



May 22, 2018

Lorna De La Ossa
Desert Palms Townhouse Association
C/O Bidegain Realty, Inc.
8755 E. Broadway Boulevard
Tucson, AZ 85710

RE **Policy Date: June 11, 2018**
CAU Account # 38043
Policy # CAU510518-1

Dear Lorna,

We are pleased to enclose the association's package policy which is written for a one year term.

We are also including a sample certificate of insurance for this association. The certificate includes basic policy coverage information. You may wish to use this in your resale packages or as a quick coverage reference. Unit owners requesting certificates of insurance should be directed to the CAU website at www.cauinsure.com. Simply click on "Certificates of Insurance" and follow the prompts. Certificates can also be ordered by calling (267) 757-7110 and following the directions on the recording. Certificates can be ordered 24 hours a day, seven days a week.

Please take a moment now to review the following items:

- To assist you with the communication of insurance information to the members of your community, you will find a "**Unit Owners Fact Sheet**". This fact sheet includes a general description of the association's coverage, information about filing claims and instructions for ordering certificates of insurance. We recommend that this document be distributed to all of the unit owners in your community.
- The "**Environmental Impairment Liability**" brochure describes the type of protection provided by this coverage.
- Our "**Whom to Call**" directory provides the contact information for our accounting, claims and customer service representatives.

The limits of liability chosen by the association were based upon considerations of cost and risk factors. Please notify us in writing if you desire any changes or increases in these limits.

Please contact us if you have any questions regarding your policy or these documents. Thank you for choosing CAU as your insurance provider.

Sincerely,

A handwritten signature in black ink that reads "Dawn Schneider". The signature is written in a cursive style.

Dawn Schneider
Manager, Customer Service

cc: Robert W Chandley

Enc.



CERTIFICATE OF INSURANCE REQUEST FORM

To obtain a Certificate of Insurance, please complete the information below.
Your request can be faxed to (267) 757-7410, e-mailed to certs@cauinsure.com, or visit our website for processing at www.cauinsure.com.
Requests are processed in a timely manner and mailed directly to the Mortgage Holder, unless forwarding instructions are provided below.

ASSOCIATION/COMPLEX NAME:

UNIT OWNER/SHAREHOLDER:
(as they appear on mortgage loan, including middle names or initials)

COMPLETE UNIT ADDRESS:
(street name, unit #, city, state and zip code)

MORTGAGE LOAN NUMBER: _____

MORTGAGE/CERTIFICATE HOLDER:
(as should appear on the Certificate of Insurance; including address)

Forwarding instructions:

Company Name: _____

Attention: _____

Company Address: _____

Phone Number: _____

**By providing CAU with a Fax Number and/or E-mail Address,
you will be invoiced \$30.00 for expedited service.**

Fax Number: _____

E-Mail Number: _____

Desert Palms Townhouse Association

Welcome to Community Association Underwriters' insurance program. This two-page fact sheet is designed to assist you in:

- **Purchasing your own insurance**
- **Filing claims**
- **Ordering certificates of insurance**

Key information regarding the association's insurance policy:

1. The common elements, limited common elements and units are covered.
2. Units are covered based on original condominium plans and specifications. For example, fixtures, cabinets, floor coverings and appliances should be repaired or replaced with new items of like kind and quality to those originally installed. Upgrades are not covered. This includes, but is not limited to, upgraded carpeting, cabinets, appliances, wall coverings, finished basements, built-in bookshelves and other permanently installed fixtures.
3. The covered causes of loss include: fire, lightning, windstorm, hail, explosion, riot, aircraft and vehicle damage, smoke, vandalism, falling objects, weight of ice, snow or sleet, collapse, sudden and immediate water escape or overflow from plumbing or appliances, frozen pipes, and convector units.

The association's policy includes the following deductibles:

- \$2,500 Basic
- \$2,500 Water Damage
- \$2,500 Per Unit Ice Damming

Please refer to the actual policy for additional deductibles, terms, and conditions.

4. No coverage is provided for wear and tear, deterioration, damage by insects or animals, settling or cracking of foundation, walls, basements or roofs. There is no coverage for damage caused by continuous or repeated leakage or seepage from appliances or plumbing. This includes, but is not limited to, leaking from around the shower, bathtub, toilet or sink. These events are properly classified as maintenance items.

Key information regarding unit owner's insurance needs:

1. You need a condominium owner's policy, also known as an HO-6, to pick up coverage for your personal property, furniture, additional living expenses (in the event your unit is uninhabitable due to a covered claim), all upgrades, improvements and betterments and personal liability.

In older communities, it may be difficult to differentiate between the original specifications of your unit and subsequent improvements that were made. If original plans and specifications can not be determined, local builders' grade is used to adjust a claim. In cases where you are uncertain about your needs, consult with your personal insurance agent about adding an estimated amount of insurance coverage to your HO-6 policy.

2. The association insurance policy carries a deductible. In the event of a claim, the association may seek to recover the deductible from unit owners involved in the claim. Your obligation to pay the deductible may be offset by your HO-6 policy, subject to your own deductible, if you add building coverage. Ask your personal insurance agent.

Note: This fact sheet is intended to provide a brief summary of insurance issues. In all cases, the declarations, terms, conditions and exclusions of the actual policy will apply.



Desert Palms Townhouse Association

Claims

If you have a claim, notify your association's management company or designated board member and your own homeowners insurance carrier. Claims that involve your personal property, furniture and upgrades must be submitted to your homeowners insurance carrier.

Claim payments under this policy are made to your board of directors as insurance trustee.

Certificates of Insurance

Unit owners can request certificates of insurance by either:

1. Going to our web site at: www.cauinsure.com. Click the "Certificate of Insurance" button and follow the prompts.
2. Calling (267) 757-7110 to obtain a CAU Certificate of Insurance Request Form. Send the completed form to CAU in one of the following ways:
 - Fax the CAU Certificate of Insurance Request Form to:
(267) 757-7410
 - Mail the CAU Certificate of Insurance Request Form to:
Certificate Department - CAU, 2 Caufield Place, Newtown, PA 18940

Web and faxed certificate of insurance requests are processed within 24 business hours.

We appreciate your association's business, and we are committed to providing you and your community with prompt and professional service. If we can be of further assistance, please call our customer service department at (800) 228-1930.

Note: This fact sheet is intended to provide a brief summary of insurance issues. In all cases, the declarations, terms, conditions and exclusions of the actual policy will apply.



WHOM TO CALL

Call us toll free at **(800) 228-1930** or use our direct dial phone numbers. To expedite your call, please have your CAU account number or policy number available.

YOUR CUSTOMER SERVICE CONTACT

All service requests, such as change requests and coverage inquiries should be directed to our customer service representatives.

Dawn Schneider **Extension: 7307** **Direct Dial: (267) 757-7307** **Fax: (267) 757-7507**
Email: dschneider@cauinsure.com

CLAIMS REPORTING

To report a claim:

Go to our web site at: www.cauinsure.com. Click the "Claims" button for Claims Forms and reporting instructions.

Direct Claims Email: dclaims@cauinsure.com

Direct Claims Fax: **(267) 757-7424**

For general claims questions call: **(267) 757-7128**
(267) 757-7131

All claims must be reported by a member of the association's board of directors or your property manager.

CERTIFICATES OF INSURANCE

Unit owners can obtain certificates of insurance by means of the following:

1. Go to our web site at: www.cauinsure.com. Click the "Certificates of Insurance" button and follow the prompts.
2. Complete the CAU Certificate of Insurance Request Form which can be found in your policy packet or call (267) 757-7110 for instructions on how to obtain this form. Send the completed form to CAU in one of the following ways:
 - Fax the CAU Certificate of Insurance Request Form to:
(267) 757-7410
 - Mail the CAU Certificate of Insurance Request Form to:
Certificate Department – CAU, 2 Caufield Place, Newtown, PA 18940

Online and faxed certificate of insurance requests are processed within 24 business hours.

BILLING INQUIRIES

All questions about your payment plan or invoices should be directed to our accounting department.

Jane Hutchinson **Extension: 7123** **Direct Dial: (267) 757-7123** **Fax: (267) 757-7423**
Email:

Patricia Williams **Extension: 7122** **Direct Dial: (267) 757-7122** **Fax: (267) 757-7422**
Email: pwilliams@cauinsure.com

YOUR LOCAL OFFICE

Please direct inquiries pertaining to new or renewal policies or additional coverage to your local office.

Robert W Chandley **Phone: (800) 228-1930** **Fax: (267) 757-7466**
Email: rchandley@cauinsure.com

DECLARATIONS A: GENERAL POLICY INFORMATION

- Coverage applies only when a limit of insurance is shown in these declarations. These declarations are summaries, only. Please refer to the coverage forms and applicable endorsements for complete information.
- In return for the payment of the premium and subject to all the terms of this policy, we agree with you to provide the insurance stated in this policy.

