

# Nonprofit Organization and Executive Liability Policy Declarations



RLI Insurance Company  
Peoria, Illinois 61615

**Policy No.**

Item 1. **Nonprofit Organization** (name and address):

Item 2. **Policy Period:** From: 12:01 A.M.  
To: 12:01 A.M.  
Local time at the address shown in Item 1.

Item 3. Aggregate Limit of Liability (inclusive of **Defense Expenses**) for all **Claims:** \$

Item 4. Retentions:

- a. each Non-Indemnifiable **Claim:** \$ Nil
- b. Indemnifiable **Loss** in each **Claim** other than a **Claim** for a **Wrongful Employment Act:** \$
- c. Indemnifiable **Loss** in each **Claim** for a **Wrongful Employment Act:** \$

Item 5. Discovery Period:

- a. Discovery Period Premium: \$
- b. Discovery Period:

Item 6. Prior or Pending Date:

Item 7. Termination of Prior Policies:

Item 8. Endorsements Effective at Inception:

**THIS IS A CLAIMS MADE POLICY. THIS POLICY COVERS ONLY CLAIMS FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD. PLEASE READ CAREFULLY.**

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Authorized Company Representative

**RLI Insurance Company**

**Nonprofit Organization and Executive Liability Policy**

In consideration of the payment of the premium, and in reliance upon the statements made to the Insurer in the Application forming a part hereof and its attachments and the material incorporated therein, RLI Insurance Company, herein called the "Insurer," and the Insureds agree as follows:

**INSURING CLAUSE**

1. The Insurer will pay on behalf of an **Insured, Loss** which an **Insured** is legally obligated to pay as a result of a **Claim** first made during the **Policy Period**, or during the Discovery Period (if purchased), against the **Insured** for **Wrongful Acts**.

**DEFINITIONS**

2. When used in this Policy:

**Claim** means:

- a. a written demand for monetary relief against any **Insured**, or
- b. a civil proceeding against any **Insured** commenced by the service of a complaint or similar pleading, or
- c. an administrative, regulatory or EEOC (or similar state or local agency) proceeding against any **Insured** commenced by the filing of a notice of charges or formal investigative order, or
- d. an arbitration proceeding against any **Insured**, or
- e. a criminal proceeding against any **Insured Person** commenced by the return of an indictment, or
- f. a formal civil, criminal, administrative or regulatory investigation against any **Insured Person** commenced by the service upon or other receipt by the **Insured Person** of a written notice or subpoena from the investigating authority identifying such **Insured Person** as an individual against whom a formal proceeding may be commenced;

for a **Wrongful Act**, including any appeal thereof.

**Defense Expenses** means reasonable and necessary fees and expenses (including without limitation attorneys' fees and experts' fees) incurred by an **Insured** in the defense or appeal of a **Claim** after notice of such **Claim** is given to the Insurer pursuant to Subsection 5. of this Policy. **Defense Expenses** shall not include the **Nonprofit Organization's** overhead expenses or any salaries, wages, fees or benefits of its directors, officers or **Employees**.

**Discrimination** means the failure to hire an applicant, the failure to promote, the demotion of, the segregation or classification of, or the employment related defamation of any **Employee** because of race, color, creed, religion, age, national origin, sex, sexual orientation or preference, gender, disability, handicap, pregnancy, obesity, marital status, or other protected class or characteristic established under any applicable federal, state or local statute or ordinance.

**Employee**, either singular or plural, means any one or more natural persons who have received, now receive, or shall receive wages or a salary from the **Nonprofit Organization** for either full or part-time work that is directed and controlled by the **Nonprofit Organization**.

**Financial Impairment** means the status of the **Nonprofit Organization** as a result of the appointment of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to control, supervise, manage or liquidate the **Nonprofit Organization**, or the **Nonprofit Organization** becoming a debtor in possession.

