



SPECIMEN

Accountants Professional Liability Insurance Policy

BENEFITS AVAILABLE TO MEMBERS OF CAMICO MUTUAL INSURANCE COMPANY IN ADDITION TO THE POLICY

Members of CAMICO Mutual Insurance Company automatically qualify for benefits that are designed to minimize your professional liability exposure by helping you manage your firm, including:

- Unlimited use of CAMICO's three hotlines, providing immediate access to professional assistance and advice. This service includes the **Loss Prevention hotline**, providing CPAs and other professionals that can assist you with practice and firm management issues, the **Claims hotline**, providing claim professionals that can assist you with legal liability concerns *before* they become a claim, and the **Tax hotline**, providing CPAs and attorneys to assist you with some federal tax issues.
- Unlimited use of CAMICO's internal **subpoena services**, providing assistance with the receipt of and compliance with most types of subpoenas and deposition notices even when there is no Claim. CAMICO will evaluate the need for additional assistance and, at the discretion of the Company, attorneys may be provided to assist you at no cost. **Subpoena services** are accessed through the **Claims hotline**.
- Unlimited access to all of CAMICO's risk management tools and documents through the **Members Only section of CAMICO.com**.
- Full participation in all of CAMICO's **CPE events**, including seminars, conferences, in-firm training and web-based training. (Some CPE programs may be limited by geography or firm characteristics.)
- Full participation in CAMICO's **dividend program**. The timing, amount and method of allocating dividends amongst *Insureds* are determined by and at the discretion of the Board of Directors.
- The *Named Insured* has the right to *Extended Reporting Coverage* for a period of up to three years as more fully described in section VI. of the policy. The *Named Insured* may request *Extended Reporting Coverage* for a longer period of time. CAMICO, at its option, may agree to offer such coverage.
- No-cost *Extended Reporting Coverage* for an unlimited period is available for qualified sole practitioner and two-professional firms due to Death, Disability or Retirement. See section VI. of the policy.

CAMICO urges you to take advantage of these additional benefits so that, together, we can reduce the cost of claims and increase the effectiveness of your firm.

NOTICE

This insurance policy is a “claims made and reported” policy. This insurance applies only to *Claims* that are first made and reported to the Company during the *Policy Period*, or that are first made and reported to the Company during an *Extended Reporting Coverage* period, if purchased.

This policy does not cover prior acts unless specifically included. The Company will not indemnify or defend *Claims* arising from acts, errors or omissions which occurred prior to the policy’s *Retroactive Date*.

This policy includes *Claim Expenses* within the Limits of Liability. The payment of *Claim Expenses* reduces the Limits of Liability available to pay *Damages* unless prohibited by applicable state law or amended by endorsement.

This policy contains additional restrictions on coverage. Please review this policy carefully, including the Declarations and all endorsements.

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ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY

In consideration of the *Named Insured's* payment of premium and Deductible(s), and in reliance upon the *Named Insured's* statements made in the original application and all renewal or supplemental applications, all of which are incorporated into this policy by this reference, CAMICO Mutual Insurance Company ("the Company") agrees with the *Named Insured* as follows:

I. INSURING AGREEMENTS

A. Coverage for *Damages*

1. ***Claims Made and Reported During the Policy Period:*** The Company will pay those sums that an *Insured* becomes legally obligated to pay as *Damages* because of a *Claim* which arises from an *Insured's* act, error or omission in rendering or failing to render *Professional Services*, provided that:
 - (a) the *Claim* is first made against an *Insured* during the *Policy Period* and reported to the Company in accordance with VII. Policy Conditions, Paragraph A.1.; and
 - (b) the act, error or omission from which the *Claim* arose took place after the *Retroactive Date* and prior to the end of the *Policy Period*; and
 - (c) prior to the inception of the first policy issued by the Company to the *Named Insured* and only if the *Named Insured* consecutively renewed its policies with the Company through the Effective Date of this policy, no *Insured* was aware of an event or circumstances that might reasonably be expected to be the basis of a *Claim* against an *Insured* that resulted in the *Claim*; and
 - (d) neither the *Claim* nor any act, error or omission from which the *Claim* arose was reported to any insurer, including the Company, prior to the Effective Date identified in the Policy's Declarations.
2. ***Potential Claims Reported During the Policy Period:*** If an *Insured* provides the Company with notice of a *Potential Claim* during the *Policy Period* in accordance with VII. Policy Conditions, Paragraph A.2., then any *Claim* that may be made later against an *Insured* arising from the reported acts, errors or omissions will be deemed made and reported to the Company on the date the Company received the notice of *Potential Claim*.
3. ***Limited Coverage for Late Reported Claims:*** If an *Insured* fails to provide notice in accordance with VII. Policy Conditions, Paragraph A.1. of a *Claim* but does provides notice to the Company in accordance with VII. Policy Conditions, Paragraph A.3. of the *Claim* during the immediately succeeding *Policy Period* after the *Claim* is first made and the *Named Insured* continuously maintained a policy issued by the Company during that succeeding twelve month period, the