Named Insured Name and Mailing Address

Desert Palms Townhouse Association
 C/O Bidegain Realty, Inc.
 8755 E. Broadway Boulevard
 Tucson, AZ 85710

Policy Number	Annual Premium	Fee
CAU510518-1	\$9,977.00	\$0.00

Policy Period	Effective Date*	Expiration Date*
	06/11/2018	06/11/2019

*12:01 AM Standard Time at your premises address

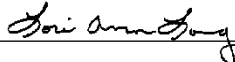
DIRECTORY OF DECLARATIONS

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Community Association Underwriters Of America
 7418 East Helm Drive - Suite 206
 Scottsdale, AZ 85260



Countersigned (Date)
 05/22/2018

By (Authorized Representative)


Homeowners Association Insurance Policy

DECLARATIONS B: DIRECTORY OF APPLICABLE FORMS

Form Number and Edition Date	Form Title
CAU 3020 07/17	Homeowners Association Insurance Policy
CAU 3040 07/17	Directors and Officers Liability Coverage Part
CAU 3041 07/17	Community Manager - Directors and Officers
CAU 3070 07/17	Environmental Impairment Liability Coverage Part
CAU 3103 07/17	Disclosure Pursuant to Terrorism Risk Insurance Act
CAU 3106 07/17	Cap on Losses from "Certified Acts of Terrorism"
CAU 3109 07/17	Lead Exclusion
CAU 3110 07/17	Amended Water Exclusion
CAU 3226 07/17	Deductible Credit
CAU 3227 07/17	Deductible Allowance
CAU 3401 07/17	Employee Dishonesty - Community Manager
CAU 3503 07/17	Arizona Changes - Amendatory Endorsement

DECLARATIONS C: 1. ADDRESSES AND DESCRIPTION OF BUILDINGS AND "UNITS"

1. ADDRESSES AND DESCRIPTION OF BUILDINGS AND "UNITS"

Coverage is provided for detached carports and six one-story joisted masonry homeowners association buildings containing fifty five residential units. The premises is located at 8901, 8909, 8917, 8925, 8933, 8941, 8949, 8957, 8965, 8973, 8981 E. Palms Park Drive; 8900, 8908, 8916, 8924, 8932, 8940, 8948, 8956, 8964, 8972 E. Palms Park Drive; 9015, 9019, 9023, 9027, 9031, 9035, 9039, 9043 E. Palms Park Drive; 9049, 9053, 9057, 9061, 9065, 9069, 9071, 9075 E. Palms Park Drive; 9000, 9004, 9008, 9016, 9020, 9024, 9028, 9032, 9036 E. Palms Park Drive; 9040, 9046, 9050, 9054, 9058, 9062, 9066, 9070, 9074 E. Palms Park Drive, Tucson, Pima County, AZ 85715.

Homeowners Association Insurance Policy

DECLARATIONS D: PROPERTY DIRECT COVERAGES

- Unless otherwise indicated, all Limits apply on a per occurrence basis.

1. COMMUNITY PROPERTY
2. "UNITS"
3. ADDITIONAL COMMUNITY PROPERTY
4. NATURAL OUTDOOR PROPERTY

1. COMMUNITY PROPERTY

Causes of Loss	Limit of Insurance	* Deductible
Special including "Equipment Breakdown"	Guaranteed Replacement Cost	\$2,500 Per Occurrence

* In addition to the deductible which may result under D.2.

Community Buildings	Community Structures	Community Personal Property
All buildings described in Declarations C.1. including: <ul style="list-style-type: none"> • Residences • Attached garages & carports • Detached garages & carports • Clubhouses • Buildings housing heating, ventilating, air conditioning plants, and utilities • Buildings housing sewage & water treatment facilities 	All of the items listed below are covered when not forming part of, or located within, or on a building. <ul style="list-style-type: none"> • "Swimming Pools" • Statues • Outdoor fixtures • Pool and Pump Houses • Signs • Roads, drives, walkways and other paved surfaces • Recreation fixtures and courts • Antennas and satellite dishes • Sheds • Temporary seasonal structures • Shelters • Cabanas • Freestanding walls (excluding retaining walls) • Fountains • Fences and gates • Gazebos • Gate houses • Mailboxes • Light and flag poles • Benches 	<ul style="list-style-type: none"> • Equipment • Tools • Supplies and furnishings • "Money" and "Securities" • Non-motorized watercraft • "Computer equipment", and "Media" • "Valuable papers and records" • Accounts receivables

2. "UNITS": All real property comprising the "unit" as initially installed in accordance with your condominium's original plans and specifications, or like kind and quality of such property.

Causes of Loss	Limit of Insurance	* Deductible
Ice Damming	Guaranteed Replacement Cost	\$2,500 Per "Unit"

* In addition to the deductible which may result under D.1.

3. ADDITIONAL COMMUNITY PROPERTY

Causes of Loss	Valuation	Deductible
Special including "Equipment Breakdown"	Replacement Cost	\$2,500 Per Occurrence

Homeowners Association Insurance Policy

Covered Property	Limit of Insurance
Additional Structures: Bridges, Docks, Retaining Walls, Piers, Bulkheads and Wharves	\$10,000
Newly Acquired Buildings and Structures Buildings and Structures as described in D.1. above that you acquire at locations other than the location described in C.1.	\$250,000
Newly Acquired Community Personal Property Community personal property while at locations other than the "premises"	\$250,000
Newly Conveyed Buildings and Structures New buildings and structures built at the location described in C.1.	\$250,000
"Personal Effects" Personal Property of your directors and "officers" or "employees" while acting in the scope of their duties as such.	\$5,000 Per Person \$15,000 Per Occurrence
Personal Property of Others Personal property of others temporarily in your care, custody or control.	\$5,000 Per Person \$15,000 Per Occurrence
Off "Premises" Community Personal Property Community personal property while temporarily at other locations within the "coverage territory".	\$50,000
Community Personal Property In Transit Community personal property while on conveyances being operated between points in the "coverage territory".	\$50,000
"Fine Arts" Paintings, Pictures, Prints, Etchings, Sculptures, Art Glass, "Jewelry", "Furs", and other bona fide works of art of rarity, historical value or artistic merit.	\$15,000 Per Item \$50,000 Per Occurrence

4. NATURAL OUTDOOR PROPERTY		
Causes of Loss	Valuation	Deductible
"Specified Causes of Loss"	Replacement Cost	None

Covered Property	Limit of Insurance
Trees, Lawns, Shrubs, Plants	\$1,000 Maximum Per Tree, Plant, Lawn or Shrub \$20,000 Per Occurrence

Homeowners Association Insurance Policy

DECLARATIONS E: PROPERTY CONSEQUENTIAL LOSS COVERAGES

Coverages apply only as a consequence of direct physical loss or damage to “covered property” caused by or resulting from a covered Cause of Loss.

- Unless otherwise indicated, all Limits apply on a per occurrence basis
- No Deductible applies to Property Consequential Loss Coverages

- 1. ORDINANCE OR LAW**
- 2. LOSS OF INCOME**
- 3. SUPPLEMENTARY PAYMENTS**

1. ORDINANCE OR LAW

Covered Property	Consequential Loss Coverage	Limit of Insurance	Valuation
Buildings, Structures, “Units”	Undamaged Portion	Guaranteed Replacement Cost	Guaranteed Replacement Cost
Buildings, Structures, “Units”	Demolition Costs	\$300,000	Actual Loss Sustained
Buildings, Structures, “Units”	Increased Cost of Construction	\$300,000	Increased Replacement Cost

2. LOSS OF INCOME

Covered Property	Limit of Insurance	Valuation
Community Income and Maintenance Fees and Assessments; Extra Expense; Rents; Community Income; Increased Period of Restoration; other temporary operation expenses.	Actual Loss Sustained	Actual Loss Sustained

3. SUPPLEMENTARY PAYMENTS

Covered Property	Limit of Insurance	Valuation
• Removal of Fallen Trees	\$10,000 \$1,000 Maximum per Tree	Actual Loss Sustained Actual Loss Sustained
• “Pollutant” Cleanup and Removal	\$25,000 per continuous 12 month period	Actual Loss Sustained
• Property Removal	\$300,000	Actual Loss Sustained
• Monetary Reward	\$5,000	10% of Paid Claim
• Debris Removal	\$300,000	Actual Loss Sustained
• Fire Department Service Charges	\$0	Actual Loss Sustained
• Fire Extinguisher Recharge	\$1,000	Actual Loss Sustained

DECLARATIONS F: CRIME COVERAGES

- Unless otherwise indicated, all Limits apply on a per occurrence basis

Valuation	Deductible
Actual Loss Sustained	None

Covered Property	Causes of Loss	Limit of Insurance
All “Covered Property”	“Employee Dishonesty”	\$150,000 Combined Limit
All “Covered Property”	“Computer Fraud”	
“Covered Instruments”	“Depositors Forgery”	

Homeowners Association Insurance Policy

DECLARATIONS G: 1. LIABILITY COVERAGES - PRIMARY AND EXCESS

1. Liability - Primary and Excess

Limits of Insurance apply as:

- Indemnity payments for claims or “suits” seeking damages
- Both primary and excess unless otherwise indicated

Coverage	Limit of Insurance	Type of Limit
“Bodily Injury” And “Property Damage”	\$2,000,000	Per “Occurrence”
Products / Completed Operations	\$2,000,000 \$2,000,000	Per “Occurrence” Annual Aggregate
“Personal Injury” & “Advertising Injury”	\$2,000,000	Per “Offense”
Property Damage Legal Liability–Real Property	\$1,000,000	Per “Occurrence”
“Hired Auto” and “Nonowned Auto”	\$2,000,000	Per “Occurrence”
Medical Payments	\$5,000	Per Accident
Garage and Parking Areas Legal Liability		
Comprehensive Coverage	\$500 Deductible Applies Per “Occurrence”	
	\$25,000	Per “Occurrence” Limit
Collision Coverage	\$500 Deductible Applies Per “Occurrence”	
	\$25,000	Per “Occurrence” Limit

DECLARATIONS H: CLAIMS MADE LIABILITY COVERAGES

1. DIRECTORS AND OFFICERS LIABILITY COVERAGE
2. ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE

1. DIRECTORS AND OFFICERS LIABILITY - CLAIMS MADE

- Limits of Insurance apply as:
- Indemnity payments for “claims” or “suits” seeking pecuniary relief.
 - “Defense costs” for “claims” or “suits” seeking non-pecuniary relief.