**Harassment** means:

- a. unwelcome sexual advances, requests for sexual favors, or other verbal, visual or physical conduct of a sexual nature that is made either explicitly or implicitly a term or condition of employment with the **Nonprofit Organization**, is used as a basis for employment decisions with the **Nonprofit Organization**, or creates a work environment that interferes with an **Employee's** performance or that is otherwise intimidating, hostile, or offensive; or
- b. conduct of a non-sexual nature which creates a work environment that interferes with an **Employee's** performance or that is otherwise intimidating, hostile, or offensive.

**Insured(s)** means the **Nonprofit Organization** or any **Insured Person** collectively or individually.

**Insured Person(s)** means any natural person who has been, now is or shall become a duly elected director or trustee, duly elected or appointed officer, **Employee** or volunteer (whether or not salaried), or member of staff, faculty or duly constituted committee of the **Nonprofit Organization**.

In the event of the death, incapacity or bankruptcy of an **Insured Person**, any **Claim** against the estate, heirs, legal representatives or assigns of such **Insured Person** for a **Wrongful Act** of such **Insured Person** will be deemed to be a **Claim** against such **Insured Person**.

**Loss** means monetary damages, settlements and **Defense Expenses** which the **Insureds** are legally obligated to pay as a result of a covered **Claim**, including but not limited to punitive, exemplary and noncontractual liquidated damages where insurable under applicable law, pre- and post-judgment interest, back pay, front pay and compensatory damages.

The law of the jurisdiction most favorable to the insurability of those punitive or exemplary damages shall control whether such damages are insurable, provided that such jurisdiction is where:

- a. those damages were awarded or imposed;
- b. any **Wrongful Act** occurred for which such damages were awarded or imposed;
- c. the **Nonprofit Organization** is incorporated or has its principal place of business; or
- d. the Insurer is incorporated or has its principal place of business.

**Loss** shall include penalties assessed under the Health Insurance Portability and Accountability Act (HIPAA), as amended, subject to a maximum of \$25,000. This maximum is a sublimit that further reduces and is not in addition to the limit of liability stated in Item 3. of the Declarations for this Policy.

**Loss** shall not include (1) taxes or civil or criminal fines or penalties imposed by law; (2) the multiple portion of any multiplied damage award, however, this part of **Loss** shall be included in the definition of **Loss** for a **Wrongful Employment Act Claim**; (3) severance pay or damages determined to be owing under an express contract of employment or an express obligation to make such payments in the event of the termination of employment, including but not limited to payment for stock options or stock appreciation rights; (4) the payment of any insurance or retirement plan benefits; (5) the cost to provide any reasonable accommodation for any disabled person pursuant to the Americans with Disabilities Act or any similar federal, state or local law; (6) the cost to comply with any injunctive or other non-monetary relief or any agreement to provide such relief; (7) any amount for which the **Insureds** are absolved from payment; (8) any amount allocated to uncovered **Loss** pursuant to Subsection 6. of this Policy; or (9) matters which may be deemed uninsurable under the law pursuant to which this Policy shall be interpreted.

**Nonprofit Organization** means the organization designated in Item 1. of the Declarations, and all **Subsidiaries**, including any such organization as a debtor in possession under the United States bankruptcy law or an equivalent status under the law of any other country.

**Outside Entity** means an organization other than the **Nonprofit Organization**, which is exempt from federal taxation under Section 501 (c) (3) of the Internal Revenue Code, as amended.

**Outside Position** means service by an **Insured Person** as a director, officer, trustee, regent or governor of an **Outside Entity**, but only while such service is rendered at the specific request of the **Nonprofit Organization** or is part of the duties regularly assigned to the **Insured Person** by the **Nonprofit Organization**.

**Policy Period** means the period of time specified in Item 2. of the Declarations of this Policy, subject to prior cancellation or termination. If this period is less than or greater than one year, then the Limits of Liability specified in the Declarations shall be the Insurer's maximum liability under this Policy for the entire period.

**Pollutants** means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by the United States Environmental Protection Agency or a state, county, municipality or locality counterpart thereof. Such substances shall include, but not be limited to, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also mean any other air emissions, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products, electric or magnetic or electromagnetic fields and any noise.