Company will provide coverage described in I. Insuring Agreement, Paragraph A.1. for the *Claim* except that it will be subject to the Late Reported *Claim* Sublimit set forth at section II.B.1. of this policy.

B. Defense and Settlement of *Claims*

1. The Company has the right and duty to defend a *Claim* seeking *Damages* covered by this policy, even if the *Claim* is groundless, false or fraudulent. The Company has the right to appoint counsel to defend a *Claim*, and the right to investigate and negotiate settlement of any *Claim*.
2. The Company will not settle any *Claim* without the *Named Insured's* written consent. If the *Named Insured* withholds its consent to any settlement recommended by the Company and acceptable to the claimant, then the Company's liability for that *Claim* will not exceed the lesser of: (a) the amount for which the *Claim* could have been settled plus *Claim Expenses* incurred up to the date the *Named Insured* withheld its consent, or (b) the remaining applicable Limit of Liability.
3. The Company will cease defending and/or paying *Claim Expenses* when the applicable Limit of Liability or Sublimit has been exhausted by payment of *Damages* or *Claim Expenses*.

II. LIMIT OF LIABILITY

A. Per *Claim* and Aggregate Limit of Liability

1. **Per *Claim*:** The maximum amount payable by the Company for *Damages* and *Claim Expenses* for each covered *Claim* is the Per *Claim* Limit of Liability stated in the Declarations. The Per *Claim* Limit of Liability shall apply in excess of the Per *Claim* Deductible.
2. **Policy Aggregate:** The maximum amount payable by the Company for *Damages* and *Claim Expenses* for all covered *Claims* is the Aggregate Limit of Liability stated in the Declarations.
3. **Multiple *Claims* and Related Acts, Errors or Omissions:** Two or more covered *Claims* arising out of or resulting from a single act, error or omission or a series of *Related Acts, Errors or Omissions* are deemed to be a single *Claim* made as of the date of the earliest of such *Claims* and are subject to a single Per *Claim* Limit of Liability and a single deductible. These provisions apply whether such *Claims* are made: (a) against one or more *Insureds*, (b) by one or more claimants, or (c) during one or more *Policy Periods*. Provided, however, that this section shall not apply and shall not create coverage for any *Claim* made after expiration of the last consecutively renewed policy issued by the Company to the *Named Insured*.

B. Sublimits

The following Sublimits, and not the Per *Claim* Limit of Liability, shall apply to *Claims* of the type or nature described in this section and shall apply in excess of the Per *Claim* Deductible.

1. **Late Reported *Claim* Sublimit:** The maximum amount payable by the Company for *Damages* and *Claim Expenses* for any and all *Claims* subject to coverage under section I.A.3. of this policy shall be either \$100,000 or fifty percent (50%) of the Per *Claim* Limit of Liability stated in the Declarations, whichever is less.
2. **Tax Shelter Investment Sublimit:** The maximum amount payable by the Company for *Damages* and *Claim Expenses* for any and all covered *Claims* which arise from, relate to or are in any way connected with any *Tax Shelter Investment* shall be \$100,000.
3. **Misappropriation, Theft or Embezzlement Sublimit:** The maximum amount payable by the Company for *Damages* and *Claim Expenses* for any and all covered *Claims* which arise from, relate to or are in any way connected with the misappropriation, misuse, theft or embezzlement of funds by any *Insured* shall be \$100,000.

