

# Carolina Casualty Insurance Company

Accountants Professional Liability Insurance Policy

Specimen

***This is a Claims Made Policy. Please read it carefully.***

CLAIMS MADE WARNING FOR POLICY

NOTICE: THIS POLICY PROVIDES COVERAGE ON A CLAIMS MADE AND REPORTED BASIS SUBJECT TO ITS TERMS. THIS POLICY APPLIES ONLY TO ANY "CLAIM" FIRST MADE AGAINST THE INSUREDS AND REPORTED TO THE INSURER DURING THE POLICY PERIOD OR ANY EXTENDED REPORTING PERIOD THAT MAY APPLY.

PLEASE READ AND REVIEW THE POLICY CAREFULLY AND DISCUSS THE COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

In consideration of the payment of the premium, in reliance on all statements in the **Proposal** and all other information provided to the **Insurer**, and subject to all provisions of this Policy, the **Insurer** and **Insureds** agree as follows:

I. Insuring Agreement

Accountants Professional Liability Insurance

This Policy shall pay on behalf of the **Insured** all **Damages** and **Claims Expense** that the **Insured** shall become legally obligated to pay, arising from any **Claim** first made against an **Insured** during the **Policy Period** and reported to the **Insurer** in writing during the **Policy Period** or within 60 days thereafter, for any **Wrongful Act**, provided that prior to the inception date of the first Accountants Professional Liability Insurance Policy issued by the **Insurer** to the **Named Insured**, which has been continuously renewed and maintained in effect to the inception of this **Policy Period**, the **Insured** did not know, or could not reasonably foresee that such **Wrongful Act** might reasonably be expected to be the basis of a **Claim**.

II. Extended Reporting Periods

- A. If the **Named Insured** cancels or if the **Insurer** or the **Named Insured** refuses to renew this Policy, then the **Named Insured** shall have the right, upon payment of the appropriate percentage of the "full annual premium", as stated in Item 6. A. of the Declarations, to an extension of the coverage granted by this Policy with respect to any **Claim** first made and reported during the appropriate period of months, as stated in Item 6. A. of the Declarations, after the date upon which the **Policy Period** ends, but only with respect to any **Wrongful Act** fully occurring prior to the end of the **Policy Period** and otherwise covered by this Policy. Such period of months shall be referred to as the Extended Reporting Period. As used herein, "full annual premium" means the premium level in effect immediately prior to the end of the **Policy Period**. The rights contained in this paragraph shall terminate, however, unless written notice of such election together with the additional premium due is received by the **Insurer** within 60 days of the effective date of cancellation or non-renewal.
- B. Without any additional premium being required, there shall be an automatic extension of the coverage granted by this Policy with respect to any **Claim** first made and reported during a period of 60 days after the date upon which the **Policy Period** ends, but only with respect to any **Wrongful Act** fully occurring prior to the end of the **Policy Period** and otherwise covered by this Policy and only if there is no other policy or policies that would otherwise provide insurance for such **Wrongful Act**. This 60 day period shall be referred to as the Automatic Extended Reporting Period.
- C. The Automatic Extended Reporting Period or the Extended Reporting Period shall not be available if the **Insured's** license is revoked, suspended by or surrendered at the request of any regulating authority.
- D. If the **Named Insured** is a sole proprietorship or a two-professional firm, and during the **Policy Period** the **Named Insured** cancels or refuses to renew this Policy due to his or her retirement from active business, and has completely ceased providing **Professional Services**, then the **Named Insured** shall have the right, upon payment of the appropriate percentage of the "full annual premium", as stated in Item 6. B. of the Declarations, to an extension of the coverage granted by this Policy with respect to any **Claim** first made and reported during the appropriate period of months, as stated in Item 6. B. of the Declarations, after the date upon which the **Policy Period** ends, but only with respect to any **Wrongful Act** fully occurring prior to the end of the **Policy Period** and otherwise covered by this Policy. Such period of months shall be referred to as the Retirement Extended Reporting Period. As used herein, "full annual premium" means the premium level in effect immediately prior to the end of the **Policy Period**. The rights contained in this paragraph shall terminate, however, unless written notice of such election together with the additional premium due is received by the **Insurer** within 60 days of the effective date of cancellation or non-renewal.
- E. If the **Named Insured** is a sole proprietorship or a two-professional firm, and during the **Policy Period** the **Named Insured** cancels or refuses to renew this Policy due to the death or disability of an **Insured**, then the **Named Insured** shall have the right, without any additional premium being required, to an extension of the coverage granted by this Policy with respect to any **Claim** first made and reported during an unlimited period of months after the date upon which the **Policy Period** ends, but only with respect to any **Wrongful Act** fully occurring prior to the death or disability of the **Insured** and otherwise covered by this Policy. Such unlimited period of months shall be referred to as the Death or Disability Extended Reporting Period. As used herein, "disability" means the **Insured** is medically judged to be totally and permanently unable to provide **Professional Services**. The rights contained in this paragraph shall terminate, however, unless written notice of such election together with written evidence of death or disability is provided to the **Insurer** within 60 days of the effective date of cancellation or non-renewal.