Coverage	Limit of Insurance
Directors and Officers Liability	\$2,000,000 Each “Wrongful Act”
	\$2,000,000 Aggregate

Retroactive Date: NONE

This insurance does not apply to “loss” because of “wrongful acts” which took place before the Retroactive Date.

Optional Extended Reporting Period: 3 years

The premium for the Optional Extended Reporting Period is: \$1,391

Homeowners Association Insurance Policy

2. ENVIRONMENTAL IMPAIRMENT LIABILITY - CLAIMS MADE AND REPORTED

Limits of Insurance apply as: • Indemnity payments and “defense costs” for “claims” seeking damages arising out of “pollution conditions”.

Coverage	Limit of Insurance
Environmental Impairment Liability	\$500,000 Each “Loss”
	\$500,000 Aggregate
	\$5,000 Retained Limit Each “Loss”

Retroactive Date: _____ NONE _____

This insurance does not apply to “loss” from “pollution conditions” which took place before the Retroactive Date.

Optional Extended Reporting Period: _____ 1 year _____

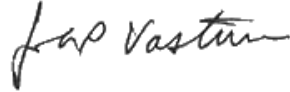
The premium for the Optional Extended Reporting Period is: _____ \$330 _____

NOTICE

Any emergency arising out of “pollution conditions” covered by Environmental Impairment Liability Coverage should be reported immediately to the on call 24 hour hotline at 1-800-432-2481, administered by XL Specialty Claims, a division of the XL Insurance Companies.

Homeowners Association Insurance Policy

In Witness Whereof, American Alternative Insurance Corporation has caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our duly authorized representative.



John Vasturia
President



Robin Willcox
Secretary

Directors and Officers Liability Coverage Part

This Coverage Part Provides Claims Made Coverage. Coverage Applies only when a Limit is shown in the “Declarations”.

Throughout this policy the words “you” and “your” refer to the Named Insured shown in the “Declarations”. “We”, “us” and “our” refer to the company providing this insurance. Words and phrases that appear in quotation marks have special meaning. Refer to XXII DEFINITIONS SECTION and VII. DIRECTORS AND OFFICERS ADDITIONAL CHANGES.

THE WORD INSURED MEANS ANY PERSON OR ORGANIZATION QUALIFYING AS SUCH UNDER III. DIRECTORS AND OFFICERS LIABILITY WHO IS AN INSURED SECTION.

I. DIRECTORS AND OFFICERS LIABILITY COVERAGE SECTION

A. INSURING AGREEMENT

We will pay on behalf of the insured all sums the insured becomes legally obligated to pay as “loss” because of a “wrongful act” committed in the “coverage territory”, to which this insurance applies. Insurance provided by this Directors and Officers Liability Coverage Part applies to “loss” only if:

1. The “wrongful act” is committed on or after the Retroactive Date, if any, shown in the “Declarations” and before the end of the “policy period”; and
2. A “claim” for “loss” because of a “wrongful act” is first made against any insured and reported to us in accordance with VI.C. REPORTING AND NOTICE and VI.D. OTHER DUTIES IN THE EVENT OF “WRONGFUL ACT”, “CLAIM”, OR “SUIT” during the “policy period” or an Extended Reporting Period we provide under V. DIRECTORS AND OFFICERS LIABILITY EXTENDED REPORTING PERIOD SECTION.

We may investigate any “claim” or “suit” at our discretion. We have certain rights and obligations for defense and settlement of “claims” and “suits” as described in Paragraphs B. and C. below.

No other obligation or liability to pay “loss” or perform acts or services is covered unless specifically provided for under IV. DIRECTORS AND OFFICERS LIABILITY LIMITS OF INSURANCE SECTION, V. DIRECTORS AND OFFICERS LIABILITY EXTENDED REPORTING PERIODS SECTION, or VI. DIRECTORS AND OFFICERS CONDITIONS SECTION.

B. DEFENSE AND PAYMENT

Our rights and obligations with regard to defense and payment are as follows:

1. Pecuniary Relief - Defense and Payment
 - a. Even if the allegations are groundless, false or fraudulent, we will have the right and duty to

defend against any “claim” or “suit” seeking “loss” to which the Insuring Agreement applies.

- b. Our duty to defend against any “claim” or “suit” seeking “loss” ends when we have exhausted the applicable limit of insurance paying “loss”.
- c. In any “claim” or “suit” for “loss”, no “defense costs” may be incurred without our consent which will not be unreasonably withheld. We will not be liable for any “defense costs” to which we have not consented.
- d. We may settle such “claim” or “suit” within the limit of insurance available at the time of settlement.
- e. No payment for “loss” may be made without our consent which will not be unreasonably withheld. We will not be liable for any settlement for “loss” to which we have not consented.

2. Nonpecuniary Relief - Defense

- a. Even if the allegations are groundless, false or fraudulent, we will have the right and duty to defend against any “claim” or “suit” seeking nonpecuniary relief.
- b. The most we will pay for “defense costs” for any “claim” or “suit” seeking nonpecuniary relief is the dollar amount indicated as the Each Wrongful Act Limit shown on the Declarations. The insured shall not unreasonably withhold consent to any reasonable settlement offer.

C. DEFENSE OF “CLAIM” OR “SUIT” SECTION

1. At our option, we may consent to the defense of any such “claim” or “suit” by the insured. With regard to any “claim” or “suit” we allow an insured to defend, we have the right to associate with such insured’s defense counsel and to monitor and be advised of defense strategies and activities and expenses for defense as they are incurred.
2. Even if we initially defend or initially pay to defend any “claim” or “suit”, we may later determine that there is no coverage for such “claim” or “suit”. In that event, we have the right to reimbursement from you for the

This Coverage Part Provides Claims Made Coverage.

“defense costs” we incur from the date we notify you in writing of our:

- a. Determination that coverage does not apply; or
- b. Reservation of our rights to terminate the defense or payment for the defense; and
- c. Intention to seek reimbursement of our “defense costs”.

II. DIRECTORS AND OFFICERS LIABILITY EXCLUSIONS SECTION

This insurance does not apply to any “claim” or “suit” seeking “loss” or nonpecuniary relief:

A. PRIOR WRITTEN NOTICE

Arising out of the same facts or circumstance if written notice of such facts or circumstance has been received by you under any policy the term of which has expired prior to or upon the inception of the current “policy period”.

B. PRIOR LITIGATION

Arising out of:

- 1. Any litigation commencing prior to or pending as of the policy effective date of the current “policy period” including, but not limited to “claims”, demands, causes of action, legal or quasi-legal proceedings, decrees or judgments against any insured of which any other insured had received notice or otherwise had knowledge as of such date;
- 2. Any subsequent litigation arising from or based on substantially the same matters as alleged in the pleadings of such prior or pending litigation; or
- 3. Any act of any insured which gave rise to such prior or pending litigation.

C. EMPLOYMENT-RELATED PRACTICES

Arising out of or in any way related to:

- 1. Refusal to employ;
- 2. Termination of employment; or
- 3. Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, or discrimination in the employment, or other employment related practices, policies, acts or omissions.

This exclusion applies whether the insured may be liable as an employer or in any other capacity and to any obligation to share damages with or repay someone else who must pay damages.

D. DISCRIMINATION

Arising out of any violation of any civil rights laws whether federal, state, or local ordinance.

This includes, but is not limited to, discrimination on account of race, religion, sex, age, familial status, or handicap. This does not include any act of discrimination excluded under II.C. EMPLOYMENT RELATED PRACTICES.

However, this exclusion does not apply to our duty to defend provided under I.B. DEFENSE AND PAYMENT, 1. and 2. Your consent to settlement shall not be unreasonably withheld.

E. EMPLOYEE BENEFITS AND E.R.I.S.A.

- 1. Based upon any actual or alleged violation of the responsibilities, obligations or duties imposed upon fiduciaries by:
 - a. The Employee Retirement Income Security Act, ERISA, of 1974, Public Law 93-406, any amendment of it or similar provisions of federal, state or local statutory or common law; or
 - b. Any “private employee benefits” or “public employee benefits”.
- 2. Based upon any other error or omission with regard to any “private employee benefits” or “public employee benefits”.

F. “MONEY” AND “SECURITIES”

- 1. For profit or “loss”, or any accounting of it, resulting from the purchase, sale, or disposition of “securities”.
- 2. Where all or part of such “claim” is directly or indirectly, based on, attributable to, caused by, arising out of, resulting in, or relating in any way to loss of “money” and “securities”.

G. REMUNERATION AND PERSONAL PROFITS

Any personal profit, remuneration, or advantage gained by any insured to which they were not legally entitled.

A “wrongful act” committed by any insured shall not be imputed to any other insured for the purposes of applying this exclusion.