**Pollution** means (i) the actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or (ii) any direction or request that the **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so.

**Related Claims** means all **Claims** for **Wrongful Acts** that have as a common nexus any fact, circumstance, situation, event, transaction, cause or series of related facts, circumstances, situations, events, transactions or causes.

**Retaliation** means unlawful or abusive treatment against an **Employee** which results from an **Employee's** exercise or attempted exercise of his or her rights under law.

**Subsidiary** means any organization while the **Nonprofit Organization** owns, directly or through one or more **Subsidiaries**, more than fifty percent (50%) of the outstanding securities or voting rights representing the right to vote for the election of such organization's directors. Coverage afforded under this Policy with respect to **Claims** made against any **Subsidiary** or any **Insured Person** thereof shall only apply for **Wrongful Acts** occurring after the effective time such **Subsidiary** became a **Subsidiary** and prior to the time such **Subsidiary** ceased to be a **Subsidiary**.

**Wrongful Act** means any actual or alleged error, omission, act, misstatement, misleading statement, **Wrongful Employment Act**, or breach of duty by the **Nonprofit Organization** or an **Insured Person**, individually or otherwise, in his or her capacity as such or in an **Outside Position**, or any matter claimed against them solely by reason of such status.

**Wrongful Employment Act** means a **Wrongful Act** that constitutes actual or alleged:

- a. **Wrongful Termination** of an **Employee** by an **Insured**; or
- b. **Discrimination** against an **Employee** or an applicant who has sought and been refused employment with the **Nonprofit Organization** by an **Insured**; or
- c. **Harassment** against an **Employee** or an applicant who has sought and been refused employment with the **Nonprofit Organization** by an **Insured**; or
- d. **Retaliation** against an **Employee** by an **Insured**; or
- e. Violation of any federal, state or local laws concerning employment, including without limitation any failure to adopt adequate workplace or employment policies and procedures;

provided such **Wrongful Employment Act** occurred prior to the expiration of the **Policy Period**.

**Wrongful Termination** means the actual or constructive termination of an employment relationship with the **Nonprofit Organization** in a manner which constitutes a violation of any law, a breach of an implied agreement to continue employment, or a retaliatory discharge.

## EXCLUSIONS

3. The Insurer shall not be liable for **Loss** on account of any **Claim** made against any **Insured** based upon, arising out of, directly or indirectly resulting from or in consequence of:

