

Protection for Community Association LeadersSM

General Terms and Conditions Section

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this Policy, the Company and the Insureds agree as follows:

I. TERMS AND CONDITIONS

Except for these General Terms and Conditions or unless stated to the contrary in any Coverage Section of this Policy, the terms and conditions of each Coverage Section apply only to that Coverage Section. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any Coverage Section, the terms and conditions of such Coverage Section shall control for purposes of that Coverage Section. Any defined term referenced in these General Terms and Conditions but defined in a Coverage Section shall, for purposes of coverage under that Coverage Section, have the meaning set forth in that Coverage Section.

II. GENERAL DEFINITIONS

- (A) **Anniversary Date** means that date and time exactly one (1) year after the date and time set forth in Item 2(A) of the Declarations of these General Terms and Conditions and, if applicable, each succeeding date and time exactly one (1) year after the previous **Anniversary Date**.
- (B) **Claim** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.
- (C) **Coverage Event** means the event or loss which must occur or be sustained in order to invoke coverage under the Crime Coverage Section.
- (D) **Debtor in Possession** means a debtor in possession as such term is used in Chapter 11 of the United States Bankruptcy Code.
- (E) **Insured** means all organizations, plans and natural persons defined as **Insureds** in each Coverage Section.
- (F) **Insured Organization** means the **Parent Corporation** and any **Subsidiary** acquired on or before the inception date as set forth in Item 2(A) of the Declarations or, subject to Section VI Changes in Exposure of these General Terms and Conditions, during the **Policy Period**. **Insured Organization** shall also mean any such entity as a **Debtor in Possession**.
- (G) **Insured Person** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.
- (H) **Parent Corporation** means the entity named in Item 1 of the Declarations.
- (I) **Policy Period** means the period of time set forth in Item 2 of the Declarations, subject to any prior termination in accordance with Section XIV Termination of Policy of these General Terms and Conditions.
- (J) **Policy Year** means the period, within the **Policy Period**, from the date and time set forth in Item 2(A) of the Declarations to the first **Anniversary Date**, or the period from an **Anniversary Date** to its next succeeding **Anniversary Date**, subject to any prior termination as set forth in Section XIV Termination of Policy of these General Terms and Conditions.

Protection for Community Association LeadersSM
General Terms and Conditions Section

- (K) **Property Manager** means the entity or natural persons specifically named, if any, in Item 8 of the Declarations, and any entities or natural persons specifically named as property managers and provided coverage under any policy of which this Policy is a renewal or replacement. If any
- (L) **Property Manager** provided coverage under this Policy, or any policy of which this Policy is a renewal or replacement, is an entity, the term **Property Manager** shall also include **Property Manager Employees** employed by such entity to provide real estate property management services to the **Insured Organization**.
- (M) **Property Manager Employee** means any:
- (1) natural person in the regular service of a **Property Manager** in the ordinary course of such **Property Manager's** business, whom such **Property Manager** governs and directs in the performance of such service, including any part-time, seasonal, leased or temporary employee, or
 - (2) duly elected or appointed director, officer, member of the Board of Managers or management committee member while performing acts within the usual scope of a **Property Manager Employee**.
- (M) **Related Claims** means all **Claims** for **Wrongful Acts** based upon, arising from, or in consequence of the same or related facts, circumstances, situations, transactions or events or the same or related series of facts, circumstances, situations, transactions or events.
- (N) **Subsidiary** means any not for profit entity, which qualifies as a not for profit organization under the provisions of the Internal Revenue Code, during any time in which the **Parent Corporation** owns or controls, directly or through one or more **Subsidiaries**, the right to elect or appoint more than fifty percent (50%) of such entity's directors or trustees.
- (O) **Wrongful Act** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.

III. TERRITORY

Coverage shall extend anywhere in the world.

IV. NOTICE

- (A) Any notice to the **Company** with respect to any Coverage Section shall designate the Coverage Section under which the notice is being given.
- (B) All notices to the **Company** under this Policy of **Claims** or circumstances which could rise to a **Claim** under the Director and Officer Liability Coverage Section; or of **Coverage Events** under the Crime Coverage Section shall be given in writing addressed to:

Attn: Claims Department
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, CT 06070-7683

Protection for Community Association LeadersSM
General Terms and Conditions Section

(C) All other notices to the **Company** under this Policy shall be given in writing addressed to:

Attn: Underwriting
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, CT 06070-7683

D) Any such notice shall be effective on the date of receipt by the **Company** at such address

V. COOPERATION

The **Insureds** agree to provide the **Company** with all information, assistance and cooperation which the **Company** reasonably requests and agree that they will do nothing that may prejudice the **Company's** position or its potential or actual rights of recovery.