C. Deductible

1. **Per *Claim* Deductible:** The *Named Insured* shall pay the Per *Claim* Deductible, in the amount stated on the Declarations, for *Claim Expenses* and *Damages* resulting from each *Claim*. The Company shall have no obligation to pay *Damages* or *Claim Expenses* until the applicable Per *Claim* Deductible has been paid in full.
2. **Aggregate Deductible:** When the *Named Insured* has purchased an Aggregate Deductible, the maximum amount of Deductible(s) payable by the *Named Insured* with respect to all covered *Claims* first made against an *Insured* and reported to the Company during the *Policy Period* is the amount of the Policy Aggregate Deductible stated in the Declarations.
3. **Deductible Reduction:** The Company will reduce the *Named Insured's* applicable Per *Claim* Deductible by fifty percent (50%), up to a maximum reduction of \$50,000, under the following circumstances: (a) when any *Insured*, during the same *Policy Period*, both first becomes aware of and also reports a *Potential Claim* to the Company pursuant to section VII.A.2 of this policy; or (b) when the *Named Insured* uses formal mediation to seek a resolution of a *Claim*. However, no reduction in the Per *Claim* Deductible will be available for any *Claim* which is subject to a Sublimit under section II.B. of this policy.
4. **Co-Pay Obligation in Addition to Deductible Following *Insured's* Suit For Fees:** If the *Insured* fails to consult with the Company in accordance with VII. Policy Conditions, Paragraph D. of this policy prior to filing a suit against a

person or entity to obtain payment of fees for *Professional Services* and a *Claim* is made subsequently by that person or entity, then the *Named Insured* agrees to pay fifty percent (50%) of the first \$50,000 in *Claim Expenses* and/or *Damages* incurred with respect to such *Claim*, which obligation is separate from and in addition to the *Named Insured's* obligation to pay the applicable Deductible. However, this co-pay obligation does not apply to a *Claim* first made after an *Insured's* use of arbitration to resolve the fee dispute with the person or entity making the *Claim*.

5. **Reimbursement of the Company:** If the Company pays any *Claim Expenses* or *Damages* which are within the Per *Claim* Deductible or Aggregate Deductible, or which are in excess of the applicable Limit of Liability or Sublimit, the *Named Insured* shall reimburse the Company for such amounts within thirty (30) days of the Company's request. All *Insureds* are jointly and severally liable for reimbursement of these amounts to the Company.

D. Supplementary Payments

Supplementary Payments are not subject to a Deductible and are not chargeable against the Limits of Liability or Sublimits of the policy.

1. **Regulatory Proceedings or Disciplinary Hearings:** The Company at its expense will provide counsel to the *Insured* to assist in responding to or defending regulatory proceedings or disciplinary hearings brought before any entity responsible for regulating the practice of accountancy, provided that such regulatory proceedings or disciplinary hearings are first commenced during the *Policy Period* and are reported to the Company during the *Policy Period*. The maximum amount payable by the Company pursuant to this paragraph for all attorney fees and costs incurred is \$12,500 per *Policy Period* regardless of the number of regulatory proceedings or disciplinary hearings to which this paragraph applies. The Company will not indemnify for any monetary assessment or penalty levied against any *Insured* as a result of any regulatory proceedings and/or disciplinary hearings. The *Insured's* reporting of a regulatory or disciplinary hearing to the Company under this provision shall not be deemed to constitute the reporting of a *Claim* or *Potential Claim*.
2. **Subpoena Expenses:** With respect to subpoena expenses that are not related to a reported *Claim*, the Company at its discretion and expense will provide counsel to the *Insured* to assist in responding to a subpoena seeking documents or testimony, provided the subpoena relates to a matter in which the *Insured* rendered *Professional Services* and provided the subpoena is served on the *Insured* and reported to the Company during the *Policy Period*. The *Insured's* reporting of a subpoena to the Company under this provision shall be deemed to constitute the reporting of a *Potential Claim* in accordance with VII. Policy Conditions, Paragraph A.2.