- a. any fact, circumstance, situation, transaction, event or **Wrongful Act** which was the subject of any notice given under any policy for directors and officers liability, employment practice liability or other similar professional liability insurance, of which this Policy is a direct or indirect renewal or replacement;
  - b. any demand for monetary damages, litigation, EEOC (or other similar state or local agency) proceeding or investigation, or other administrative or regulatory proceeding, arbitration proceeding, or order, decree or judgment entered against any **Insured** on or before the date set forth in Item 6. of the Declarations for this Policy, or any actual or alleged fact, circumstance, situation, transaction, event or **Wrongful Act** underlying or alleged therein;
  - c. such **Insured** having gained in fact any profit, remuneration or advantage to which such **Insured** is not legally entitled;
  - d. such **Insured** committing any deliberately fraudulent or criminal **Wrongful Act** or any willful violation of law if a final and non-appealable judgment or adjudication adverse to such **Insured** establishes that such **Insured** committed such **Wrongful Act** or willful violation with actual knowledge of its wrongful nature or with intent to cause injury or damage;
  - e. any actual or alleged obligation of any **Insured** pursuant to any workers' compensation, unemployment insurance, social security, disability benefits or similar law. However, this Exclusion shall not apply to any **Claim** for any **Retaliation**;
  - f. **Pollution**, including but not limited to any **Claim** for financial loss to the **Nonprofit Organization** based upon, arising out of, directly or indirectly resulting from or in consequence of the **Pollution**; however, this Exclusion will not apply to (1) any derivative action by or on behalf of, or in the name or right of, a shareholder or member of the **Nonprofit Organization** brought and maintained independently of, and without the solicitation, assistance, participation or intervention of any **Insureds**; or, (2) any **Claim** for actual or alleged **Wrongful Termination** or **Retaliation** on account of the claimant's actual or threatened disclosure of the matters described in this Exclusion;
  - g. an actual or alleged violation of the Securities Act of 1933, the Securities Exchange Act of 1934, any rules or regulations of the Securities and Exchange Commission promulgated thereunder, any other federal, state, local, or provincial statute or common law relating to securities, or any rules or regulations promulgated thereunder, all as amended.
4. The Insurer shall not be liable for **Loss** on account of any **Claim**:
- a. for any actual or alleged violation of the Employee Retirement Income Security Act of 1974 (except section 510), the Fair Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Workers Adjustment of Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, all as amended, or similar provisions of any federal, state or local statutory law or common law. However, this Exclusion shall not apply to any **Claim** for any **Retaliation**;
  - b. for liability of others assumed by any **Insured** under any written, oral, express or implied contract or agreement except to the extent that an **Insured** would have been liable in the absence of such contract or agreement;
  - c. for an actual or alleged breach of any written, oral, express or implied contract or agreement;
  - d. brought by or on behalf of, or in the name or right of, any **Insured** in any capacity; however, this Exclusion will not apply to any **Claim**:
    - (1) that is a derivative action by or on behalf of, or in the name or right of, the **Nonprofit Organization** brought and maintained by one or more persons who are not **Insured Persons** and who bring and maintain such **Claim** independently of and without the solicitation, assistance, participation or intervention of, any **Insured**;
    - (2) that is a cross claim, third party claim or other claim for contribution or indemnity by an **Insured Person** which is part of or results directly from a **Claim** which is not otherwise excluded by the terms and conditions of this Policy; or
    - (3) for any **Wrongful Employment Act**.

- e. for any actual or alleged bodily injury, mental anguish, emotional distress, sickness, disease or death of any person, or for damage to or destruction of any tangible property including loss of use thereof; however, this Exclusion shall not apply with respect to any actual or alleged mental anguish or emotional distress in any **Claim** by a past, present or prospective **Employee** of the **Nonprofit Organization** for any **Wrongful Employment Act**.

To determine the applicability of the foregoing Exclusions: (i) no fact pertaining to or knowledge possessed by any **Insured Person** will be imputed to any other **Insured Person** and (ii) only facts pertaining to or knowledge possessed by any past, present or future President, Chairman or Chief Financial Officer of the **Nonprofit Organization** shall be imputed to the **Nonprofit Organization**.

## CONDITIONS

### 5. Notice/Claim Reporting Provisions

If, during the **Policy Period** or the Discovery Period (if purchased):

- a. an **Insured** first becomes aware of a **Wrongful Act** which may subsequently give rise to a **Claim**, and
- b. the **Insureds** give the Insurer written notice of such **Wrongful Act**, including a description of the **Wrongful Act**, the identities of the potential claimants, the consequences which have resulted or may result from such **Wrongful Act** and the circumstances by which the **Insured** first became aware of such **Wrongful Act**, and
- c. the **Insureds** request coverage under this Policy for any subsequent **Claim** arising from such **Wrongful Act**;

then the Insurer will treat any such subsequent **Claim** as if it had been first made during the **Policy Period**.

As a condition precedent to any right to payment in respect of any **Claim**, the **Insured** must give the Insurer written notice of such **Claim** with full details, as soon as practicable after it is first made.

All **Related Claims** will be treated as a single **Claim** made when the earliest of such **Related Claims** was first made, regardless of whether such date is before or during the **Policy Period**.

### 6. Defense and Settlement; Payment and Allocation of Loss

The Insurer shall have the right and duty to defend any **Claim** covered by this Policy, even if any of the allegations are groundless, false or fraudulent. The Insurer's duty to defend shall cease upon exhaustion of the Aggregate Limit of Liability set forth in Item 3. of the Declarations for this Policy.