H. BREACH OF CONTRACT

For breach of contract or agreement.

However, this exclusion does not apply to our duty to defend provided under I.B. DEFENSE AND PAYMENT, 1. and 2.

I. DISHONEST ACTS

Arising out of any dishonest, fraudulent, criminal, or malicious act, including fines and penalties resulting from these acts.

This Coverage Part Provides Claims Made Coverage.

A “wrongful act” committed by any insured shall not be imputed to any other insured for the purposes of applying this exclusion.

J. FAILURE TO TAKE LEGAL ACTION

Arising out of or related to the failure of the insured to institute any legal action against the developer or any other person for “claims” related to any damage, destruction, or deterioration of any tangible property including without limitation construction defects, whether or not as a result of faulty or incorrect design or architectural plans, improper soil testing, inadequate or insufficient protection from soil and/or ground water movement, soil subsidence, or as a result of the supervision or actual construction, manufacturing, or assembly of any tangible property.

However, this exclusion does not apply to our duty to defend provided under I.B. DEFENSE AND PAYMENT, 1. and 2.

K. INJURY AND DAMAGE

Where all or part of such “claim” or “suit” is directly or indirectly, based on, attributable to, caused by, arising out of, resulting in, or relating in any way to “bodily injury”, “property damage”, “personal injury” or “advertising injury”.

L. INSURANCE

Arising from, based upon or attributable to any failure or omission on the part of the insured to use, effect, or maintain adequate insurance or bonds of any kind.

M. ASBESTOS

Based on, caused by, attributable to, related to, or in any manner and at any time arising out of:

1. The use, installation, storage, withdrawal, removal, encapsulation, destruction, containment, testing, distribution, ownership, sale, or disposal of asbestos, asbestos dust, asbestos fibers or material containing asbestos;
2. Exposure to asbestos, asbestos dust, asbestos fibers, or material containing asbestos; or
3. Any error or omission in supervision, instructions, recommendations, notices, warnings, or advice given, or which should have been given, in connection with asbestos, asbestos dust, asbestos fibers, or material containing asbestos.

N. POLLUTION

Based upon, attributable to, or arising out of:

1. The actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of “pollutants” at any time;

2. Any request, demand, order or statutory or regulatory requirement that any “insured” or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of, “pollutants”; or
3. A “claim” or “suit” brought by or on behalf of any governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of, “pollutants”.

O. NUCLEAR ENERGY

1. With respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Energy Insurance Association of Canada, or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
2. Resulting from the “hazardous properties” of “nuclear material” and with respect to which:
 - a. Any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law that amends it; or
 - b. The insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America or any of its agencies, under any agreement entered into by the United States of America, or any of its agencies, with any person or organization.
3. Resulting from the “hazardous properties” of “nuclear material” if:
 - a. The “nuclear material” is at any “nuclear facility” owned by, or operated by or on behalf of an insured or has been discharged or dispersed therefrom;
 - b. The “nuclear material” is contained in “spent fuel” or “waste” at any time possessed, handled, used, processed, stored, transported, or disposed of by or on behalf of an insured; or
 - c. The “loss”, including all forms of radioactive contamination of property, arising out of the furnishing by an insured of services, materials, parts, or equipment in connection with the planning, construction, maintenance, operation, or use of any “nuclear facility”, but if such facility is located within the United States of America, its territories or possessions or Canada, this

This Coverage Part Provides Claims Made Coverage.

exclusion c. applies only to “property damage” to such “nuclear facility” and any property thereat.

confidential or personal information was compromised or any other related cost or expense.

P. ROT, MOLD, AND MILDEW OR OTHER FUNGI

Based upon or arising out of the exposure to, required removal or abatement of rot, mold or mildew, or other fungi, regardless of whether such rot, mold, or mildew, or other fungi, ensues from any cause or condition on, at, under or emanating from or to the premises, including but not limited to any such cause or condition involving the presence, discharge, or infiltration of moisture, vapor, water, or any other liquid, or any damage related to any of these.

Q. “CYBER LIABILITY”

Based upon or arising out of:

1. The unauthorized use of, or unauthorized access to, electronic “data” or software within your network or business;
2. The functioning, nonfunctioning, improperly functioning, availability, or unavailability of:
 - a. The internet or similar facility;
 - b. Any intranet or private network or similar facility; or
 - c. Any website, bulletin board, chat room, search engine, portal or similar third party application service.
3. Any alteration, corruption, destruction, distortion, erasure, “theft” or other loss of or damage to “data”, software, information repository, microchip, integrated system or similar device in any computer equipment or non-computer equipment or any kind of programming or instruction set; or
4. Any loss of use or functionality, whether partial or entire, of “data”, coding, program, software, any computer or computer system or other device dependent upon any microchip or embedded logic and any ensuing inability or failure of any insured to conduct business.
5. Unauthorized use of, or unauthorized access to electronic “data” or software within your network or business.
6. Unauthorized access to or disclosure of any person’s or organization’s confidential or personal information, including patents, trade secrets, processing methods, customer lists, financial information, credit card information, health information or any other type of non-public information.
7. Any requirement to incur expenses for the notification or credit monitoring of affected parties whose

R. PROFESSIONAL SERVICE

Based upon or arising out of the rendering or failure to render any professional service by an insured, including but not limited to:

- a. Legal, accounting, or advertising services;
- b. Engineering or Architectural services;
- c. Medical, surgical, dental, x-ray, or nursing services or treatment;
- d. Any health service or treatment;
- e. Any cosmetic or tonsorial service or treatment;
- f. Optometry or optical or hearing aid services including the prescribing, preparation, fitting, demonstration or distribution of ophthalmic lenses and similar products or hearing aid devices;
- g. Ear or body piercing services; and
- h. Services in the practice of pharmacy.

However, this exclusion does not apply to any services required to be performed by you as established by your governing documents.

S. WAR

Based upon or arising out of “war” or any act or condition incidental to “war”.

T. COMPLIANCE WITH ADA REQUIREMENTS

Based upon or arising out of your failure to comply with any of the accommodations for persons with disabilities as required by, or as the result of physical modifications made to accommodate any person pursuant to, the Americans With Disabilities Act, including any amendments to, or rules or regulations promulgated pursuant to this law, or similar provisions of any federal, state or local law to the extent that they prescribe responsibilities or duties concerning the same acts or omissions.

However, this exclusion does not apply to our duty to defend provided under I.B. DEFENSE AND PAYMENT, 1. and 2.

III. DIRECTORS AND OFFICERS LIABILITY WHO IS AN INSURED SECTION

A. EACH OF THE FOLLOWING IS AN INSURED:

1. You and any “subsidiary” named in the “Declarations”;
2. Any person who has been, now is, or shall become a duly elected or appointed director or trustee, a duly elected or appointed officer, a “covered employee”, or “committee member”, whether or not salaried, and any

This Coverage Part Provides Claims Made Coverage.

of your members acting at the direction of your board of directors on your behalf in a voluntary capacity;

3. Legal representatives or assigns of any insured in 1. or 2. above who is insolvent, incompetent or bankrupt.
4. Estates, heirs and legal representatives

In the event of the death, incapacity or bankruptcy of any natural person insured in 2. or 3. above, any "claim" or "suit" against his or her estate, heirs, legal representatives, or assigns based on actual or alleged "wrongful acts" of such insureds shall be deemed to be a "claim" or "suit" against such insured for the purposes of this Directors and Officers Liability Coverage Part.

5. Marital Estate

We shall cover "loss" arising from any "claim" made against the lawful (as determined by the applicable jurisdiction of the spouse) spouse of any natural person insured or partner in a civil union in 2. or 3. above if such "claim" arises solely out of the spousal relationship to the insured person. This coverage includes "claims" that seek damages recoverable from marital community property, property jointly held by the insured person and spouse or partner in a civil union, and property transferred from the insured person to spouse or partner in a civil union. However, we shall not cover any "claim" for any actual or alleged "wrongful act" committed by the spouse, himself or herself, or partner in a civil union of any such insured person. All provisions of this Directors and Officers Liability Coverage Part, including the application of any retention, which apply to the insured person, also apply to the spouse or partner in a civil union.

B. NONE OF THE FOLLOWING IS AN INSURED:

1. Your builder, developer or sponsor, or any person or organization affiliated with your builder, developer, or sponsor in any capacity.
2. Other than your employee, any person or organization performing community management duties for you.

IV. DIRECTORS AND OFFICERS LIABILITY LIMITS OF INSURANCE SECTION

The limits of insurance shown in the "Declarations" and the provisions of this section determine the most we will pay for "loss" regardless of the number of:

1. Insureds and additional insureds;
2. "Claims" made or "suits" brought; or
3. Persons or organizations making "claims" or bringing "suit".

A. LIMITS OF INSURANCE ARE SUBJECT TO THE FOLLOWING:

1. The Aggregate Limit shown in the "Declarations" is the most we will pay for "loss" covered by this Coverage Part.

If the Aggregate Limit is exhausted by the payment of "loss", we will have no further obligations or liability of any kind under this Coverage Part.

2. Subject to 1. above, the Each Wrongful Act Limit shown in the "Declarations" is the most we will pay because of all "loss" arising out of any one "wrongful act".
3. The limits of this Directors and Officers Liability Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the "policy period" shown in the "Declarations", unless the "policy period" is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the limit of insurance.
4. All "claims" arising out of all interrelated "wrongful acts" of insureds will be deemed one "claim", and such "claim" will be deemed to have originated in the earliest "policy period" in which any of such "claims" is first made against an insured.