3. **Crisis Management/Public Relations Event:** The Company will pay reasonable costs incurred by the *Named Insured* for consultation with a public relations firm to respond to or avert negative publicity or a potential threat to the *Named Insured's* reputation arising from any *Crisis Management/Public Relations Event* that is unrelated to a reported *Claim* and that is first commenced and reported to the Company during the *Policy Period*. The maximum amount payable by the Company pursuant to this paragraph for one or more *Crisis Management/Public Relations Events* first reported to the Company during the *Policy Period* is five percent (5%) of the Limits of Liability or \$10,000, whichever is less. The *Insured's* reporting of a *Crisis Management/Public Relations Event* to the Company and/or request for payment under this provision shall not be deemed to constitute the reporting of a *Claim* or *Potential Claim*.
4. **Per Diem Reimbursement:** The Company will pay \$500 per day to the *Named Insured*, up to a maximum payment of \$10,000 per *Claim*, to compensate an *Insured* for attendance at mediation, arbitration or trial proceedings at the Company's request.
5. **Expenses for Potential Claims:** Any expenses incurred by the Company on behalf of an *Insured* prior to a *Claim* being made are not chargeable against the Per *Claim* Deductible or against the applicable Limit of Liability.

E. Policy Territory

This insurance applies to acts, errors or omissions occurring anywhere in the world, provided that the *Claim* is brought within the United States, its territories and possessions, Puerto Rico and Canada, and is not a suit or proceeding to enforce or collect upon a judgment or award made in a suit or proceeding brought in a jurisdiction outside of the United States, its territories and possessions, Puerto Rico or Canada.

III. WHO IS AN INSURED

Each of the following is an *Insured*:

- A. The *Named Insured* identified in the Declarations or in an endorsement.
- B. A current or former owner, partner, shareholder or employee of a *Named Insured*.
- C. Any natural person or legal entity who, during the *Policy Period*, becomes an owner, partner, shareholder or employee of the *Named Insured*.
- D. Temporary staff or a contract employee of a *Named Insured*.
- E. A *Predecessor Firm*.
- F. A natural person or legal entity acquired by or merged into the *Named Insured* during the *Policy Period*.

- G. The legal representative of an *Insured*, but only to the extent of that *Insured's* rights and duties under this policy.

IV. EXCLUSIONS

This policy does not apply to any of the following:

- A. Any *Claim* based on, arising from or related to a dishonest, fraudulent, malicious or criminal act, error or omission of any *Insured*. However, coverage will nonetheless apply to any innocent *Insured* (an *Insured* who did not personally commit, participate, or acquiesce or remain passive after having acquired personal knowledge of such acts, errors or omissions), provided that the innocent *Insured* gives notice to the Company within thirty (30) days of acquiring such personal knowledge in accordance with section VII.B.
- B. Any *Claim* based on, arising from or related to actual or alleged (1) *Bodily Injury*, or (2) *Property Damage*, except that this exclusion shall not apply to a *Claim* seeking *Damages* for humiliation or emotional distress based upon allegations of *Defamation*.
- C. Any *Claim* where all or part of such *Claim* is made by any *Insured* or a *Related Individual* of any *Insured* against any *Insured*.
- D. Any *Claim* based on, arising from or related to services of any *Insured* while acting as an employee, manager, officer or director of any company, business, entity or charitable organization other than the *Named Insured*.
- E. Any *Claim* based on, arising from or related to any *Insured's* employment obligations, decisions, practices or policies as an employer or manager, including, but not limited to, acts of discrimination, humiliation or harassment and/or acts in violation of the Americans with Disabilities Act.
- F. Any *Claim*, whether or not related to or arising from *Professional Services*, which, in whole or in part, is made by, in the right of, against, in connection with or arising out of any entity not named in the Declarations in which:
1. any *Insured*, or an *Affiliate* or *Related Individual* of an *Insured*, is or was at any time managing, controlling or operating the entity; or
 2. the aggregate ownership of *Insureds* including *Affiliates* and *Related Individuals* of an *Insured* is or was at any time more than twenty percent (20%).
- G. That part of any *Claim* seeking the return of or reimbursement of fees for *Professional Services*.
- H. Indemnity of any punitive or exemplary damages, fines, sanctions, penalties or multiplied damages (whether doubled, trebled or otherwise).

- I. Any *Claim* in connection with or arising out of the use of, or existence of any condition in or a warranty of, products sold or distributed by an *Insured*.
- J. Any *Claim* in connection with or arising out of liability of others assumed by any *Insured* under any contract or agreement, either oral or written, except to the extent that an *Insured* would have been liable in the absence of the contract or agreement.

