

# Carolina Casualty Insurance Company

Employment Practices Liability Insurance  
Coverage Section

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

**CLAIMS MADE WARNING FOR POLICY**

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**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 THE EXTENDED REPORTING PERIOD (IF APPLICABLE).**

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

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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**

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**Employment Practices Liability Insurance**

This **Policy** shall pay on behalf of the **Insureds** all **Loss** arising from any **Claim** first made against the **Insureds** during the **Policy Period** and reported to the **Insurer** in writing during the **Policy Period** or within 90 days thereafter, for any **Wrongful Act**.

**II. Extended Reporting Period**

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Refer to Common Policy Terms and Conditions Section.

**III. Additional Definitions**

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In addition to the Definitions listed in section III. of the Common Policy Terms and Conditions Section, whenever printed in boldface type, and whether in the singular or plural form, in this **Coverage Section** the following terms shall have the meanings indicated below.

- A. **"Claim(s)"** means a written demand for monetary or non-monetary relief or an administrative or regulatory investigation or proceeding commenced by or before a federal, state, local or foreign agency; provided, however, the term **Claim** shall not include any grievance or arbitration subject to a collective bargaining agreement. A **Claim** shall be deemed to have been first made at the time notice of the **Claim** is first received by any **Insured**.
- B. **"Costs of Defense"** 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 (including back pay and front pay), award or settlement, pre-judgment interest and post-judgment interest; provided, however, **Damages** shall not include:
  - 1. taxes (provided, however, that the **Insurer** will reimburse an **Insured Entity** for any employer share of payroll taxes on any portion of damages or settlements which constitute back pay otherwise considered **Damages**), civil or criminal fines, or penalties imposed by law, or
  - 2. payment of insurance, disability, pension, health or other plan benefits claimed by or on behalf of any former or current **Employee**, or that a claimant would have been entitled to as an **Employee** had the **Insured Entity** provided the claimant with a continuation of insurance, or
  - 3. costs incurred by any **Insured** to make any building or property more accessible or accommodating to any disabled person, or
  - 4. commissions, bonuses, profit sharing or severance payments, or
  - 5. future wages or benefits of any reinstated **Employee** or wages or benefits associated with the continued employment of an **Employee**, or
  - 6. any actual or potential ownership interest in the **Insured Entity** or the value of any such ownership interest, including, but not limited to, stock and/or stock options, or
  - 7. any matter deemed uninsurable under the law pursuant to which this **Policy** shall be construed.

**Damages** also means, where insurable, liquidated, punitive, or exemplary damages, or any multiplied damages award in excess of the amount so multiplied. Such coverage for liquidated, punitive, exemplary or multiplied damages is part of and not in addition to the Limit of Liability, and any payment of such damages shall serve to reduce the Limit of Liability. Only for the purpose of resolving any dispute between the **Insurer** and the **Insured** regarding whether such liquidated, punitive, exemplary or multiplied damages are insurable under this **Policy**, the law of the jurisdiction most favorable to the insurability of those damages shall control, provided that such jurisdiction is where:

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1. those damages were awarded or imposed, or
2. any **Wrongful Act** occurred for which such damages were awarded or imposed, or
3. the **Insured** resides, is incorporated or has its principal place of business, or
4. the **Insurer** is incorporated or has its principal place of business.

D. **"Employee"** means:

1. an individual whose labor or service is engaged by and directed by an **Insured Entity**, including part-time, leased, seasonal and temporary individuals, or
2. an individual who is a volunteer, intern, or independent contractor for the **Insured Entity**, but only if the **Insured Entity** provides indemnification to such individual in the same manner as that provided to the **Insured Entity's** employees.

An individual's employment status shall be determined as of the date of the **Wrongful Act**.

E. **"Harassment"** means unwelcome sexual or non-sexual advances, requests for sexual or non-sexual favors or other verbal, visual or physical conduct of a sexual or non-sexual nature that:

1. is explicitly or implicitly made a condition of employment, or
2. are used as a basis for employment decisions, or
3. create a work environment that interferes with performance.

**Harassment** also means assault or battery, but only if related to a charge of sexual harassment.

F. **"Insured(s)"** means:

1. any director, officer, or **Employee** of an **Insured Entity** while acting solely within the course and scope of employment with the **Insured Entity**, or
2. an **Insured Entity**.

This **Coverage Section** shall cover **Loss** arising from a **Claim** made against the lawful spouse (whether such status is derived by reason of statutory law, common law or otherwise of any applicable jurisdiction in the world) of an individual **Insured** for a **Claim** arising solely out of his or her status as the spouse of an individual **Insured**, including a **Claim** that seeks damages recoverable from marital community property, property jointly held by the individual **Insured** and the spouse, or property transferred from the individual **Insured** to the spouse; provided, however, this extension shall not afford coverage for any **Claim** for any **Wrongful Act** of the spouse, but shall apply only to **Claims** arising out of any **Wrongful Act** of an individual **Insured**.

G. **"Loss"** means **Damages** and **Costs of Defense**.

H. **"Prior and Pending Litigation Date"** means the date set forth in Item 7. 2. of the Declarations with respect to the Employment Practices Liability Insurance **Coverage Section**.