V. DIRECTORS AND OFFICERS LIABILITY EXTENDED REPORTING PERIOD SECTION

We will provide an Automatic Extended Reporting Period as described in A. below and, if you purchase it, an Optional Extended Reporting Period Endorsement as described in B. in the event of any "termination of coverage".

A. AUTOMATIC EXTENDED REPORTING PERIOD

1. The Automatic Extended Reporting Period starts with the end of the "policy period" and lasts for 90 days.
2. The Automatic Extended Reporting Period applies only if no subsequent insurance you purchase applies to the "claim", or would apply but for the exhaustion of its limit of insurance.
3. The Automatic Extended Reporting Period may not be canceled.
4. The Automatic Extended Reporting Period is provided without additional charge.

B. OPTIONAL EXTENDED REPORTING PERIOD ENDORSEMENT

1. If you purchase the Optional Extended Reporting Period Endorsement, the Optional Extended Reporting

This Coverage Part Provides Claims Made Coverage.

Period will start upon the expiration of the Automatic Extended Reporting Period and will last for three years.

2. The cost for the Optional Extended Reporting Period is shown in the "Declarations".
3. We will offer the Optional Extended Reporting Period upon a "termination of coverage", unless the policy is canceled for nonpayment of premium, or fraudulent activities of an insured.
4. We will issue that Endorsement if the first Named Insured shown in the "Declarations" makes a written request to us for it which we receive within 60 days after the date of "termination of coverage".
5. The Optional Extended Reporting Period Endorsement will not take effect unless the additional premium is paid when due. If that premium is paid when due, the Endorsement may not be canceled.

C. EXTENDED REPORTING PERIOD CONDITIONS

Extended Reporting Periods are subject to the following conditions:

1. A "claim" first made during the Extended Reporting Period will be deemed to have been made on the last day of the "policy period", provided that the "claim" is for "loss" from "wrongful acts" which took place before the end of the "policy period" but not before any applicable Retroactive Date.

Extended Reporting Periods do not extend the "policy period" or change the scope of coverage provided. Extended Reporting Periods apply only to the coverage terminated or reduced.

2. Extended Reporting Periods do not reinstate or increase the limits of liability applicable to this Directors and Officers Liability Coverage Part.
3. If this Directors and Officers Liability Coverage Part is canceled and you elect to purchase the Optional Extended Reporting Period Endorsement:
 - a. Any return premium due to you for the cancellation will be credited to the premium due for the Optional Extended Reporting Period Endorsement; and
 - b. Any additional premium due to us for the period the policy was in force must be fully paid before any payments can be applied to the premium due for the Optional Extended Reporting Period Endorsement.

VI. DIRECTORS AND OFFICERS LIABILITY CONDITIONS SECTION

The Directors and Officers Liability Coverage Part is subject to the following conditions:

A. LEGAL ACTION AGAINST US

1. No person or organization has a right under this Directors and Officers Liability Coverage Part:
 - a. To join us as a party or otherwise bring us into a "suit" against any insured; or
 - b. To sue us on this Directors and Officers Liability Coverage Part unless all of its terms have been fully complied with.
2. A person or organization may sue us to recover on an "agreed settlement" or on a final judgment against an insured obtained after an actual trial; but we will not be liable for "loss" or "defense costs" that are not payable under the terms of this Directors and Officers Liability Coverage Part or that are in excess of the applicable limit of insurance.

B. BANKRUPTCY

Bankruptcy or insolvency of the insured, or of the insured's estate will not relieve us of our obligation under this Directors and Officers Liability Coverage Part.

C. REPORTING AND NOTICE

1. A "claim" shall be considered to have been first reported to us either:
 - a. At the time that any insured first gives written notice to us that a "claim" has been made against the insured for such "wrongful act"; or
 - b. At the time that any insured first gives written notice to us of:
 - (1) The material facts or circumstances relating to such "wrongful act" as facts or circumstances having the potential of giving rise to a "claim" being made against the insured; or
 - (2) The receipt of written or verbal notice from any party that is the intention of such party to hold the insured responsible for such "wrongful act".
2. The insured shall, as a condition precedent to their rights under this policy, give to us written notice as soon as practicable of any "claim" made against any of them for a "wrongful act" and shall give us such information and cooperation as we may reasonably require.

D. OTHER DUTIES IN THE EVENT OF "WRONGFUL ACT", "CLAIM", OR "SUIT"

Failure to perform these duties will impair your rights under this Directors and Officers Liability Coverage Part.

This Coverage Part Provides Claims Made Coverage.

1. You must see to it that we are notified as soon as practicable of any “wrongful act” which may result in a “claim”. To the extent possible, notice should include:
 - a. How, when, and where the “wrongful act” took place;
 - b. The names and addresses of any persons involved in the “wrongful act” and witnesses; and
 - c. The nature of the harm resulting from the “wrongful act”.
2. Notice of a “wrongful act” is not notice of a “claim”.
3. If a “claim” is made against or received by an insured, you must:
 - a. Immediately record the specifics of the “claim” and the date received; and
 - b. Notify us in writing as soon as practicable.
4. You and any other involved insured must:
 - a. Immediately send us copies of any demands, notices, summonses, or legal papers received in connection with the “claim” or “suit”;
 - b. Authorize us to obtain records and other information;
 - c. Cooperate with us in the investigation, settlement, or defense of the “claim” or “suit”; and
 - d. Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of “loss” to which this insurance may apply.
5. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense without our consent.

E. REPRESENTATIONS AND SEVERABILITY

1. In granting coverage under this Directors and Officers Liability Coverage Part to any one of the insureds, we have relied upon the declarations and statements in the application, including submitted materials and, if this is a renewal application, all such previous applications for which this coverage is a renewal. Declarations and statements are the basis of coverage and will be considered as incorporated in and constituting part of the Directors and Officers Liability Coverage Part.
2. The application for coverage will be construed as a separate application for coverage by each of the insureds. With respect to the declarations and statements contained in such written application for coverage, no statement in the application or knowledge

possessed by any insured will be imputed to any other insured for the purpose of determining the availability of coverage with respect to “claims” made against the insured whether or not your Association grants indemnification.

3. Except with respect to the limit of insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:
 - a. As if each Named Insured were the only Named Insured; and
 - b. Separately to each insured against whom “claim” is made or “suit” is brought.

F. OTHER INSURANCE

This insurance is excess of any other valid and collectible insurance whether primary, excess, contingent, or any other basis, except such other insurance as is written specifically to be excess over this insurance.

The other insurance will be deemed valid and collectible regardless of:

1. Any defense asserted by any other insurer because of the insured’s failure to comply with the terms of that insurance; or,
2. The inability of any other insurer to pay because bankruptcy or insolvency.

G. NEWLY CREATED OR ACQUIRED “SUBSIDIARIES”

1. If any “subsidiary”, created or acquired by the Named Insured after the inception of this Directors and Officers Liability Coverage Part, qualifies as a not-for-profit organization under the provision of Internal Revenue Code and would have been included as an insured under III. DIRECTORS AND OFFICERS LIABILITY WHO IS AN INSURED SECTION, such “subsidiary” will be included subject to:
 - a. The giving of written notice of such creation or acquisition to us as soon as practical, but in no event more than 120 days following such creation or acquisition; and
 - b. The giving of any underwriting information and the payment of any additional premium required by us.
2. If any “subsidiary” created or acquired by the Named Insured after the inception of this policy, does not qualify as a not-for-profit organization under the provisions of the Internal Revenue Code, such “subsidiary” will not be included until the insured has:

This Coverage Part Provides Claims Made Coverage.

- a. Given written notice of such creation or acquisition together with any underwriting information which may be required; and
- b. Received written approval from us and paid any additional premium required.

H. CONSOLIDATION OR MERGER

In the event that the Named Insured acquires by merger, or consolidates with, or is merged into, or acquired by any other organization after the inception of this policy, immediate written notice thereof will be given to us together with such information as we may require. You will pay any additional premium required by us.

I. TRANSFER OF RIGHTS OF RECOVERY

In the event of any payment under this Directors and Officers Liability Coverage Part, we will be subrogated to the extent of such payment to all the insured's rights of recovery. In such case the insured will execute all papers required and will do everything necessary to secure and preserve such right including the execution of such documents necessary to enable us effectively to bring "suit" in the name of the insured.

VII. DIRECTORS AND OFFICERS LIABILITY ADDITIONAL CHANGES

The following definitions are added to **XXII. DEFINITIONS SECTION** of the policy to which this Directors and Officers Liability Coverage Part is attached:

- 1. **"Claim(s)"** (DIRECTORS AND OFFICERS LIABILITY) means:
 - a. A written demand, sent by a person or organization, demanding either damages or the performance of a specific act, or both; or
 - b. "Suit".
- 2. **"Covered employee"** (DIRECTORS AND OFFICERS LIABILITY) means:
 - a. Any natural person:
 - (1) While in your service (and for 30 days after termination of service);
 - (2) Whom you compensate directly by salary, wages or commissions; and
 - (3) Whom you have the right to direct and control while performing services for you.
 - b. Any natural person employed by an employment contractor while that person is subject to your direction and control and performing services for you. However, any such person is excluded while

having care and custody of property outside the "premises".