V. DEFINITIONS

Wherever used in this policy, the words or phrases in *italics* have the special meanings set forth below:

- A. *Affiliate* of an *Insured* means a natural person or legal entity that, directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with an *Insured*.
- B. *Bodily Injury* means bodily injury, sickness, disease, mental illness, humiliation or emotional distress sustained by a natural person, including death resulting from any of these at any time.
- C. *Claim* means a demand received by any *Insured* for money or services, including the service of suit(s), a request that an *Insured* agree to waive a legal right or sign an agreement to toll a statute of limitations, or a demand for arbitration.
- D. *Claim Expenses* means the reasonable fees charged by an attorney designated by the Company to defend any *Insured*, and all other reasonable fees, costs and expenses resulting from the investigation, adjustment, defense and appeal of a *Claim*, if incurred by the Company or by an *Insured* at the Company's request. *Claim Expenses* do not include salaries of the Company's employees or independent adjusters, or any fees, costs or expenses incurred by an *Insured* without the Company's consent.
- E. *Crisis Management/Public Relations Event* means any of the following: (a) the death or departure of a partner, principal, officer or owner of the *Named Insured*; (b) the arrest or threatened arrest of a partner, principal, officer or owner of the *Named Insured* based on acts, errors or omissions in the performance of *Professional Services*; (c) a publication or broadcast identifying the *Named Insured* and asserting or suggesting criminal conduct or fraud on the part of the *Named Insured* or a partner, principal, officer or owner of the *Named Insured*; (d) the potential dissolution of the *Named Insured*; or (e) any other event which the *Named Insured* and the Company agree may have a material adverse effect on the reputation of the *Named Insured*.
- F. *Damages* means a monetary judgment or award, or sums paid in settlement, but does not include: (1) any fine, sanction, penalty, punitive or exemplary damages, or multiplied damages (whether doubled, trebled or otherwise); (2) reimbursement of any *Insured's* fees for *Professional Services*; or (3) *Claim Expenses*.

- G.** *Defamation* means the publication or utterance of a libel or slander or other defamatory or disparaging material or a publication or utterance in violation of an individual's right of privacy.
- H.** *Extended Reporting Coverage* is an optional coverage which may be provided or available for purchase under section VI.A. of this policy.
- I.** *Insured* means the *Named Insured* and any natural person or legal entity qualifying as an *Insured* under section III. of this policy.
- J.** *Named Insured* means the natural person or legal entity identified on the Declarations attached to this policy.
- K.** *Policy Period* means the period of time from the effective date stated in the Declarations to the expiration date stated in the Declarations, or such earlier termination or cancellation of this policy. *Policy Period* does not include any *Extended Reporting Coverage* period.
- L.** *Potential Claim* is an event or circumstances that might reasonably be expected to be the basis of a *Claim* against an *Insured*.
- M.** *Predecessor Firm* means:
1. any firm, some or all of whose partners or shareholders have joined the *Named Insured*, provided such partners or shareholders produced over fifty percent (50%) of the prior firm's annual gross billings and such billings have been assigned to the *Named Insured*; or
 2. any sole proprietor who joined the *Named Insured* and who has assigned over fifty percent (50%) of the billings from the former sole proprietorship to the *Named Insured*.
- N.** *Professional Services* means:
1. any professional services performed by an *Insured* on behalf of the *Named Insured* as long as the fees or commissions, if any, or other benefits from such services inure to the benefit of the *Named Insured*;
 2. any *Insured's* services as a member of a formal accreditation, standards review, or other similar professional board or committee that is related to the accounting profession, including services ordinarily performed or advice given in connection with programs sponsored by the American Institute of Certified Public Accountants or any state society of Certified Public Accountants; and
 3. pro bono services performed by an *Insured* without compensation provided that such services were authorized by a partner, principal, officer or owner of the *Named Insured* prior to the rendering of such services.