The **Insureds** agree to provide the Insurer with all information, assistance and cooperation which the Insurer reasonably requests and agree that in the event of a **Claim** the **Insureds** will do nothing that shall prejudice the Insurer's position or its potential or actual rights of recovery. The Insurer may make any investigation it deems necessary. The Insurer shall have the right and shall be given the opportunity to effectively associate with the **Insureds** in the investigation, defense, and settlement (including the negotiation of a settlement) of any **Claim** that appears reasonably likely to be covered in whole or in part by this Policy.

The **Insureds** agree not to settle or offer to settle any **Claim**, incur any **Defense Expenses** or otherwise assume any contractual obligation or admit any liability with respect to any **Claim** without the Insurers' written consent, which shall not be unreasonably withheld. The Insurer shall not be liable for any settlement, **Defense Expenses**, assumed obligation or admission to which it has not consented.

If, in any **Claim**, the **Insureds** incur **Loss** jointly with uncovered parties or incur an amount consisting of both **Loss** covered by this Policy and loss not covered by this Policy, then the **Insured** and the Insurer shall allocate such amount between covered **Loss** and uncovered loss based upon the relative legal exposures of the parties to covered and uncovered matters.

If there can be an agreement on an allocation of **Defense Expenses**, the Insurer shall, upon request, advance on a current basis **Defense Expenses** allocated to the covered **Loss**. If there can be no agreement on an allocation of **Defense Expenses**, the Insurer shall advance on a current basis **Defense Expenses** which the Insurer believes to be covered under this Policy until a different allocation is negotiated or judicially determined. Any advancement of **Defense Expenses** shall be subject to, and conditioned upon, receipt by the Insurer of a written undertaking by the **Insured** that such advanced amounts shall be repaid to the Insurer by the **Insured** severally according to their respective interests if and to the extent any such **Insured** shall not be entitled under the terms and conditions of this Policy to coverage for such **Defense Expenses**.

Any negotiated or judicially determined allocation of **Defense Expenses** arising out of a **Claim** shall be applied retroactively to all **Defense Expenses** arising out of such **Claim**, notwithstanding any prior advancement. Any allocation or advancement of **Defense Expenses** arising out of a **Claim** shall not apply to or create any presumption with respect to the allocation of other **Loss** arising out of such **Claim** or any other **Claim**.

## 7. **Limit of Liability**

The amount stated in Item 3. of the Declarations for this Policy will be the maximum aggregate liability of the Insurer under this Policy for all **Loss** from all **Claims** for which this Policy provides coverage, regardless of the time of payment by the Insurer, and regardless of whether such **Claims** are made during the **Policy Period** or during any Discovery Period (if purchased).

If any **Claim** made against an **Insured** gives rise to coverage both under this Policy and under any other policy(ies) issued by the Insurer, the Insurer's maximum aggregate liability under this Policy and all such policies, combined, for all **Loss**, including **Defense Expenses**, in respect of such **Claim** shall not exceed the largest single available Limit of Liability under any such policy(ies), including this Policy.

**Defense Expenses** are part of and not in addition to the Limit of Liability, and payment of **Defense Expenses** by the Insurer will reduce its Limit of Liability.

If the Limit of Liability is exhausted by the payment of **Loss**, the premium will be fully earned, all obligations of the Insurer under this Policy will be completely fulfilled and exhausted, and the Insurer will have no further obligations of any kind or nature whatsoever under this Policy.

## 8. **Retentions and Indemnification**

The Insurer's liability with respect to all **Loss** resulting from each **Claim** shall apply only to that part of **Loss** which is excess of the applicable Retention set forth in Item 4. of the Declarations for this Policy, which shall be borne by the **Nonprofit Organization** uninsured and at its own risk.

No Retention shall apply to **Loss** incurred by any **Insured Person** for which the **Nonprofit Organization** is not permitted or required by law to indemnify or is permitted or required by law to indemnify but does not do so by reason of **Financial Impairment** ("Non-Indemnifiable **Loss**"). For purposes of this Policy, the certificate of incorporation, charter, articles of association or other organizational documents of the **Nonprofit Organization**, including by-laws and resolutions, will be deemed to have been adopted or amended to provide indemnification to the **Insured Persons** to the fullest extent permitted by law.