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- F. As a condition precedent to the right to purchase or elect any Extended Reporting Periods referenced above, the total premium for this Policy and all Deductible obligations must have been paid.
- G. The additional premium for any of the aforementioned Extended Reporting Periods shall be fully earned at the inception of any Extended Reporting Period.

### III. Definitions

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Whenever printed in boldface type and whether in the singular or plural form in this Policy, the following terms shall have the meanings indicated below.

- A. **"Claim"** means a written demand for money or services including, but not limited to, the service of suit(s), a request that an **Insured** agree to waive a legal right or sign an agreement to toll the statute of limitations, or a demand for arbitration; provided, however, **Claim** shall not include any proceedings before a state licensing board or similar authority, except as otherwise provided in section V. Supplemental Coverages, of this Policy. A **Claim** shall be deemed to have been first made at the time notice of the **Claim** is first received by any **Insured**.
- B. **"Claims Expense"** means reasonable and necessary fees, costs and expenses (including premiums for any appeal bond, attachment bond or similar bond, but without any obligation to apply for or furnish any such bond) resulting solely from the investigation, adjustment, defense and appeal of a covered or potentially covered **Claim** against the **Insureds**, but excluding salaries, wages, overhead or benefit expenses associated with any **Insured**, or any amount covered by the duty to defend obligation of any other insurer.
- C. **"Damages"** means a monetary judgment, award or settlement, pre-judgment interest and post-judgment interest; provided, however, **Damages** shall not include:
  - 1. civil or criminal fines, sanctions, or penalties imposed by law or otherwise, or
  - 2. punitive or exemplary damages, or any multiplied damages award in excess of the amount so multiplied, or
  - 3. any matter deemed uninsurable under the law pursuant to which this Policy shall be construed, or
  - 4. fees, costs and expenses paid to, incurred or charged by the **Insured**, whether claimed as forfeiture, restitution of specific funds, financial loss, set-off or otherwise, and injuries that are a consequence of any of the foregoing, or
  - 5. equitable, non-pecuniary or injunctive relief, or the cost thereof.
- D. **"Domestic Partner"** means any natural person qualifying as a domestic partner under the provisions of any applicable federal, state or local law or under the provisions of any formal program established by the **Named Insured**.
- E. **"Electronic Mail"** means the transmission of messages and information over a closed, private network, or a semi-public network that provides a public access to an on-line service for a fee, or the Internet.
- F. **"Insured"** means:
  - 1. the **Named Insured** and any **Predecessor Firm**;
  - 2. any individual or professional corporation who is or becomes a partner, officer, director, stockholder, or employee of the **Named Insured**, but solely while acting within the scope of their duties on behalf of the **Named Insured**;
  - 3. any individual or professional corporation who was a partner, officer, director, stockholder, or employee of the **Named Insured** or **Predecessor Firm**, but solely while acting within the scope of their duties on behalf of the **Named Insured** or **Predecessor Firm**;
  - 4. any non-affiliated person or entity, including their partners, officers, directors, stockholders or employees, but solely for **Professional Services** performed on behalf of, and within the course and scope of their contract with, the **Named Insured** or **Predecessor Firm**;
  - 5. the heirs, executors, administrators, and legal representatives of each **Insured** in the event of death, incapacity or bankruptcy, but solely with respect to the liability of each **Insured** as otherwise covered by this Policy;
  - 6. a lawful spouse or **Domestic Partner** of any **Insured**, but only with respect to a **Claim** against such spouse or **Domestic Partner** for a **Wrongful Act** actually or allegedly committed by the **Insured** provided that the same counsel represents such **Insured** and his or her spouse or **Domestic Partner** in such **Claim**.
- G. **"Insurer"** means the entity issuing this Policy as listed on the Declarations Page.
- H. **"Named Insured"** means the corporation, individual, limited liability corporation, limited liability partnership, partnership, or professional association named in Item 1. of the Declarations.
- I. **"Personal Injury"** means invasion of privacy, wrongful entry, eviction, false arrest, false imprisonment, malicious prosecution, libel, slander, mental anguish, humiliation, or emotional distress, oral or written publication of defamatory or disparaging material, or the inadvertent disclosure of confidential or privileged information communicated by **Electronic Mail**.