- O.** *Property Damage* means physical injury to, conversion of, or destruction of tangible property, including the loss of use of tangible property.
- P.** *Related Acts, Errors or Omissions* means all acts, errors or omissions in rendering *Professional Services* that are logically or causally connected by any common fact(s), circumstances, situation, transaction(s), event(s), advice or decision(s).
- Q.** *Related Individual* means the spouse, children, grandchildren, siblings, parents and/or grandparents of any *Insured*, and any trust or estate of which any of them or any *Insured* is a beneficiary.
- R.** *Retroactive Date* means the date stated in the Declarations, and is the earliest date from which this policy provides coverage for *Professional Services*.
- S.** *Tax Shelter Investment* means:
1. a Treasury Regulation §1.6011-4(b)(2) “reportable transaction”; or
 2. any investment or other arrangement where (a) the investment or other arrangement actually generates or (b) representations made as part of the investment or other arrangement’s written sale offering indicate that the investment or arrangement will generate taxable income exclusions, tax deductions, or tax credits exceeding the investment or other arrangement’s required capital contribution by at least two to one (2:1); or
 3. any other investment, plan or arrangement having tax avoidance or evasion as its primary purpose (an investment, plan or arrangement will be deemed to have a primary tax avoidance or evasion purpose when that purpose exceeds any other purpose of the investment, plan or arrangement);

in connection with which any *Insured* receives or expects to receive any compensation or other payment, whether or not related to *Professional Services* rendered, which is a commission, profit-sharing, participation, payment in securities, success fee, or similar kind of payment dependent upon the completion or success of the transaction.

VI. EXTENDED REPORTING COVERAGE

A. Right to Purchase Extended Reporting Coverage

The *Named Insured* shall be entitled to purchase *Extended Reporting Coverage*, as described below, because of any of the following events:

1. A *Named Insured* who is a sole proprietor becomes *Retired* or *Permanently Disabled*, or a two-professional firm’s business is *Discontinued* because one of the professionals becomes *Retired* or *Permanently Disabled*;
2. A *Named Insured* who is a sole proprietor dies, or a two-professional firm’s business is *Discontinued* because one of the professionals dies; or

3. The *Named Insured* cancels or non-renews this policy or the Company cancels or non-renews this policy for any reason other than non-payment of premium, and there are no amounts owed by the *Named Insured* to the Company, including sums due for premium or Deductibles.

The Company will determine the premium for *Extended Reporting Coverage* upon receipt of the *Named Insured's* request. The *Extended Reporting Coverage* is subject to the Aggregate Limit of Liability stated in Item 3 of the Declarations which Aggregate Limit of Liability will be reduced by all payments made by the Company for *Damages* or *Claim Expenses* for *Claims* made during the *Policy Period* and the *Extended Reporting Coverage* period.

B. Retirement, Permanent Disability, or Death – Unlimited Period

1. If a firm is *Discontinued* for reasons described in section VI.A.1. or VI.A.2. above, then within sixty (60) days of such discontinuation, the *Named Insured* or the deceased *Insured's* estate has the right to purchase an *Extended Reporting Coverage* endorsement providing an unlimited period for the reporting to the Company of *Claims* first made against the *Named Insured* after the end of the *Policy Period*, provided such *Claims* arise out of an act, error or omission occurring prior to the end of the *Policy Period* and are otherwise covered by this policy.
2. *Extended Reporting Coverage* under this section VI.B. is not available if the right to *Extended Reporting Coverage* is available and is purchased by the *Named Insured* under section VI.C., below.

C. Non-Renewal or Cancellation – Three-Year Period

1. If this policy is cancelled or non-renewed by the *Named Insured* or by the Company for any reason described in section VI.A. above, within sixty (60) days after the cancellation or non-renewal, the *Named Insured* has the right to purchase *Extended Reporting Coverage* providing a three year period for the reporting to the Company of *Claims* first made against an *Insured* after the end of the *Policy Period*, provided such *Claims* arise out of an act, error or omission occurring prior to the end of the *Policy Period* and are otherwise covered by this policy. At the sole discretion of the Company, the *Named Insured* may be offered the alternative to purchase *Extended Reporting Coverage* for either a five-year period or a seven-year period.
2. *Extended Reporting Coverage* under this section VI.C. is not available if the right to *Extended Reporting Coverage* is available and is purchased by the *Named Insured* under section VI.B., above.

