or any course or body of water or on, onto, upon, in or into the surface or subsurface of land. For the purpose of this exclusion, the term Pollutant shall mean any solid, liquid, gaseous or thermal irritant or contaminant, including, but not limited to, smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste.
- I. Any **Claim** brought by or on behalf of any Director or Officer except and to the extent that such **Claim** is in the form of a cross-**Claim**, third-party **Claim** or otherwise for contribution or indemnity which is part of, and results directly from, a **Claim** which is not otherwise excluded by the terms of the policy.
- J. Any **Directors and Officers** gaining any personal profit or advantage to which they were not legally entitled.



- K.** The return by the **Directors and Officers** of any remuneration paid to them without the previous approval of the stockholders of the **Company**, which payment without such previous approval shall be held by the Court to be in violation of the law.
- L.** Any **Claim** brought by a person, firm or organization (or its contractor, subcontractor, past or present subsidiary, affiliate, division or licensee) that wholly or partly owns, operates, manages or otherwise controls the **Insured** whether directly or indirectly, or that is wholly or partly owned, operated, managed or otherwise controlled by the **Insured**, whether directly or indirectly, or that is wholly or partly owned, operated, managed or otherwise controlled by the **Insured**, whether directly or indirectly.
- M.** Any **Claim** brought by a firm or organization (or its contractor, subcontractor, past or present subsidiary, affiliate, division or licensee) of which any principal, partner, director, officer or stockholder of the **Insured** directly or indirectly maintains ownership, or who, directly or indirectly, operates, manages or otherwise controls such firm or organization.
- N.** Any **Claim** based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving, any **Wrongful Act** actually or allegedly committed pursuant to a Corporate Takeover.
- O.** Any **Claim** based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving, any offer to purchase or purchase of securities of the **Company** at a premium over their then-current market value, made by the **Company** or by the Directors or Officers, except:
1. Where such offer or purchase extends to all security holders of the **Company**, or
  2. Where an independent legal counsel provided its prior written opinion that such contemplated offer to purchase or purchase would constitute a proper exercise of the **Company's** business judgment, and an independent investment banking firm provided its prior written opinion that such contemplated offer to purchase or purchase would involve fair and adequate consideration.
- P.** Any **Claim** based upon, arising out of, directly or indirectly resulting from or in consequence of, or any way involving, their service as Directors, Officers, or employees of any entity other than the **Insured**, even if directed or requested to serve by the **Insured** as Directors, Officers, or employees of such other entity.
- Q.** Any liability pertaining to the ownership, maintenance, operation of any mobile equipment, including but not limited to automotive, watercraft, or aircraft.
- R.** Liability arising from the performance of **Professional Services** such as design, architecture, engineering, construction management, supervision of construction or any business activities relating to the construction industry.
- S.** Any **Claim** arising out of any obligation under any workers compensation law, unemployment compensation law, or similar law.

## VII. CONDITIONS

Notwithstanding anything in the policy to the contrary, if the **Insured** fails to perform its duties or violates the terms under any one or more the following CONDITIONS hereafter, the **Insured** will void the **Coverage** hereunder, including the **Company's** duty to provide for the defense of the **Insured** or pay **Damages** on the behalf of the **Insured**.

### A. NOTICE OF CLAIM

In the event of a **Claim**, whether or not the demand falls under or in excess of the deductible, the **Purchasing Group Member** shall have the duty to immediately provide written notice to the **Company**, AEIC, Inc., 2056 Westings Avenue, Suite 20, Naperville, IL 60563 or as otherwise may be specified by endorsement to the policy. Such written notice must contain complete details including but not limited to, the exact date the **Claim** was made, location, circumstances giving rise to such **Claim**, all claimants and a full description of the nature and scope of the allegations. The **Purchasing Group Member** must forward to the **Company** every demand, notice, summons or other process immediately. The duty imposed upon the **Purchasing Group Member** hereunder shall not be delegable.