The Retention set forth in Item 4. b. of the Declarations for this Policy will apply to all **Loss** incurred by the **Nonprofit Organization** and all **Loss** other than Non-Indemnifiable **Loss** incurred by **Insured Persons** (collectively "Indemnifiable **Loss**") resulting from each **Claim** other than a **Claim** for a **Wrongful Employment Act**. The Retention set forth in Item 4. c. of the Declarations for this Policy will apply to all Indemnifiable **Loss** resulting from each **Claim** for a **Wrongful Employment Act**.

If different Retentions are applicable to the same **Claim**, the maximum total retention under this Policy for such **Claim** shall be the largest applicable Retention, as set forth in Item 4. of the Declarations.

## 9. Acquisitions, Mergers and Subsidiaries

If during the **Policy Period** the **Nonprofit Organization** acquires securities or voting rights in another organization or creates another organization which as a result of such acquisition or creation such organization becomes a **Subsidiary**; or acquires any organization by merger into or consolidation with the **Nonprofit Organization** (“Event”), then such organization and its **Insured Persons** shall become **Insureds** if:

- a. the **Nonprofit Organization** gives written notice to the Insurer of the Event as soon as practicable together with such information the Insurer may require (except as provided for in (1) and (2) below), and
- b. the **Nonprofit Organization** pays any reasonable additional premium required by the Insurer.

Such coverage shall be afforded, subject to the terms and conditions of this Policy, from the date of the Event for such **Subsidiary** and its **Insured Persons**, but only for **Wrongful Acts** committed or allegedly committed after the Event, unless the Insurer agrees by endorsement to provide coverage for **Wrongful Acts** committed or allegedly committed prior to such date.

The conditions to such coverage set forth in a. and b. above shall not apply with respect to an Event if: (1) at the time of such Event, the assets of the organization so acquired represented less than twenty percent (20%) of the total assets of the **Nonprofit Organization** as reflected in the **Nonprofit Organization’s** most current consolidated financial statements existing at the inception date of this Policy; or (2) in connection with such Event, the **Nonprofit Organization** assumes any liabilities and, at the time of such assumption, the liabilities so assumed represented less than twenty percent (20%) of the total liabilities of the **Nonprofit Organization** as reflected in the **Nonprofit Organization’s** most current consolidated financial statements existing at the inception date of this Policy.

## 10. Outside Position Coverage

All coverage under this Policy for **Loss** from **Claims** against **Insured Persons** for **Wrongful Acts** in their **Outside Positions** will be specifically excess of, and will not contribute with;

- a. any other insurance available to such **Insured Persons** by reason of their service in such **Outside Positions**, or
- b. any indemnification available to such **Insured Person** by the **Outside Entity** or any other person or organization, other than the **Nonprofit Organization**.

## 11. Marital Estate Extension

Subject otherwise to the terms hereof, this Policy shall cover **Loss** arising from any **Claim** made against the lawful spouse (whether such stature is derived by reason of statutory law, common law, or any other applicable law of any jurisdiction in the world) of an **Insured Person** for **Claims** arising solely out of his or her capacity as the spouse of an **Insured Person**, including such **Claims** that seek damages recoverable from marital community property, property jointly held by the **Insured Person** and the spouse; or property transferred from the **Insured Person** to the spouse; provided, however, this extension shall not afford coverage for **Wrongful Acts** of the spouse. All terms, conditions and other provisions of this Policy, inclusive of any provision relative to the applicable retention, which would be applicable to **Loss** incurred by the **Insured Person** in such **Claim**, shall also apply to **Loss** incurred by the spouse in such **Claim**.