VI. CHANGES IN EXPOSURE

(A) **Acquisition of Another Organization**

(1) If any **Insured Organization** creates, acquires or merges with another not for profit entity which qualifies as a not for profit organization under the provisions of the Internal Revenue Code (each an "Acquired Organization") such that the **Insured Organization** is the surviving entity, and if as a result of such creation, acquisition or merger the Acquired Organization would otherwise become a **Subsidiary**, then coverage shall be provided for such Acquired Organization and its **Insureds** subject to:

- (a) the giving of notice of such creation, acquisition or merger by the **Parent Corporation** to the **Company** within sixty (60) days from the effective date of such event, and
- (b) any additional terms, conditions or limitations of coverage, including payment of additional premium, which the **Company**, in its sole discretion, may require.

Coverage provided to any such Acquired Organization and its **Insureds** with respect to:

- (i) the Directors and Officers Liability Coverage Section, if purchased: shall be solely for **Wrongful Acts** committed or allegedly committed after the effective date of such creation, acquisition or merger; and
- (ii) the Crime Coverage Section, if purchased: after the effective date of such creation, acquisition or merger, shall be pursuant to the Liability for Prior Losses Section of the Crime Coverage Section.

(2) If any **Insured Organization** creates, acquires or merges with any for profit entity (each an "Acquired For Profit Organization") such that the **Insured Organization** is the surviving entity, and if as a result of such creation, acquisition or merger the Acquired For Profit Organization becomes a subsidiary, the **Insured Organization** shall provide notice of such creation, acquisition or merger to the **Company** as soon as practicable together with all information requested by the **Company**.

Protection for Community Association LeadersSM

General Terms and Conditions Section

The **Company** may elect, in its sole discretion, to provide coverage for such Acquired For Profit Organization and all persons for whom coverage is requested and such coverage, if provided, shall be subject to any additional terms, conditions or limitations of coverage, including payment of additional premium, which the **Company**, in its sole discretion, may require.

(B) Cessation of Subsidiaries

If any **Subsidiary** ceases to be a **Subsidiary** before or during the **Policy Period**, then with respect to:

- (1) the Directors and Officers Liability Coverage Section, if purchased: coverage under this Policy shall continue for such **Subsidiary** and its **Insureds** until the expiration of this Policy, but solely for **Claims** for **Wrongful Acts** committed or allegedly committed prior to the effective date of such cessation; and
- (2) the Crime Coverage Section, if purchased: such **Subsidiary** and its **Insureds** cease to be **Insureds** as of the effective date of such cessation, and coverage under this Policy shall apply as provided in the Crime Coverage Section.

(C) Conversion of Coverage under Certain Circumstances

If, during the **Policy Period**, any of the following events occur:

- (1) the acquisition of all or substantially all of the **Parent Corporation's** assets, by another organization, person or group of organizations or persons acting in concert, or the merger or consolidation of the **Parent Corporation** into or with another entity such that the **Parent Corporation** is not the surviving entity; or
- (2) another organization, person or group of organizations or persons acting in concert acquires the right to elect or appoint more than fifty percent (50%) of the **Parent Corporation's** directors, members of the Board of Managers or management committee members of the **Parent Corporation**;

coverage under this Policy shall, with respect to:

- (a) the Directors and Officers Liability Coverage Section, if purchased: continue until the expiration of this Policy, solely for **Claims** for **Wrongful Acts** committed or allegedly committed prior to such event;
- (b) the Crime Coverage Section, if purchased: terminate subject to Exclusion (G) of such Coverage Section.

The **Parent Corporation** shall give written notice of such event to the **Company** as soon as practicable together with such information as the **Company** may require, and the entire premium for this Policy will be deemed fully earned as of such event.

VII. REPRESENTATIONS AND SEVERABILITY

- (A) In granting coverage to the **Insureds** under this Policy, the **Company** has relied upon the declarations and statements in the written application(s) for this Policy. Such declarations and statements are the basis of the coverage under this Policy and shall be considered as incorporated in and constituting part of this Policy.