### B. SETTLEMENT

The **Company** shall have the right to negotiate the settlement of any **Claim**, as it deems expedient, whether under or in excess of the deductible, but the **Company** shall not commit the **Purchasing Group Member** to any settlement without the **Purchasing Group Member's** consent. If, however, the **Purchasing Group Member** refuses to consent to a settlement recommended by the **Company** and elects to contest such **Claim** or continue legal proceedings in connection with such **Claim**, the **Company's** liability hereunder shall be limited to the amount for which the **Claim** could have been settled and all **Defense, Supplementary Payments** incurred up to the time of such refusal.

### C. COOPERATION AND ASSISTANCE OF THE INSURED

The **Insured** shall have the duty to fully cooperate with and assist the **Company** with respect to the investigation, defense, settlement, arbitration or appeal of any **Claim** at its own cost. The **Insured** will not be compensated hereunder for any expenses or loss of earnings incurred in such cooperation or assistance, nor will any such expense or loss of earnings apply toward the satisfaction of the deductible. However, the **Company** will pay reasonable costs incurred in obtaining the cooperation of former principals, officers or employees in the defense of a **Claim** under the policy, but only if that cooperation is expressly requested by the **Company**.

### D. ADMISSION OF LIABILITY

In the event of a **Claim**, the **Insured** shall not, without the prior written consent of the **Company**, incur any expenses, including, but not limited to, forgiving or reducing any compensation due or alleged to be due the **Insured**, make any payment, assume any obligation or admit or in any way acknowledge liability for such **Claim**. With the written consent of the **Company**, the **Insured** may attempt or make settlement within the deductible.

### E. SUBROGATION

In the event of any payment under the policy or as a condition of payment, the **Company** shall be subrogated to all of the **Insured's** rights of recovery thereof against any person or organization other than any other **Insured** under the policy and the **Insured** shall execute and deliver instruments and papers and do whatever is necessary to secure such rights. The **Insured** shall do nothing before or after payment of **Claim** to waive or prejudice such rights.

#### **F. NO ACTION AGAINST THE COMPANY**

No action shall lie against the **Company** unless, as a condition precedent thereto, the **Insured** shall have fully complied with all the terms of the policy, and the amount of the **Insured's** obligation to pay shall have been finally determined, either by written agreement of the **Insured**, the claimant, and the **Company** or by final judgment against the **Insured** after actual trial of the issues, and the time to appeal therefrom has expired without an appeal having been taken or, if an appeal has been taken, then until after actual trial of the issues, and the time to appeal therefrom has expired without an appeal having been taken or, if an appeal has been taken, then until after the appeal has been determined.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under the policy to the extent of the insurance afforded by the policy. Nothing contained in the policy shall give any person or organization any right to join the **Company** as a co-defendant in any such action against the **Insured** or to determine the **Insured's** liability.

#### **G. BANKRUPTCY OR INSOLVENCY OF THE INSURED**

Bankruptcy or insolvency of the **Insured** or of the **Insured's** estate shall not relieve the **Company** of any of its obligation hereunder, except as stated in VI. Exclusions D 1.

#### **H. ASSIGNMENT**

Assignment or transfer of interest under the policy shall not bind the **Company** until its consent is endorsed hereon.

#### **I. CHANGES**

Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of the policy or stop the **Company** from asserting any right under the terms of the policy, nor shall the terms of the policy be waived or changed except by endorsements issued to and that form a part of the policy.

All changes in structure of the **Insured** including but not limited to mergers or acquisitions or changes in the type of work undertaken by such **Insured** must be noticed to the **Company** within thirty (30) days of the effective date of such changes. The **Company** will, at its sole discretion, be at liberty to accept or reject such additional exposure(s) and charge an additional premium, as it deems appropriate. No **Coverage** will attach for such additional exposures(s) until the **Company** has agreed to such in writing.