- c. Other than your employee, any person or any organization while acting as your community manager.

3. **"Defense costs"** (DIRECTORS AND OFFICERS LIABILITY) means:

- a. All expenses we incur;
- b. Costs, charges and expenses (other than regular or overtime wages, salaries or fees of your trustees, directors, officers, community managers, or employees) incurred at our request or with our written consent in the defense of legal actions, "suits", "claims", or proceedings and appeals therefrom and the cost of appeal, attachment or similar bonds. We do not have to furnish these bonds.
- c. All reasonable expenses incurred by an insured at our request to assist us in the investigation or defense of the "claim" or "suit" including actual loss of earnings up to \$250 a day, per person, because of time off from work. "Defense costs" does not include salaries, wages, fees, hourly charges, or overhead of, or paid to, an insured.
- d. The cost of bonds to appeal a judgment or award in any "suit" we defend.

4. **"Loss"** (DIRECTORS AND OFFICERS LIABILITY) means the damages the insured is legally obligated to pay because of judgments or settlements arising out of "claims" or "suits" alleging "wrongful acts".

"Loss" does not include civil or criminal fines, sanctions, or penalties imposed by law, taxes, or any other matter deemed uninsurable pursuant to applicable law.

"Loss" does not include "defense costs".

5. **"Private employee benefits"** (DIRECTORS AND OFFICERS LIABILITY) means:

- a. Group Life Insurance;
- b. Group Accident, Health, Disability, and Dental Insurance;
- c. Profit-Sharing Plans;
- d. Pension Plans;
- e. Employee Stock Subscription Plans;
- f. Employee Travel, Vacation, or Savings Plans; or
- g. Accident, Health, Disability, and Dental Insurance.

This Coverage Part Provides Claims Made Coverage.

6. **“Public employee benefits”** (DIRECTORS AND OFFICERS LIABILITY) means:
- a. Workers Compensation;
 - b. Unemployment Insurance;
 - c. Social Security;
 - d. Any other disability income program required or provided by statute or other law; or
 - e. Accident, Health, Disability, and Dental Insurance.
7. **“Suit(s)”** (DIRECTORS AND OFFICERS LIABILITY) means a civil proceeding in which damages or nonpecuniary relief to which this insurance applies are alleged.
- “Suit” includes:
- a. An arbitration proceeding in which such damages or nonpecuniary relief are claimed and to which you must submit or do submit with our consent; or
 - b. Any other alternative dispute resolution proceeding in which such damages or nonpecuniary relief are claimed and to which you submit with our consent.
 - c. A civil proceeding commenced by the service of a complaint or similar pleading.
 - d. A formal administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order, or similar document.
8. **“Termination of coverage”** (DIRECTORS AND OFFICERS LIABILITY) means any cancellation or nonrenewal of the Directors And Officers Coverage Part.
9. **“Wrongful act(s)”** (DIRECTORS AND OFFICERS LIABILITY) means any negligent error, misstatement or misleading statement, act or omission, or neglect or breach of duty committed, attempted, or allegedly committed or attempted, by any insured in the discharge of duties to you, or any matter claimed solely by reason of service in such capacity.

All errors, statements, acts, omissions, neglects or breaches of duty or matters claimed solely by reason of service in the discharge of duties to you which are causally connected, whether involving one or more of the insureds shall be deemed interrelated “wrongful acts”.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Community Manager - Directors and Officers**

This endorsement modifies insurance provided by the Directors and Officers Liability Coverage Part under the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

1. Paragraph A. of III. DIRECTORS AND OFFICERS LIABILITY WHO IS AN INSURED SECTION is amended by the addition of the following:
Any person or organization acting as community manager for the Named Insured while performing community management duties for the Named Insured, but only with respect to liability for “wrongful acts” committed at the express direction of the Named Insured. However, your community manager is not an insured for “claims” or “suits” brought against them by you.
2. Paragraph B.2 of III. DIRECTORS AND OFFICERS LIABILITY WHO IS AN INSURED SECTION is deleted in its entirety.

All other terms and conditions of this policy remain unchanged by this endorsement.

Environmental Impairment Liability Coverage Part

This Coverage Part Provides Claims Made Coverage.

Throughout this policy, the words, “you” and “your” refer to the named insured shown in the “Declarations”. “We”, “us” and “our” refer to the company providing this insurance. Other words and phrases that appear in quotation marks have special meanings. Refer to XXII. DEFINITIONS SECTION of the policy and VII. ENVIRONMENTAL IMPAIRMENT LIABILITY ADDITIONAL CHANGES.

The word insured means any person or organization qualifying as such under III. ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION.

This Environmental Impairment Liability Coverage Part along with XXI. COMMON POLICY CONDITIONS SECTION and XXII. DEFINITIONS SECTION of the policy contain all our obligations regarding this coverage. We have no other obligation unless the policy, that this Environmental Impairment Liability Coverage Part is part of, is amended accordingly.

I. ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE SECTION

A. ENVIRONMENTAL IMPAIRMENT LIABILITY

We shall pay “loss” the insured becomes legally obligated to pay as the result of “claim(s)” first made against the insured during the “policy period”. Insurance is provided by this Environmental Impairment Liability Coverage Part for any “claim(s)” or “suit(s)” made or brought in the “coverage territory” and:

1. Arising out of “pollution conditions” on, at, under or emanating from the locations(s) stated in the “Declarations”; and,
2. Reported to us in accordance with VI.C. ENVIRONMENTAL IMPAIRMENT LIABILITY CONDITIONS SECTION; and,
3. Reported to us during the “policy period” or where applicable, the extended reporting period in accordance with V. ENVIRONMENTAL IMPAIRMENT LIABILITY EXTENDED REPORTING PERIOD SECTION.

B. DEFENSE AND PAYMENT

1. Even if the allegations are groundless, false or fraudulent, we will have the right and duty to defend against any “claim(s)” or “suit(s)”.
2. “Defense costs” are subject to the following:
 - a. We may investigate any “claim(s)” or “suit(s)” at our discretion.
 - b. Our right and duty to defend ends when we have exhausted the limit of insurance in the payment of “loss”.
 - c. Subject to I.B.3., we may, at our option, give you our consent to defend any “claim(s)” or “suit(s)”

- d. Subject to I.B.3., no “defense costs” will be incurred or settlements made without our consent, which will not be unreasonably withheld. We will not be liable for any settlements or “defense costs” to which we have not consented in writing.
3. Subject to the following, if the limits of insurance stated in the “Declarations” has been or soon will be exhausted, we will transfer to you control of any existing defense:
 - a. We will notify you in writing as soon as reasonably possible. We will advise you that our duty to defend either has terminated or is about to terminate subject to the payment of the limit of insurance. We will advise you that we will no longer handle the defense of any “claim(s)” or “suit(s)” reported to us after the date we provide this notice.
 - b. We will take immediate and appropriate steps to transfer control to you of any existing defense at the time of or prior to exhaustion of the limit of insurance. You will agree to reimburse us for any reasonable costs we incur in connection with the transfer of the defense.
 - c. We will take appropriate steps necessary to defend the “claim(s)” or “suit(s)” during the transfer of the defense and to attempt to avoid any unfavorable legal action provided that the insured cooperates with the transfer.
 - d. The exhaustion of the limit of insurance by the payment of “loss” will not be affected by our failure to comply with any of the provisions of this section.
 4. Even if we initially defend or initially pay to defend any “claim(s)” or “suit(s)”, we may later determine that there is no coverage for “claim(s)” or “suit(s)”.

This Coverage Part Provides Claims Made Coverage.

In that event, we have the right to reimbursement for the “defense costs” we incur from the date we notify you, in writing, of our:

- a. Determination that coverage does not apply;
- b. Reservation of our rights to terminate the defense or payment for the defense; and
- c. Intention to seek reimbursement of our “defense costs”.

II. ENVIRONMENTAL IMPAIRMENT LIABILITY EXCLUSIONS SECTION

This insurance does not apply to “loss” based upon or arising out of any of the following:

A. KNOWN CONDITIONS

“Pollution conditions” existing prior to the inception of this policy that are known to any insured and that were not disclosed to us in writing in the application or related materials prior to the inception of this policy.

B. MULTIPLE DAMAGES/FINES/PENALTIES

Civil, administrative or criminal fines or penalties, assessments, punitive, exemplary or multiplied damages. However, this exclusion does not apply to punitive, exemplary or multiplied damages where insurance coverage is allowable by law.

C. “EMPLOYERS LIABILITY”

“Bodily injury” to:

1. An “employee” of an insured arising out of and in the course of:
 - a. Employment by the insured; or
 - b. Performing duties related to the conduct of the insured’s business; or
2. The spouse, child, parent, brother or sister of that “employee” as a consequence of subparagraph 1. above.

This exclusion applies:

1. Whether an insured may be liable as an employer or in any other capacity; and,
2. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

D. WORKERS’ COMPENSATION AND SIMILAR LAWS

Any obligation of any insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

E. CONTRACTUAL LIABILITY

Liability of others assumed by any insured under any contract or agreement unless the liability would exist in the absence of a contract or agreement.

F. INSURED’S PROPERTY/BAILEE LIABILITY

“Property damage” to property owned, leased or operated by or in the care, custody or control of any insured, even if such “property damage” is incurred to avoid or mitigate “loss” which may be covered under this policy.