## 12. Change of Control

If during the **Policy Period** the **Nonprofit Organization** shall consolidate with or merge into, or sell all or substantially all of its assets to any other person or organization or group of persons or organizations acting in concert (herein referred to as the “Transaction”); then this Policy shall continue in full force and effect as to **Wrongful Acts** occurring prior to the effective time of the Transaction, but there shall be no coverage afforded by any provision of this Policy for any **Wrongful Act** occurring after the effective time of the Transaction and the entire premium for this Policy shall be deemed fully earned as of such time. The **Nonprofit Organization** shall also have the right to elect a Discovery Period described in Subsection 13. of this Policy or a greater period as may be negotiated with the Insurer.

The **Nonprofit Organization** shall give the Insurer written notice of the Transaction as soon as practicable, but not later than thirty (30) days after the effective date of the Transaction.



### 13. Discovery Period

If: i) the **Nonprofit Organization** cancels this Policy, ii) either the Insurer or the **Nonprofit Organization** refuses or declines to renew this Policy for any reason, or iii) a Transaction described in Subsection 12. occurs, and, within thirty (30) days after the end of the **Policy Period** the **Nonprofit Organization** elects to purchase the Discovery Period by paying the additional premium set forth in Item 5. a. of the Declarations for this Policy, then the coverage otherwise afforded by this Policy will be extended for the period set forth in Item 5. b. of the Declarations for this Policy but only for **Wrongful Acts** occurring before the end of the **Policy Period** or the date of any Transaction under Subsection 12., whichever is earlier. The Limit of Liability for the Discovery Period (if purchased) shall be part of, and not in addition to, the Limit of Liability for the **Policy Period**.

As a condition precedent to the right to exercise the Discovery Period, the total premium for this Policy must have been paid in full.

If the Discovery Period is purchased, the entire premium for the Discovery Period shall be deemed fully earned at its commencement.

Subject to all the terms and conditions of this Subsection 13., the Insurer shall, upon request, provide the **Nonprofit Organization** with a quotation for a three (3) year Discovery Period.

### 14. Representations; Severability

The **Insureds** represent the particulars and statements contained in the Application are true, accurate and complete, and agree that this Policy is issued in reliance on the truth of those representations, and agree that such particulars and statements, which are deemed to be incorporated into and to constitute a part of this Policy, are the basis of this Policy. In the event any of the particulars or statements in the Application are untrue, this Policy will be void with respect to any **Insured** who knew the facts that were not truthfully disclosed or to whom such knowledge is imputed, whether or not such **Insured** knew the Application contained the untruth. No knowledge or information possessed by any **Insured Person** will be imputed to any other **Insured Person**. Facts pertaining to and knowledge possessed by the Chairman, President, Chief Executive Officer or Chief Financial Officer of the **Nonprofit Organization** shall be imputed to the **Nonprofit Organization**.

### 15. Worldwide Territory

Coverage under this Policy shall extend anywhere in the world.

### 16. Valuation of Foreign Currency

All premiums, limits, retentions, **Loss** and other amounts under this Policy are expressed and payable in the currency of the United States of America. If judgment is rendered, settlement is denominated or another 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 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 the other element of **Loss** is due, respectively.

### 17. Notice and Authorization

All notices under this Policy shall be in writing and given by prepaid express courier, certified mail or facsimile properly addressed to the appropriate party

Notice to any **Insureds** may be given to the **Nonprofit Organization** at the address as shown in Item 1. of the Declarations. It is agreed the **Nonprofit Organization** shall act on behalf of all **Insureds** with respect to the giving and receiving of notice of **Claim** or **Loss**, cancellation or termination, 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 any endorsements issued to form a part of this Policy, and the exercising or declining to exercise any right to a Discovery Period. Notice to the Insurer of any **Claim** under this Policy shall be given to:

RLI Insurance Company  
9025 North Lindberg Drive  
Peoria, Illinois 61615-1431  
Attention: Claim Department

All other notices to the Insurer under this Policy shall be given to the same addressee but to the attention of the Underwriting Department. Notice given as described above shall be deemed to be received and effective upon actual receipt thereof by the addressee or one day following the date such notice was sent, whichever is earlier.