D. Right of *Qualifying Partner* to Purchase *Extended Reporting Coverage*

If the *Named Insured* fails, or has no right, to purchase *Extended Reporting Coverage*, any *Qualifying Partner* may, within ninety (90) days of the *Named Insured's* non-

renewal or cancellation of this policy, purchase an *Extended Reporting Coverage* endorsement applicable solely to the *Qualifying Partner*. The *Named Insured* is responsible for notifying any *Qualifying Partner(s)* of any change in the *Named Insured's* coverage.

E. Additional Definitions Applicable to This Section

1. “*Retired*” means that the *Insured*: (a) has reached age 55, and (b) has completely ceased providing *Professional Services*.
2. “*Permanently Disabled*” means that the *Insured* is medically judged to be totally and permanently unable to provide *Professional Services*, and has sold or discontinued his/her certified public accounting practice as a result of the disability. Proof of such disability must be provided upon the Company’s request.
3. The business of a two-professional firm is “*Discontinued*” when: (a) both professionals are *Retired*, are *Permanently Disabled* or have died, or (b) one professional has *Retired*, is *Permanently Disabled* or has died, and the other professional has sold the firm’s business to an unrelated party.
4. “*Qualifying Partner*” is a former partner or shareholder, or his/her legally appointed representative, who was not a partner or shareholder of the *Named Insured* on the date the right to purchase *Extended Reporting Coverage* lapsed or on the date unpaid premiums or other amounts became due to the Company from the *Named Insured*.

F. Request for *Extended Reporting Coverage*

A request for *Extended Reporting Coverage* must be received in writing by the Company within the timing set forth in this section. The Company will issue an *Extended Reporting Coverage* endorsement only if the additional premium for such endorsement is paid promptly when due. The premium for such *Extended Reporting Coverage* is fully earned upon the inception of this additional coverage. The *Extended Reporting Coverage* cannot be cancelled by the *Insured* or by the Company once it has gone into effect.

VII. POLICY CONDITIONS

A. Reporting of *Claims* and *Potential Claims*

1. ***Insured’s Duty to Report Claims Made During the Policy Period:*** As a condition precedent to coverage under this policy, a *Claim* must be reported to the Company as soon as practicable during the *Policy Period* or within sixty (60) days thereafter.
2. ***Reporting of Potential Claims:*** As a condition precedent to coverage under section I.A.2. of this policy, a *Potential Claim* must be reported to the Company during the *Policy Period*.

3. **Special Condition for Certain Late Reported Claims.** As a condition precedent to the limited coverage under section I.A.3. of this policy, a *Claim* must be reported to the Company during the *Policy Period*.

B. Content of Reporting Required

1. With respect to the reporting of *Claims*, the following information is required, if available:
 - (a) The name and address of the claimant and all other involved individuals;
 - (b) A description of the *Professional Services* provided, or that should have been provided, and the *Damages* that may result; and
 - (c) The *Insured's* explanation of why the *Claim* was made.
2. Concurrent with the reporting of *Claims*, the *Insured* must (a) immediately send to the Company copies of any demands, notices, summonses or legal papers received in connection with the *Claim*; (b) authorize the Company to obtain records and other information; and (c) cooperate with the Company in the investigation, defense, and settlement of the *Claim*.
3. With respect to the reporting of *Potential Claims*, the following information is required, if available:
 - (a) the name and address of the client or potential claimant and the involved *Insured(s)*; and
 - (b) the act, error or omission and the facts and circumstances at issue; and
 - (c) a description of the *Professional Services* provided to the client or potential claimant; and
 - (d) the *Damages* which may result.

C. Cooperation and Assistance of the Insured

1. The *Insureds* shall cooperate with and assist the Company in the investigation, defense, and settlement of a *Claim* or any *Potential Claim*.
2. Upon request, the *Insureds* shall assist the Company in enforcing any right against any non-*Insured* that may be liable to an *Insured* because of *Damages* to which this insurance applies.
3. The *Insureds* shall not, except at the *Named Insured's* own cost and expense, admit any liability, assume any *Damages*, voluntarily make any payments, or incur any *Claim Expenses* without the prior written consent of the Company.

4. The *Insureds* will provide any information relevant to any *Claim* or *Potential Claim* which is requested by the Company or the Company's representatives, and will submit to examination(s) by the Company's representative, under oath if requested, regarding any information relevant to any *Claim*.

D. Consultation Before Suit to Collect Fees

If the *Named Insured* intends to pursue a client for fees or expenses for *Professional Services*, the *Named Insured* must provide notice to and consult with the Company prior to filing any suit to pursue such fees or expenses.