G. VEHICLES

The ownership, maintenance, use, operation, “loading or unloading”, or entrustment to others of any automobile, aircraft, watercraft, rolling stock or all transportation, including any cargo carried thereby, beyond the legal boundaries of locations shown in the “Declarations”.

H. DIVESTED PROPERTY

“Pollution conditions” on, at, under or emanating from the locations shown in the “Declarations” where the actual discharge, dispersal, release, seepage, migration or escape of “pollution conditions” begins subsequent to the time such locations are sold, given away or abandoned by the first named insured or condemned.

I. NUCLEAR HAZARD

Under any liability coverage, to “bodily injury”, “property damage” or “remediation expense” based upon or arising out of:

1. Ionizing radiations or contamination by radioactivity from any nuclear fuel or from any nuclear “waste” from the processing or reaction of nuclear fuel;
2. The radioactive, toxic, explosive or other “hazardous properties” of any explosive nuclear assembly or nuclear component thereof;
3. The existence, required removal or abatement of Naturally Occurring Radioactive Material, including but not limited to radon;
4. High-level radioactive “waste” (spent nuclear fuel or the highly radioactive “waste” produced if “spent fuel” is reprocessed), uranium milling residues and “waste” with greater than specified quantities of elements heavier than uranium; or
5. Mixed Waste as defined in Title 40 Code of Federal Regulations, Part 266.210; however, this clause 7. does not apply to Mixed Waste that

This Coverage Part Provides Claims Made Coverage.

contains Waste as defined in Title 10 Code of Federal Regulations, Part 61.2,

6. Waste as defined in Title 10 Code of Federal Regulations, Part 61.2; and/or
7. material regulated by the United States Nuclear Regulatory Commission or an Agreement State under a Type A, B or C Specific License of Broad Scope as defined in Title 10 Code of Federal Regulations, Part 33.11.
 - a. Including, but not limited to the actual, alleged or threatened exposure of any person(s) or property to any such matter.

J. PRODUCTS LIABILITY

Goods or products manufactured, sold, handled, distributed, altered or repaired by the insured or by others trading under the insured's name including, with regard to such goods or products, any container, any failure to warn and any reliance on a representation or warranty made at any time. However, this exclusion applies only if the "pollution conditions" occur away from the locations owned, operated or leased by the insured and after physical possession of such has been relinquished to others.

K. INTENTIONAL ACTS

"Pollution conditions" that result from intentional disregard of, or the deliberate, willful or dishonest noncompliance by any insured with any statute, regulation, ordinance, order, administrative complaint, notice letter or instruction from, by or on behalf of any governmental agency or representative.

L. HOSTILE ACTS

Any consequence, whether direct or indirect, of war, invasion, act of foreign enemy, hostilities (whether or not war be declared), civil war, rebellion, revolution insurrection or military or usurped power.

M. ROT, MOLD, MILDEW OR OTHER FUNGI

Based upon or arising out of the exposure to, required removal or abatement of rot, mold, or mildew or other fungi, regardless of whether such rot, mold, or mildew or other fungi, ensues from any cause or condition on, at, under or emanating from or to the "premises", including but not limited to any such cause or condition involving the presence, discharge or infiltration of moisture, vapor, water or any other liquid, or any damage related to any of these.

N. "UNDERGROUND STORAGE TANKS"

The past or current existence of any "underground storage tank (USTs)" on, at or under any location listed

in the "Declarations", but only if the existence of the "UST" is known to any insured.

This exclusion does not apply to any "UST" described in the "Underground storage tanks" and Associated Piping Schedule or storage tank(s) situated in an underground area (such as a basement or cellar) if the storage tank is situated upon or above the surface of the floor.

O. "UNITS" AND PRIVATE STORAGE AREAS

"Pollution conditions" in, at or emanating from "units" or private storage areas regardless of where the "bodily injury" or "property damage" occurs.

However, this exclusion does not apply to the "defense costs" provided under I.B.2. DEFENSE AND PAYMENT.

P. LEAD BASED PAINT AND ASBESTOS

Based upon or arising out of the existence, required removal or abatement of lead based paint or asbestos in any form, in any building or structure, including but not limited to products containing asbestos, asbestos fibers, asbestos dust, and asbestos containing materials.

However, this exclusion does not apply to a "claim(s)" for "bodily injury" and related "defense costs" resulting from lead-based paint or asbestos in any form, including but not limited to products containing asbestos, asbestos fibers, asbestos dust, and asbestos containing materials on, at under or emanating from the locations(s) stated in the "Declarations".

Q. RETROACTIVE DATE

Based upon or arising out of any "pollution conditions" that commenced prior to the Retroactive Date, if any, shown in the "Declarations" which includes any dispersal, migration or further movement of the "pollution conditions" on or after the Retroactive Date stated in the "Declarations".

R. COMMUNICABLE DISEASES

Based upon or arising out of the exposure to infected individuals or animals, or contact with bodily fluids of infected individuals or animals.

III. ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION

A. Each of the following is an insured:

1. You and any "subsidiary" named in the "Declarations";
2. Any person who has been, now is, or shall become a duly elected or appointed director or trustee, a

This Coverage Part Provides Claims Made Coverage.

duly elected or appointed officer, an “employee”, or “committee member”, whether or not salaried, and any of your members acting at the direction of your board of directors on your behalf in a voluntary capacity;

3. The estate of any insured in 2. above who is deceased; and
4. Legal representatives or assigns of any insured in 1. or 2. above who is insolvent, incompetent, or bankrupt.
5. Any person, other than your “employee”, or any organization, while acting as your community manager.

B. None of the following is an insured:

Any community manager, director, “officer”, “employee”, “committee member”, or unit owner who is or was affiliated in any capacity with your builder, developer or sponsor, is not an insured for any “claim(s)” or “suit(s)” however alleged or pleaded, seeking damages for “bodily injury” or “property damage” arising from, related to or caused, in whole or in part, by faulty, inadequate, defective or negligent design or construction of any property, including any allegation in such “claim(s)” or “suit(s)” of failure to maintain, repair or replace such property.

IV. ENVIRONMENTAL IMPAIRMENT LIABILITY LIMITS OF INSURANCE SECTION

A. The limits of insurance shown in the “Declarations” and the provisions of this section determine the most we will pay for “loss” regardless of the number of:

1. insureds and additional insureds;
2. “claim(s)” made or “suit(s)” brought; or
3. persons or organizations making “claim(s)” or bringing “suit(s)”.

B. LIMITS OF INSURANCE ARE SUBJECT TO THE FOLLOWING:

1. The each Aggregate limit is the most we will pay for “loss” covered by this Environmental Impairment Liability Coverage Part.
2. Subject to 1. above:
 - a. the each “loss” limit is the most we will pay for damages because of all “loss” arising out of the same or related “pollution conditions” at any one location; and,
 - b. all “loss” from one or more “claim(s)” arising out of the same or related “pollution

conditions” and reported to us, in writing, over more than one “policy period” shall be considered a single “loss”. Such “loss” will be subject to the limits of insurance in effect at the time of the first reported “pollution conditions” will apply.

3. The insured’s retained limit in effect at the time the “claim(s)” is first reported shall be deducted from the amount of each “loss”. You must bear the retained limit and you are not permitted to insure it without our written consent.
4. We shall pay for a “loss” only in excess of such retained limit up to the applicable limits of insurance. We may pay any part or all of the insured’s retained limit to settle a “claim(s)” or “suit(s)” and you agree to promptly reimburse us for the part of the retained limit paid by us.

V. ENVIRONMENTAL IMPAIRMENT LIABILITY EXTENDED REPORTING PERIOD SECTION

We will provide an Automatic Extended Reporting Period as described in V.A. below and, if you purchase it, an Optional Extended Reporting Period described in V.B. in the event of any “termination of coverage”.

Notwithstanding anything to the contrary above, the Automatic Extended Reporting Period and Optional Extended Reporting Period do not apply when this policy is terminated for fraud, misrepresentation, or non-payment of premium or where the insured has purchased other insurance to replace this policy.

A. AUTOMATIC EXTENDED REPORTING PERIOD

1. The Automatic Extended Reporting Period starts at the end of the “policy period” and lasts for 90 days. This extension is subject to the other provisions of this policy and applies to “claim(s)” first made against the insured during the 90 days immediately following the end of the “policy period”.
2. The Automatic Extended Reporting Period is provided without additional charge.
3. The Automatic Extended Reporting Period applies only if no subsequent insurance you purchase applies to the “claim(s)”, or would apply but for the exhaustion of its limit of insurance.
4. The Automatic Extended Reporting Period may not be canceled.

B. OPTIONAL EXTENDED REPORTING PERIOD

1. If you purchase the Optional Extended Reporting Period, it will start immediately at the end of the

This Coverage Part Provides Claims Made Coverage.

“policy period”, whether the policy is canceled or nonrenewed by either you or us, and will last for one year. The Automatic Extended Reporting Period is merged into the Optional Extended Reporting Period and is not in addition to this period.

2. The cost for the Optional Extended Reporting Period is shown in the “Declarations”.
3. We will provide the Optional Extended Reporting Period if the first Named Insured makes a written request to us for it which we receive within 30 days after the end of the “policy period”.
4. The Optional Extended Reporting Period will not take effect unless the additional premium is paid when due. If that premium is paid when due, the Optional Extended Reporting Period may not be canceled.
5. You may not construe our quotation of different terms and conditions as a nonrenewal.