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- J. "Policy Period" means the period of time from the inception date shown in Item 2. of the Declarations to the earlier of the expiration date shown in Item 2. of the Declarations or the effective date of cancellation of this Policy.
- K. "Predecessor Firm" means any corporation, individual, limited liability corporation, limited liability partnership, partnership, or professional association to whose financial assets and liabilities the **Named Insured** is the majority successor in interest. **Predecessor Firm** does not include any corporation, individual, limited liability corporation, limited liability partnership, partnership, or professional association to whose financial assets and liabilities the **Named Insured** becomes the majority successor in interest during the **Policy Period** unless the **Insurer**, in its sole discretion, and the **Named Insured** agree to include such corporation, individual, limited liability corporation, limited liability partnership, partnership, or professional association as a **Predecessor Firm**. The **Named Insured** shall accept any premium adjustment or coverage revisions which the **Insurer** may require.
- L. "Professional Services" means services:
1. performed or advice given by an **Insured** solely in the **Insured's** practice in accountancy, financial planning and consulting, or
  2. performed by an **Insured** as an administrator, executor, mediator, notary public, trustee or similar fiduciary capacity, or
  3. performed by an **Insured** in consulting, training, servicing, ordering, delivering or installing computer hardware, software or related supplies; provided, however, such products are designed specifically for the sole use of the **Insured** or the **Insured's** clients, or
  4. performed by an **Insured** in connection with a formal accreditation board, standards review or similar professional board or committee related to the accounting profession;
- provided, however, that in all events, coverage as is afforded with respect to **Professional Services** shall only apply for such services performed by an **Insured**:
- a. for remuneration inuring to the benefit of the **Named Insured** or a **Predecessor Firm**, or
  - b. on a pro bono basis, but solely if, prior to the performance of such services, a partner, director or officer of the **Named Insured** or a **Predecessor Firm** approved the performance of such services without a fee.
- M. "Proposal" means the Proposal Form and any material submitted therewith.
- N. "Related Wrongful Act" means **Wrongful Acts** which are logically or causally connected by reason of any common fact, circumstance, situation, transaction, casualty, event or decision.
- O. "Wrongful Act" means any actual or alleged act, error, breach of duty, omission, or **Personal Injury** arising out of **Professional Services** rendered by an **Insured** or by any person for whose act or omission the **Insured** is legally responsible.

### IV. Exclusions

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The **Insurer** shall not be liable to make any payment for **Damages** or **Claims Expense** in connection with a **Claim** made against any **Insured**:

- A. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving a dishonest, fraudulent, criminal, or malicious act or omission committed by or at the direction of, or ratified by any **Insured**; provided, however, the **Insurer** will provide a defense for any such **Claims**, without any liability by the **Insurer** to pay such sums that any **Insured** shall become legally obligated to pay as **Damages**;
- [INNOCENT INSURED PROVISION: Whenever coverage under this Policy would be excluded, suspended, or lost because of Exclusion A., the **Insurer** agrees that such insurance, as would otherwise be afforded under this Policy, shall be applicable with respect to an **Insured**, other than the **Named Insured** and any **Predecessor Firm**, who did not personally participate or personally acquiesce in or remain passive after having knowledge of such conduct.]
- B. by, on behalf of, or in the right of any **Insured**, or in the right of any business enterprise, not named in Item 1. of the Declarations if any **Insured** owns more than a 10 percent interest, or in which any **Insured** is an owner, partner, or employee, or which is directly or indirectly controlled, operated, or managed by any **Insured**;
- C. as the beneficiary or distributee of any trust or estate;
- D. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving:
1. physical injury to or destruction of any tangible property, including the loss of use thereof; provided, however, this exclusion shall not apply to client records in the care, custody or control of any **Insured**, or
  2. bodily injury, sickness, disease, death, assault or battery of any person;
- E. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any **Insured's** activities or their capacity as:
1. an officer, director, partner, trustee, or employee of a business enterprise, not named in Item 1. of the Declarations, a non-profit organization, or a pension, welfare, profit sharing, mutual or investment trust or fund, or

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2. a public official, employee, or agent of a governmental body, subdivision, or agency, unless the **Insured** is deemed to be a public official, employee, or agent of such entity solely by virtue of rendering **Professional Services** to it, or
  3. a fiduciary under the Employee Retirement Income Security Act of 1974 as amended or any regulations promulgated thereunder or any similar provisions of any state or federal common law or statute;
- F. which is insured in whole or in part by another valid policy, except with respect to any excess beyond the amount or amounts of coverage under such other policy whether such other policy is stated to be primary, contributory, excess, contingent, or otherwise;
- G. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any actual or alleged seepage, pollution, nuclear reaction, radiation or contamination of any kind;
- H. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving liability assumed by any **Insured** in a contract or agreement; provided, however, this exclusion shall not apply to the extent that an **Insured** would have been liable in the absence of the contract or agreement;
- I. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving:
1. any **Wrongful Act** alleged in any claim which has been reported, or in any circumstance of which notice has been given, prior to the **Policy Period** under any other policy, or
  2. any other **Wrongful Act** whenever occurring, which together with a **Wrongful Act** which has been the subject of such claim or notice, would constitute **Related Wrongful Acts**;
- J. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any actual or alleged breach of express or implied warranty or guarantee, including as to the investment return for any individual financial plan, fluctuations in or the future value of any investment;
- K. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving the promotion, sale or solicitation of any security, tax shelter, insurance, real estate or investment, or any **Insured's** activities or capacity as a Broker or Dealer as those terms are defined in Sections 3(a)(4) and 3(a)(5), respectively, of the Securities Exchange Act of 1934;
- L. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving unfair competition, infringement of any copyright, title, slogan, patent, trademark, trade name, trade dress, service mark or service name;
- M. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving the **Insured's** unauthorized use of confidential, privileged or non-public material or information for any purpose;
- N. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving the use of, or existence of, any condition in or a warranty of, products sold or distributed by any **Insured**.

## V. Limits of Liability and Deductible

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- A. The Limits of Liability stated in Item 3. of the Declarations are the limits of the **Insurer's** liability for all **Damages** and **Claims Expense** arising out of all **Claims** first made against the **Insureds** during the **Policy Period** and any Extended Reporting Period(s) that may apply. The Limits of Liability for any Extended Reporting Period(s) that may apply shall be part of, and not in addition to, the Limits of Liability stated in Item 3. of the Declarations. In the event the Limits of Liability stated in Item 3. of the Declarations are exhausted by payment of **Damages** and/or **Claims Expense**, or have been tendered to or on behalf of the **Insured**, then any and all obligations of the **Insurer** hereunder shall be deemed to be completely fulfilled and extinguished.
- B. The maximum Limit of Liability for all **Claims** under this Policy shall not exceed the aggregate Limit of Liability stated in Item 3. B. of the Declarations.
- C. **Claims Expense** shall first be applied against the Deductible and shall be part of and not in addition to the applicable Limits of Liability stated in Item 3. of the Declarations. Payment of **Claims Expense** shall reduce the applicable Limits of Liability stated in Item 3. of the Declarations.
- D. The Deductible amount stated in Item 4. of the Declarations shall be borne by the **Named Insured** and shall apply to each and every **Claim**. The **Insurer** shall only be liable for the amount of **Damages** and/or **Claims Expense** arising from a **Claim** which is in excess of the Deductible amount stated in Item 4. of the Declarations.
- Such amounts shall, upon written demand by the **Insurer**, be paid by the **Named Insured** within 30 days. If the **Named Insured** fails to pay the Deductible, then all the **Insureds** shall be jointly and severally obligated to pay the Deductible. Any funds advanced by the **Insurer** shall serve to reduce the Limits of Liability. If the **Insurer** brings suit to collect the Deductible, then the **Insured** responsible to pay the Deductible also shall pay the legal fees, costs and expenses incurred by the **Insurer** to collect the Deductible.
- E. The Deductible amount stated in Item 4. of the Declarations shall be reduced by 50 percent, up to a maximum of \$25,000, when the **Insured** seeks resolution of a covered **Claim** by participation in formal mediation or non-binding arbitration proceedings with the consent of the **Insurer**.