I. **"Related Wrongful Act(s)"** means **Wrongful Acts** which are logically or causally connected by reason of any common fact, circumstance, situation, transaction, casualty, event or decision.

J. **"Wrongful Act(s)"** means any actual or alleged act by an **Insured** arising from an actual or potential employment relationship with the claimant for:

1. discrimination or **Harassment** because of race, color, religion, age, sex, disability, pregnancy, national origin, sexual orientation, marital status, or any other basis prohibited by law which results in termination of the employment relationship, or demotion or failure or refusal to hire or promote, or failure to accommodate an **Employee** or potential **Employee**, or denial of an employment privilege, or the taking of any adverse or differential employment action, or
2. sexual **Harassment** including unwelcome sexual advances, requests for sexual favors or other verbal or physical conduct of a sexual nature that is made a condition of employment, is used as a basis for employment decisions, or creates an intimidating, hostile or offensive work environment that interferes with work performance, or
3. termination, constructive discharge, wrongful failure to hire, wrongful demotion, negligent retention, negligent supervision, negligent hiring, retaliation, misrepresentation, infliction of emotional distress, defamation, invasion of privacy, humiliation, wrongful evaluation, or breach of any implied contract or implied agreement relating to employment, whether arising out of any personnel manual, policy statement or oral representation.

## IV. Additional Exclusions

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In addition to the Exclusions listed in section IV. of the Common Policy Terms and Conditions Section, the **Insurer** shall not be liable to make any payment for **Loss** in connection with a **Claim** made against any **Insured**:

A. for:

1. physical injury to or destruction of any tangible property, including the loss of use thereof, or

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2. bodily injury, sickness, disease, and death; provided, however, this exclusion shall not apply to the following personal injury damages or causes of action in connection with a **Claim** for a **Wrongful Act** for: emotional distress, mental anguish, defamation, invasion of privacy or humiliation;
- B. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any actual or alleged violation of the Employee Retirement Income Security Act of 1974, including amendments thereto;
- C. for any actual or alleged breach of any oral or written contract or agreement; provided, however, this exclusion shall not apply to any **Claim** for any actual or alleged breach of any implied contract or implied agreement relating to employment, whether arising out of any personnel manual, policy statement or oral representation;
- D. 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;
- E. 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**;
- F. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving:
  1. any prior or pending litigation, administrative or arbitration proceeding as of the **Prior and Pending Litigation Date**, or
  2. any fact, circumstance, situation, transaction or event underlying or alleged in such litigation, administrative or arbitration proceeding,regardless of the legal theory upon which such **Claim** is predicated;
- G. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any actual or alleged violation of the Worker's Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, the National Labor Relations Act, including amendments thereto, or any similar provisions of any federal, state, local or foreign statutory or common law; provided, however, this exclusion shall not apply to any **Claim** for any actual or alleged retaliatory treatment of the claimant by the **Insured** on account of the claimant's exercise of rights pursuant to any such law;
- H. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any actual or alleged obligations under any workers' compensation, social security, disability benefits, or unemployment compensation law, including amendments thereto, or any similar provisions of any federal, state, local or foreign statutory or common law; provided, however, this exclusion shall not apply to any **Claim** for any actual or alleged retaliatory treatment of the claimant by the **Insured** on account of the claimant's exercise of rights pursuant to any such law;
- I. based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any federal, state, local or foreign wage and hour laws, including, without limitation, the Fair Labor Standards Act; provided, however, this exclusion shall not apply to any **Claim** for any actual or alleged retaliatory treatment of the claimant by the **Insured** on account of the claimant's exercise of rights pursuant to any such law or amounts owed under the Equal Pay Act of 1963.

V. Changes in Exposure

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A. Acquisition or Creation of a Subsidiary

If during this **Policy Period** the **Insured Entity** forms or acquires a **Subsidiary**, then this **Policy** shall provide coverage pursuant to this **Coverage Section**:

1. automatically for an entity whose assets total less than 25 percent of the total consolidated assets of the **Insured Entity** as of the **Policy** inception date, or
2. for an entity whose total assets are equal to or greater than 25 percent of the total consolidated assets of the **Insured Entity** as of the **Policy** inception date, but only upon the condition that within 90 days of it becoming a **Subsidiary**, the **Named Insured** shall have provided the **Insurer** with full particulars of the new **Subsidiary** and agreed to any additional premium and/or amendment of the provisions of this **Policy** required by the **Insurer** relating to such new **Subsidiary**. Further, coverage as shall be afforded to the new **Subsidiary** is conditioned upon the **Named Insured** paying when due any additional premium required by the **Insurer** relating to such new **Subsidiary**.

An entity becomes a **Subsidiary** when the **Insured Entity** owns more than 50 percent of the issued and outstanding voting stock either directly or indirectly through one or more of its **Subsidiaries**. An entity ceases to be a **Subsidiary** when the **Insured Entity** ceases to own more than 50 percent of the issued and outstanding voting stock either directly or indirectly through one or more of its **Subsidiaries**.

In all events, coverage afforded pursuant to this **Coverage Section** with respect to a **Claim** made against a **Subsidiary** shall only apply for **Wrongful Acts** committed or allegedly committed after the effective time that such **Subsidiary** became a **Subsidiary** and prior to the time that such **Subsidiary** ceased to be a **Subsidiary**.

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