#### **J. PURCHASING GROUP MEMBER AS AGENT**

The **Purchasing Group Member** initially specified in Item 3 of the GENERAL DECLARATIONS shall be considered the agent of the **Insured** with respect to all matters involving the policy and shall be responsible for the payment of all premiums and deductibles and the reimbursement to the **Company** upon demand for all amounts the **Company** may have elected to pay falling under the deductible.

#### **K. PREMIUM**

The premium for the policy shall be the amount specified in Item 4 of the GENERAL DECLARATIONS, provided that if during the **Policy Period** there is a change in the **Coverage** afforded hereunder, the

**Company** shall have the right to adjust such premium as of the date of such change in accordance with the **Company's** prevailing rules and rates.

#### **L. ACCEPTANCE**

By acceptance of the policy, the **Purchasing Group Member** agrees that all provisions of the policy, including all endorsements attached hereto, embody all agreements existing between the **Purchasing Group Member** and the **Company** and supersede any prior agreements, whether expressed or implied.

#### **M. AUDIT**

The **Company** may examine and audit the **Purchasing Group Member's** books and records at any time during the **Policy Period** and extensions thereof and within three years after the final termination of the policy, as far as they relate to the subject matter of this insurance.

#### **N. RECOURSE**

In the event of any payment by the **Company** under the policy by reason of a breach of fiduciary obligation by a fiduciary under the provisions of the Employee Retirement Income Security Act of 1974, the **Company** shall have a right of recourse against such fiduciary to the extent of such payment.

#### **O. THE POLICY SHALL APPLY ONLY IF NO OTHER INSURANCE IS APPLICABLE.**

#### **P. DEFENSE AND SUPPLEMENTARY PAYMENTS**

The **Company** shall:

1. Defend in the **Insured's** name and on behalf of the **Insured** any suit against the **Insured** alleging **Damages** covered under the policy, even if such suit is groundless, false or fraudulent. The **Company** shall have the right to make such investigation and negotiation of any **Claim** as may be deemed expedient by the **Company** as a condition to providing such defense or making payment;
2. Have no duty or obligation to defend any **Insured** in any criminal proceedings;
3. Pay on behalf of the **Insured** appeal costs, premium on bonds, interest prior to and post judgment, if assessed
4. Pay **Damages, Defense(s), Supplementary Payments** but not to exceed the amount specified in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS.

#### **Q. CANCELLATION**

The **Purchasing Group Member** may cancel the policy by mailing to the **Company**, c/o its administrative address, 2056 Westings Avenue, Suite 20, Naperville, IL 60563, or as otherwise may be specified by endorsement to the policy, written notice stating when thereafter such cancellation shall be effective. The **Company** must receive the notice before the requested date of cancellation for the cancellation to take effect.

If the **Purchasing Group Member** invokes cancellation of the policy, the earned premium due to the **Company** by the **Purchasing Group Member** shall be computed in accordance with the customary short rate table with one hundred percent (100%) of any policy issuance fee being fully earned at inception. However, notwithstanding the aforementioned, if any **Claim(s)** or circumstances(s) which may give rise to a **Claim** under the policy is (are) reported to the **Company** during the Policy Period prior to cancellation, then

no premium will be returned to the **Purchasing Group Member** as all premium will be considered earned at the time of such notification.

**The Company may cancel the policy** by mailing to the **Purchasing Group Member**, specified in Item 3 of the GENERAL DECLARATIONS, written notice stating when the cancellation is to take effect, which cannot be less than sixty (60) days nor more than one hundred and twenty (120) days from the date the written notice is sent to the **Purchasing Group Member**, except for non-payment of premium. In the case of non-payment of premium, not less than ten (10) days' advance notice of cancellation shall be given. The mailing of notice as aforesaid shall be sufficient notice of the intent to cancel. The effective date of cancellation specified in such notice shall terminate the Policy Period.