E. Liberalization Clause

If during the *Policy Period* the Company adopts revised provisions for this policy form, in order to afford without additional premium, broader insurance than what is covered under this policy, such provisions will apply to this policy effective when the provision has been approved for use by the appropriate regulatory authority, and such revision shall apply only to *Claims* first made after the date of such approval and to *Potential Claims* of which the *Insured* first becomes aware after the date of such approval.

F. Transfer and Assignment of *Insured's* Rights and Duties

1. No *Insured* may transfer or assign any *Insured's* rights or interest in, or duties under, this policy without the Company's written consent.
2. If the Company makes any payment for *Damages* and/or *Claim Expenses*, it shall be subrogated to all of the *Insured's* rights of recovery against anyone other than a person or entity qualifying as an *Insured* under this policy, and the *Insured* shall do whatever is necessary to secure such rights and shall do nothing to prejudice the Company's subrogation rights. Any monetary recoveries through subrogation apply first to reimburse the costs of subrogation, with the balance distributed between the *Named Insured* and the Company in proportion to the amounts paid by the *Named Insured* within the Deductible – Per *Claim* and by the Company within the Limits of Liability.

G. Legal Action Against the Company

1. No *Insured* shall seek to join the Company as a party to a suit that seeks *Damages* from an *Insured* or sue the Company unless all of the terms and conditions of this policy have been met, and the amount of the *Insured's* obligation to pay *Damages* has been finally determined either by judgment against the *Insured* after an actual contested trial or by written agreement of the *Insured* and the claimant with the prior written consent of the Company.
2. If an *Insured* and the Company dispute whether this policy provides coverage for a *Claim*, all *Insureds* agree that the parties will meet with a qualified mediator in a good faith effort to negotiate a resolution of the dispute prior to the initiation of any legal proceeding. The mediation will continue until the dispute is resolved, or

until the mediator notifies the parties that it is unlikely that the dispute will be resolved through mediation, or until any party elects to end the mediation after a minimum of thirty (30) days after the first mediation session.

H. Other Insurance

This insurance provided by this policy shall be excess over any other valid insurance available to any *Insured*, whether such insurance is stated to be primary, contributory, excess, contingent or otherwise. However, this condition does not apply if the other insurance was purchased specifically to apply in excess of this insurance and identifies this policy as primary insurance.

I. Cancellation or Non-Renewal

1. The Company may cancel this policy for any reason consistent with the applicable law, as described in the State Endorsement issued with this policy.
2. The *Named Insured* may cancel this policy by written notice to the Company accompanied by surrender of the policy to the Company or any of the Company's authorized agents, or by mailing written notice to the Company at the location stated in an endorsement issued with this policy. The written notice must state the date on which the *Named Insured* requests cancellation to become effective. The mailing of notice by the *Named Insured* shall be sufficient proof of notice. The time of surrender shall become the end of the *Policy Period*. Delivery (where permitted by law) of such written notice by the *Named Insured* shall be equivalent to mailing.

J. Change in Risk

The Company has the right to assess and charge an additional premium if, in the reasonable judgment of the Company, there is a significant increase in the size or other risk characteristics of the *Named Insured*.

K. Bankruptcy

The bankruptcy or insolvency of the *Named Insured* will not relieve the Company or any *Insured* of any obligations under this policy.

L. Mutual Policy Provisions: Dividends, Voting, Policy Non-Assessable

1. The *Named Insured* is a member of the Company and shall participate in the distribution of dividends fixed and determined by the Board of Directors.
2. The *Named Insured* is entitled to vote, either in person or by proxy, at all meetings of the Company, pursuant to the Bylaws and Articles of Incorporation of the Company.
3. This policy is not assessable.

M. Entire Contract

By accepting this policy, each *Insured* agrees that the statements in the Declarations and in each application for renewal or supplementary application are his/her agreements and representations, that this policy is issued in reliance upon the truth of such representations, and that this policy embodies all agreements existing between the *Insureds* and the Company or any of its agents relating to this insurance.

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its President and a Secretary and countersigned on the Declarations page by a duly authorized representative of the Company.

PRESIDENT

SECRETARY

SPECIMEN