## Supplemental Coverages

The **Insurer** will pay:

- F. up to a maximum aggregate limit of \$7,500 per **Policy Period** for all **Insureds** for reasonable legal fees, costs and expenses resulting from the investigation or defense of an **Insured** in a proceeding before a state licensing board or similar authority arising out of any **Wrongful Act** by such **Insured**, but only if such legal fees, costs, or expenses are incurred after notice is first received by the **Insured** during the **Policy Period** and reported to the **Insurer** in writing during the **Policy Period**. The Deductible shall not apply to this coverage and any payments made hereunder shall not reduce the Limits of Liability stated in Item 3. of the Declarations.
- G. up to \$250 for actual loss of earnings to each **Insured** for each day or part of a day of such **Insured's** attendance, at the **Insurer's** written request, at a trial, hearing, or arbitration proceeding involving a **Claim** against an **Insured**, up to a maximum aggregate limit of \$10,000 per **Policy Period** for all **Insureds**. The Deductible shall not apply to this coverage and any payments made hereunder shall not reduce the Limits of Liability stated in Item 3. of the Declarations.
- H. expenses incurred with the **Insurer's** prior written consent resulting from subpoenas for documents or testimony including legal advice, legal counsel and the production of documents arising out of any **Wrongful Act** otherwise covered under this Policy. Any notice the **Insured** provides to the **Insurer** of such subpoena shall be deemed a notification of a potential claim under section VII. B. Any such legal fees and expenses incurred by the **Insurer** in responding to such subpoena shall be part of, and not in addition to, the Limits of Liability stated in item 3. of the Declarations. No Deductible will apply to such legal fees and expenses.
- I. an additional 10 percent of the Limit of Liability stated in Item 3. A. of the Declarations up to a maximum aggregate limit of \$100,000 per **Policy Period** for **Claims Expense**, but only for a single **Claim** occurring after the aggregate Limit of Liability stated in Item 3. B. of the Declarations is exhausted by payment under this Policy. The Deductible shall not apply to this coverage.

## VI. Defense, Cooperation and Settlements

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- A. An **Insured** shall not admit liability, enter into any settlement agreement, stipulate to any judgment, agree to arbitration, or incur **Claims Expense** without the **Insurer's** prior written consent. The **Insurer's** consent shall not be unreasonably withheld, provided that the **Insurer** shall be entitled to full information and all particulars it may request in order to reach a decision regarding such consent. Any **Damages** and/or **Claims Expense** incurred and settlements agreed to prior to the **Insurer** giving its consent shall not be covered hereunder.
- B. The **Insurer** shall have the right and the duty to defend any **Claim** for **Damages** which are covered by this Policy. The **Insurer's** right and duty to defend any **Claim** shall end when the Limit of Liability has been exhausted by payment of **Damages** and/or **Claims Expense**, or has been tendered to, or on behalf of, the **Insured**, or to a court of competent jurisdiction. The **Insurer** has no obligation to provide **Claims Expense** for any **Claim** for **Damages** not covered by this Policy.
- C. Each **Insured** shall cooperate with the **Insurer** in the defense and settlement of any **Claim**, and in enforcing any right of contribution or indemnity against any person or organization that may be liable to the **Insured**, at no cost to the **Insurer**. Upon the request of the **Insurer**, the **Insured** shall submit to examination and interrogation, under oath if required by a representative of the **Insurer**, and shall attend hearings, depositions and trials, assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses, as well as giving written statements to the **Insurer's** representatives, and meeting with such representatives for purposes of investigation or defense, all without charge to the **Insurer**.
- D. The **Insurer** shall not settle any **Claim** without the **Named Insured's** consent. If, however, the **Named Insured** shall refuse to consent to any settlement recommended by the **Insurer**, which is acceptable to the claimant, and shall elect to contest the **Claim**, or continue any legal, administrative, or arbitration proceedings in connection with such **Claim**, then the **Insurer's** liability for the **Claim** shall not exceed the amount for which the **Claim** could have been settled, including **Claims Expense** incurred up to the date of such refusal. Such amounts are subject to the provisions of section V. In the event that the **Named Insured** refuses to consent to any settlement as set forth in this section VI. D., the **Insurer's** right and duty to defend such **Claim** shall end upon the date of such refusal.