#### 18. **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 determined either by judgment against the **Insureds** after actual trial or by written agreement of the **Insureds**, the claimant and the Insurer.

No person or organization shall have any right under this Policy to join the Insurer as a party to any actions 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 the estate of an **Insured** shall not relieve the Insurer of any of its obligations hereunder.

Only if requested by the **Insureds**, the Insurer shall submit any dispute, controversy or claim arising out of or relating to this Policy or the breach, termination or invalidity thereof to final and binding arbitration pursuant to such rules and procedures as the parties may agree. If the parties cannot agree the arbitration shall be administered by the American Arbitration Association in accordance with its then prevailing commercial arbitration rules. The arbitration panel shall consist of one arbitrator selected by the **Insured**, one arbitrator selected by the Insurer, and a third arbitrator selected by the first two arbitrators. In any such arbitration, each party will bear its own legal fees and expenses.

#### 19. **Cancellation and Nonrenewal**

This Policy shall terminate at the earliest of the following times:

- a. the effective date of termination specified in a prior written notice by the **Nonprofit Organization** to the Insurer, provided this Policy may not be terminated by the **Nonprofit Organization** if the **Policy Period** is more than eighteen (18) months,
- b. ten (10) days after the receipt by the **Nonprofit Organization** of a written notice of termination from the Insurer based upon failure to pay premium due, unless such premium is received by the Insurer prior to such tenth (10th) date,
- c. at such other time as may be agreed upon by the Insurer and the **Nonprofit Organization**, or
- d. upon expiration of the **Policy Period** as set forth in Item 2. of the Declarations of this Policy.

The Insurer shall refund the unearned premium computed at customary short rates if this Policy is terminated by the **Nonprofit Organization**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the Insurer shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable. If the **Policy Period** is more than eighteen (18) months, the premium charged for this Policy shall be fully earned at inception of the **Policy Period**.

The Insurer shall not be required to renew this Policy upon its expiration.

#### 20. **Other Insurance**

If any **Loss** is insured under any other valid policy(ies), prior or current, then this Policy shall cover such **Loss** subject to its limitations, conditions provisions and other terms, only to the extent that the amount of such **Loss** is in excess of the amount of payment from such other insurance whether such insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limits of Liability provided in this Policy.

#### 21. **Assignment**

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

22. **Termination of Prior Policies**

Any Policies issued by the Insurer or its affiliates and specified in Item 7. of the Declarations of this Policy shall terminate, if not already terminated, as of the inception date of this Policy. Such prior Policies shall not cover any **Loss** not discovered and notified to the Insurer prior to the inception date of this Policy.

23. **Investigation and Settlement**

The Insurer may make any investigation it deems necessary and may, with written consent of the **Insured**, make any settlement of a **Claim** it deems expedient. If the **Insureds** withhold consent to such settlement, the Insurer's liability for all **Loss** on account of such **Claim** shall not exceed the amount for which the Insurer could have settled such **Claim** plus **Defense Expenses** accrued as of the date such settlement was proposed in writing by the Insurer to the **Insured**.

24. **Subrogation**

In the event of any payment under this Policy, the Insurer shall be subrogated to the extent of such payment to all **Insureds'** rights of recovery. The **Insured** shall execute and deliver all instruments and papers and do whatever else is necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Insurer effectively to bring suit in the name of the **Insured**.

25. **Changes**

The terms and conditions of this Policy shall not be waived or changed, except by endorsement issued to form a part of this Policy.

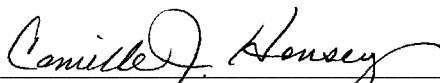
26. **Headings**

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

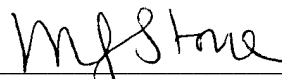
27. **Entire Agreement**

The **Insureds** agree this Policy, including the Application and any endorsements, constitutes the entire agreement between the **Insureds** and the Insurer or any of its agents relating to this insurance.

In witness whereof, the Insurer issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.



Vice President & Corporate Secretary



President & COO