The **Company** can initiate the cancellation process for any reason within sixty (60) days of the policy effectuating. After the policy has been in effect for more than sixty (60) days, reasons for the **Company** to cancel the policy, other than nonpayment of premium as described above, include the following:

- i) A material misrepresentation or nondisclosure of fact to the **Company** at the time the risk was accepted;
- ii) An increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time the risk was accepted;
- iii) A substantial breach of contractual duties, including but not limited to B. INSURING AGREEMENTS, III DEDUCTIBLE, conditions or warranties that materially affect the nature and/or insurability of the risk;
- iv) A fraudulent act against the **Company** by the **Purchasing Group Member** or its representative that materially affects the nature of the risk;
- v) A lack of cooperation from the **Purchasing Group Member** on loss control matters affecting the nature of the risk;
- vi) A change in statutory or case law after the issuance of the policy materially affecting the insurability of the risk.

If the **Company** invokes cancellation of the policy, the earned premium due to the **Company** by the **Purchasing Group Member** shall be computed pro rata. Notwithstanding the aforementioned, if any **Claim(s)** or circumstances(s) which may give rise to a **Claim** under the policy is (are) reported to the **Company** during the Policy Period prior to cancellation, then no premium will be returned to the **Purchasing Group Member** as all premium will be considered earned at the time of such notification.

In the event the **Purchasing Group Member** ceases to be a shareholder of Architects & Engineers Insurance **Company**, A Risk Retention Group, for any reason whatsoever, the **Company** shall cancel the policy in accordance with the aforementioned cancellation procedure.

## **R. EXTENDED REPORTING PERIOD**

In the event of cancellation or nonrenewal of the policy, the **Purchasing Group Member** shall then have the right, in consideration of an additional premium equal to one hundred percent (100%) of the annual premium charged hereunder, to an extension of the **Coverage** granted by the policy, subject to its TERMS, INSURING AGREEMENTS, DEFINITIONS, EXCLUSIONS and CONDITIONS, in respect of any **Claim** first made against the **Purchasing Group Member** and reported in writing to the **Company** during the period of twelve (12) months after the cancellation or expiration date of the policy but only when such **Claim** arises on or after the retroactive date and prior to the cancellation of the policy, or the expiration date as set forth in Item 2 of the GENERAL DECLARATIONS, whichever date is earlier.

To exercise this right, the **Purchasing Group Member** must give notice in writing within thirty (30) days of the cancellation or expiration date of the policy to the **Company** and remit full payment of the premium for this Extended Reporting Period to the **Company** within thirty (30) days of such notice. In the event or failure by the **Purchasing Group Member** to give such notice and remit such premium prior to such date, it shall not at a later date be able to invoke this extension. The mailing by the **Purchasing Group Member**

by registered or certified mail of notice to the **Company** shall be sufficient proof of notice. In the event of the purchase of the Extended Reporting Period, the entire premium shall be deemed earned at its commencement and the **Company** shall not be liable to return any portion of the premium paid for the Extended Reporting Period.

The quotation by the **Company** of a different premium, Limit of Liability, Deductible or changes in policy **Coverage** for the purpose of renewal shall not constitute a refusal to renew by the **Company**.

The purchase of the Extended Reporting Period shall not reinstate or the increase the Limit of Liability as stated in Item 1 of the EXECUTIVE LIABILITY DECLARATIONS.

**S. CONFORMITY TO STATUTE**

Terms of the policy which are not protected by The Liability Risk Retention Act and which are in conflict with any statute of the state wherein the policy is issued are hereby amended to conform to such statutes.

**T. TERRITORY, POLICY PERIOD AND CLAIMS MADE PROVISIONS:**

The policy applies only to wrongful and/or negligent acts, errors or omissions which occur within the United States of America, its territories or possessions, or Canada (unless otherwise endorsed).

**IN WITNESS WHEREOF**, the **Company** has caused B. INSURING AGREEMENTS to be executed and attested, but this **Coverage** shall not be valid unless executed on the GENERAL DECLARATIONS by the **Company's** underwriting manager and by the **Company** below.

\_\_\_\_\_  
**President**

\_\_\_\_\_  
**Treasurer**