Protection for Community Association LeadersSM
General Terms and Conditions Section

- B) Solely with respect to the Directors and Officers Liability Coverage Section, if purchased, any written application(s) for coverage shall be construed as a separate application(s) for coverage by each **Insured Person**. With respect to the declarations and statements in such application(s):
- 1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for the purpose of determining if coverage is available; and
 - (2) only facts pertaining to and knowledge possessed by any past, present or future President or Chairperson of any **Insured Organization** or any other individual signing such application(s) shall be imputed to any **Insured Organization** for the purpose of determining if coverage is available.

VIII. VALUATION AND FOREIGN CURRENCY

All premiums, limits, deductibles, loss and other amounts under this Policy are expressed and payable in the currency of the United States of America. If a judgment is rendered, a settlement is denominated or any element of loss under this Policy is stated in a currency other than United States of America dollars, payment under this Policy shall be made in United States of America dollars at the rate of exchange published in *The Wall Street Journal* on the date the final judgment is reached, the amount of the settlement is agreed upon or any element of loss is due, respectively.

IX. SUBROGATION

In the event of any payment under this Policy, the **Company** shall be subrogated to the extent of such payment to all of the **Insured's** rights of recovery, and such **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the **Company** effectively to bring suit or otherwise pursue subrogation rights in the name of such **Insured**.

X. RECOVERIES

- (A) Recoveries of loss with respect to any **Claim** or **Coverage Event**, whether effected by the **Company** or by an **Insured**, less the cost of recovery, shall be distributed as follows:
- (1) first, to an **Insured** for the amount of such loss, otherwise covered, in excess of the applicable Limits of Liability;
 - (2) second, to the **Company** for the amount of such loss paid to an **Insured** as covered **Loss**;
 - (3) third, to an **Insured** for the Deductible Amount applicable to such loss;
 - (4) fourth, to an **Insured** for the amount of such loss excluded under this Policy.
- (B) Recovery from reinsurance or indemnity of the **Company** shall not be deemed a recovery hereunder.

XI. ACTION AGAINST THE COMPANY

No action may be taken against the **Company** unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the **Company** as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the **Company** be impleaded by such **Insured** or legal representatives of such **Insured**.

XII. PARENT CORPORATION RIGHTS AND OBLIGATIONS

By acceptance of this Policy, the **Parent Corporation** is considered the sole agent of and will act on behalf of each **Insured** with respect to: the payment of premiums and the receiving of any return premiums that may become due under this Policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice, including but not limited to any Reservation of Rights Letters, Notice of Claim or Proof of Loss (except the giving of notice to apply for the Extended Reporting Period); the adjustment of the amount of **Loss** submitted; the giving of written notice of termination and the receipt or enforcement of payment of a **Loss**; and the **Parent Corporation** shall be responsible for application of any such payment, as provided for in this Policy, and each **Insured** agrees that the **Parent Corporation** shall act on their behalf.

XIII. ALTERATION AND ASSIGNMENT

No change in, modification of, or assignment of interest under this Policy shall be effective except when made by written endorsement to this Policy which is signed by an authorized employee of Chubb & Son, a division of Federal Insurance Company.

XIV. TERMINATION OF POLICY

- (A) This Policy shall terminate at the earliest of the following times:
- (1) upon receipt by the **Company** of written notice of termination from the **Parent Corporation**; provided that this Policy may not be terminated by the **Parent Corporation** after the effective date of any event described in Section VI Changes in Exposure (C) of these General Terms and Conditions;
 - (2) upon expiration of the **Policy Period** as set forth in Item 2(B) of the Declarations;
 - (3) twenty (20) days after receipt by the **Parent Corporation** of a written notice of termination from the **Company** based upon non-payment of premium, unless the premium is paid within such twenty (20) day period;
 - (4) thirty (30) days after receipt by the **Parent Corporation** of a written notice of termination from the **Company** for any reason other than non-payment of premium; or
 - (5) at such other time as may be agreed upon by the **Company** and the **Parent Corporation**.

Protection for Community Association LeadersSM
General Terms and Conditions Section

- (B) The **Company** shall refund the unearned premium computed at customary short rates if this Policy is terminated by the **Parent Corporation**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the **Company** shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable.
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XV. TERMINATION OF PRIOR BONDS OR POLICIES

Any prior bonds or policies issued by the **Company** or its affiliates and specified in Item 9 of the Declarations shall terminate, if not already terminated, as of the inception of this Policy.

XVI. BANKRUPTCY

Bankruptcy or insolvency of any **Insured** shall not relieve the **Company** of its obligations nor deprive the **Company** of its rights or defenses under this Policy.

XVII. HEADINGS

The descriptions in the headings and sub-headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage.

SPECIMEN