## VII. Notice of Claim and Multiple Claims

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- A. As a condition precedent to their rights under this Policy, an **Insured** shall give the **Insurer** written notice of any **Claim** as soon as practicable, but in no event later than 60 days after such **Claim** is first made.
- B. If during the **Policy Period** the **Insureds** become aware of any fact, circumstance or situation which may reasonably be expected to give rise to a **Claim** being made against any **Insured** and shall give written notice to the **Insurer**, as soon as practicable (but prior to the expiration of or cancellation of the Policy), of:
  - 1. the specific fact, circumstance or situation, with full details as to dates, persons, and entities involved; and
  - 2. the injury or damages which may result therefrom; and
  - 3. the circumstances by which the **Insured** first became aware thereof;

then any **Claim** subsequently made arising out of such fact, circumstance or situation shall be deemed to have been made when notice was first given to the **Insurer**.

- C. All **Claims** based upon or arising out of the same **Wrongful Act** or any **Related Wrongful Acts**, or one or more series of any similar, repeated or continuous **Wrongful Acts** or **Related Wrongful Acts**, shall be considered a single **Claim**. Each **Claim** shall be deemed to be first made at the earliest of the following times:
1. when the earliest **Claim** arising out of such **Wrongful Act** or **Related Wrongful Acts** is first made, or
  2. when notice pursuant to section VII. B. above of a fact, circumstance or situation giving rise to such **Claim** is given.
- D. In addition to furnishing the notice as provided in sections VII. A. and VII. B. above, the **Insureds** shall give the **Insurer** such information and cooperation as it may reasonably require and shall, as soon as practicable, furnish the **Insurer** with copies of reports, investigations, pleadings and other papers in connection therewith.

## **VIII. General Conditions**

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### **A. Termination of Policy and Non-Renewal**

1. This Policy shall terminate at the earliest of the following times:
  - a. upon the receipt by the **Insurer** of written notice of cancellation from the **Named Insured**;
  - b. upon expiration of the **Policy Period** as set forth in Item 2. of the Declarations;
  - c. at such other time as may be agreed between the **Named Insured** and the **Insurer**; or
  - d. upon written notice by the **Insurer** of cancellation for non-payment of premium.
2. The **Insurer** may not cancel this Policy except for non-payment of any premium when due. The **Insurer** shall provide at least 20 days written notice to the **Named Insured** prior to any cancellation for non-payment of any premium.
3. If this Policy is cancelled by the **Named Insured**, the **Insurer** shall retain the customary short rate proportion of the premium herein. Payment or tender of any unearned premium by the **Insurer** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.
4. If the **Insurer** decides not to renew this Policy, the **Insurer** shall provide written notice to the **Named Insured** at least 60 days prior to the end of the **Policy Period**. The notice shall include the reason for such non-renewal.
5. Any notices to be given to the **Named Insured** under this section VIII. shall be provided to the **Named Insured** at the last known principal address and to its insurance agent or broker. The mailing by certified mail of such notice shall be sufficient.

### **B. Proposal**

The **Proposal** is the basis of this Policy and is incorporated in and constitutes a part of this Policy. A copy of the Proposal Form(s) is attached hereto. Any materials submitted with the Proposal Form(s) shall be maintained on file with the **Insurer** and shall be deemed to be attached hereto as if physically attached. It is agreed by the **Insureds** that the statements in the **Proposal** are their representations, that they are material and that this Policy is issued in reliance upon the truth of such representations.

### **C. Action Against the Insurer**

No action shall lie against the **Insurer** unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Policy, nor until the amount of the **Insureds'** obligation to pay shall have been finally determined either by judgment against the **Insureds** after actual trial or by written agreement of the **Insureds**, the claimant and the **Insurer**.

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. No person or organization shall have any right under this Policy to join the **Insurer** as party to any action against the **Insureds** to determine the **Insureds'** liability, nor shall the **Insurer** be impleaded by the **Insureds** or their legal representatives. Bankruptcy or insolvency of the **Insureds** or of their estates shall not relieve the **Insurer** of any of its obligations hereunder.

### **D. Changes in Exposure**

If during this **Policy Period** the **Named Insured** shall consolidate or merge with or into, or sell all or substantially all of its assets to any other person or entity or group of persons and/or entities acting in concert (herein referred to as "Transaction") then, this Policy shall continue in full force and effect as to any **Wrongful Acts** fully occurring prior to the Transaction, but there shall be no coverage afforded by any provision of this Policy for any actual or alleged **Wrongful Acts** occurring after the Transaction. This Policy may not be cancelled following a Transaction and the entire premium for this Policy shall be deemed fully earned as of the Transaction. The **Named Insured** shall give the **Insurer** written notice of the Transaction as soon as practicable but not later than 30 days after the Transaction.

If during the **Policy Period** there is a 50 percent or greater change in the **Named Insured's** total accountant population, then the **Named Insured** shall give the **Insurer** written notice of such changes as soon as practicable but not later than 60 days after the effective date of such change; provided, however, that this provision shall not apply if the **Named Insured** had less than 6 accountants who met the definition of **Insured** at the Policy inception date. The **Named Insured** shall accept any premium adjustment or coverage revisions which the **Insurer** may require.

**E. Subrogation**

In the event of any payment under this Policy, the **Insurer** shall be subrogated to the extent of such payment to all the **Insureds'** rights of recovery thereof, and the **Insureds** shall execute all papers required and shall do everything that may be necessary to secure such rights including the execution of such documents necessary to enable the **Insurer** to effectively bring suit in the name of the **Insureds**. In no event, however, shall the **Insurer** exercise its rights of subrogation against an **Insured** under this Policy unless such **Insured** has been convicted of a criminal act, or been judicially determined to have committed a deliberate fraudulent act, or obtained any profit or advantage to which such **Insured** was not legally entitled.

Any amount recovered pursuant to the exercise of such rights of subrogation shall be applied as follows: (1) to the repayment of expenses incurred toward subrogation; (2) to **Damages** and/or **Claim Expenses** paid by the **Insured** in excess of the Limits of Liability hereunder; (3) to **Damages** and/or **Claim Expenses** paid by the **Insurer**; (4) to **Damages** and **Claim Expenses** paid by the **Insured** in excess of the Deductible; and (5) to repayment of the Deductible.

**F. Assignment**

This Policy and any and all rights hereunder are not assignable without the written consent of the **Insurer**.

**G. Entire Agreement**

By acceptance of this Policy, the **Insureds** and the **Insurer** agree that this Policy (including the **Proposal**) and any written endorsements attached hereto constitute the entire agreement between the parties.

**H. Representation by Named Insured**

It is agreed that the **Named Insured** shall act on behalf of all **Insureds** with respect to the giving and receiving of notices, the payment of premiums and the receiving of any return premiums that may become due under this Policy, the receipt and acceptance of any endorsements issued to form a part of this Policy and the exercising or declining to exercise any right to an Extended Reporting Period.

**I. Coverage Territory**

This Policy applies to a **Wrongful Act** taking place anywhere in the world, but only if the **Claim** is made and suit is brought against the **Insured** within the United States of America, its territories or possessions.

In witness whereof, the **Insurer** has caused this Policy to be signed by its President and Chief Executive Officer and Secretary, but this Policy shall not be valid unless countersigned on the Declarations Page by a duly authorized representative of the **Insurer**.



President and Chief Executive Officer



Secretary