C. Extended Reporting Periods are subject to the following conditions:

1. A “claim(s)” first made against the insured during the Extended Reporting Period will be deemed to have been made against the insured on the last day of the “policy period”, provided that the “claim(s)” is for “loss” from “pollution conditions” which took place before the end of the “policy period” but not before any applicable retroactive date.
2. Extended Reporting Periods do not extend the “policy period” or change the scope of coverage provided.
3. Extended Reporting Periods do not reinstate or increase the limits of liability applicable to any “claim(s)” to which this Environmental Impairment Liability Coverage Part applies.
4. If this Environmental Impairment Liability Coverage Part is canceled and you elect to purchase the Optional Extended Reporting Period Endorsement:
 - a. Any return premium due you for the cancellation will be credited to the premium due for the Optional Extended Reporting Period Endorsement; and
 - b. Any additional premium due to us for the period the policy was in force must be fully paid before any payments can be applied to the premium due for the Optional Extended Reporting Period Endorsement.

VI. ENVIRONMENTAL IMPAIRMENT LIABILITY CONDITIONS SECTION

The Environmental Impairment Liability Coverage Part is subject to the following conditions.

A. LEGAL ACTION AGAINST US

1. No person or organization has a right under this Environmental Impairment Liability Coverage Part:
 - a. To join us as a party or otherwise bring us into a “suit(s)” against any insured; or
 - b. To sue us on this Environmental Impairment Liability Coverage Part unless all of its terms have been fully complied with.
2. A person or organization may sue us to recover on an “agreed settlement” or on a final judgment against an insured obtained after an actual trial; but we will not be liable for “loss” or “defense costs” that are not payable under the terms of this Environmental Impairment Liability Coverage Part or that are in excess of the applicable limit of insurance.

B. BANKRUPTCY

Bankruptcy or insolvency of the insured or of the insured’s estate will not relieve us of our obligation under this Environmental Impairment Liability Coverage Part.

C. DUTIES IN THE EVENT OF “CLAIM(S)” OR “SUIT(S)”

Notwithstanding anything to contrary herein, the failure to perform these duties will impair your rights under this Environmental Impairment Liability Coverage Part.

1. You must see to it that we are notified as soon as practicable of any “loss”, “claim(s)” or “suit(s)”. To the extent possible, notice should include:
 - a. How, when and where the “loss”, “claim(s)” or “suit(s)” came about;
 - b. The names and addresses of any persons involved; and
 - c. The nature of any resulting harm or damages.
2. In the event of oral notification, you agree to furnish a written report as soon as practicable.
3. If a “claim(s)” or “suit(s)” is made against or received by an insured, you must:
 - a. Immediately record the specifics of the “claim(s)” or “suit(s)” and the date received;
 - b. Notify us as soon as practicable; and

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- c. Provide written notice of the “claim(s)” or “suit(s)”.
4. You and any other involved insured must:
 - a. Immediately send us copies of any demands, notices, summonses, or legal papers received in connection with the “claim(s)” or “suit(s)”;
 - b. Authorize us to obtain records and other information;
 - c. Cooperate with us in the investigation, settlement, or defense of the “claim(s)” or “suit(s)”;
 - d. Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of “loss” to which this insurance may apply.
5. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, admit liability, or incur any expense without our consent. This provision does not apply to emergency response costs. Emergency response costs are any reasonable costs that need to be incurred immediately where any delay in response would cause significant harm to human health or the environment. If such emergency occurs, the insured will notify us immediately.

D. REPRESENTATIONS AND SEVERABILITY

1. In granting coverage under this Environmental Impairment Liability Coverage Part to any one of the insureds, we have relied upon the declarations and statements in the application, including submitted materials and, if this is a renewal application, all such previous applications for which this coverage is a renewal. Declarations and statements are the basis of coverage and will be considered as incorporated in and constituting part of the Environmental Impairment Liability Coverage Part.
2. The application for coverage will be construed as a separate application for coverage by each of the insureds.
3. Except with respect to the limits of insurance, and any rights or duties specifically assigned to the first Named Insured, this insurance applies:
 - a. As if each Named Insured were the only Named Insured; and

- b. Separately to each insured against whom “claim(s)” is made or “suit(s)” is brought.

E. NEWLY CREATED OR ACQUIRED “SUBSIDIARIES”

1. If any “subsidiary”, created or acquired by the Named Insured after the inception of this Environmental Impairment Liability Coverage Part, qualifies as a not-for-profit organization under the provision of the Internal Revenue Code and would have been included as an insured under III.A. ENVIRONMENTAL IMPAIRMENT LIABILITY WHO IS AN INSURED SECTION, such “subsidiary” will be included subject to:
 - a. The giving of written notice of such creation or acquisition to us as soon as practical, but in no event more than 120 days following such creation or acquisition; and
 - b. The giving of any underwriting information and the payment of any additional premium required by us.
2. If any “subsidiary”, created or acquired by the Named Insured after the inception of this policy, does not qualify as a not-for-profit organization under the provisions of the Internal Revenue Code, such “subsidiary” will not be included until the insured has:
 - a. Given written notice of such creation or acquisition together with any underwriting information which may be required; and
 - b. Received written approval from us and paid any additional premium required.

F. CONSOLIDATION OR MERGER

In the event that the Named Insured acquires by merger, or consolidates with, or is merged into or acquired by any other organization after the inception of this policy, immediate written notice thereof will be given to us together with such information as we may require. You will pay any additional premium required by us.

G. OTHER INSURANCE

Subject to IV. ENVIRONMENTAL IMPAIRMENT LIABILITY LIMITS OF INSURANCE SECTION, this insurance will be in excess of the retained limit stated in the “Declarations” and any other valid and collectible insurance available to the insured whether such other insurance is stated to be primary, pro-rata, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the limits of insurance.

This Coverage Part Provides Claims Made Coverage.

**VII. ENVIRONMENTAL IMPAIRMENT LIABILITY
ADDITIONAL CHANGES**

The policy this Environmental Impairment Liability Coverage Part is attached to is changed as follows:

A. The following defined terms of XXII. DEFINITIONS SECTION of the policy are amended to also apply to the Environmental Impairment Liability Coverage Part:

- 3. "Agreed settlement";
- 9. "By-product material";
- 12. "Committee member";
- 23. "Declarations";
- 28. "Employers Liability";
- 34. "Hazardous properties";
- 41. "Leased workers";
- 52. "Nuclear facility";
- 53. "Nuclear material";
- 54. "Nuclear reactor";
- 61. "Policy period" (LIABILITY);
- 62. "Pollutants" (LIABILITY);
- 74. "Source material";
- 75. "Special nuclear material";
- 77. "Spent fuel";
- 78. "Subsidiary(ies)";
- 79. "Suit(s)";
- 81. "Temporary workers";
- 88. "Unit"; and
- 94. "Waste";

B. The following defined terms are added to XXII. DEFINITIONS SECTION of the policy:

- 1. "Bodily injury" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means bodily injury, sickness, disease or building related illness, mental anguish, emotional distress, or shock sustained by any person, including death resulting therefrom, caused by "pollution conditions".
- 2. "Claim(s)" (ENVIRONMENTAL IMPAIRMENT LIABILITY)
 - a. means the assertion of a legal right alleging liability or responsibility on the part of the insured, arising out of "pollution conditions", and shall include but not be limited to a

lawsuit, petition, order, or government and/or regulatory action, filed against the insured; and,

- b. includes "remediation expense" resulting from "pollution conditions" which are:
 - (1) first discovered by any insured; and,
 - (2) reported to us, during the "policy period" or applicable extended reporting period.

- 3. "Coverage territory" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means the United States and its territories and possessions.
- 4. "Defense costs" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means legal costs, charges and expenses, including expert fees, incurred in the investigation, adjustment, settlement and defense of "claim(s)" and "suit(s)". "Defense Costs" do not include the time and expenses incurred by the insured in assisting in the investigation or resolution of "claim(s)" and "suit(s)" including but not limited to the costs of the insured's in-house counsel, salary charges of regular employees or officials of the insured and fees and expenses of supervisory counsel retained by the insured.
- 5. "Employee" (ENVIRONMENTAL IMPAIRMENT LIABILITY) includes "leased worker", "temporary worker", director, officer, "committee member", or community manager.
- 6. "Extended reporting period" means the Automatic Extended Reporting or, where applicable, the Optional Extended Reporting Period, described in V. ENVIRONMENTAL IMPAIRMENT LIABILITY EXTENDED REPORTING PERIOD SECTION.
- 7. "Loss" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means monetary judgment, award or settlement of compensatory damages arising from:
 - a. "bodily injury";
 - b. "property damage";
 - c. "remediation expense"; and,
 - d. "defense costs".
- 8. "Pollution conditions" (ENVIRONMENTAL IMPAIRMENT LIABILITY) means the discharge, dispersal, release, seepage, migration or escape of smoke, vapors, soot, fumes, acids, alkalis, electromagnetic fields, toxic chemicals, hazardous substances, liquids or gases, waste materials, including medical, infectious and pathological

This Coverage Part Provides Claims Made Coverage.

wastes, or other irritants, contaminants or “pollutants” into or upon land or structures thereupon, the atmosphere or any watercourse or body of water including groundwater.

9. **“Property damage”** (ENVIRONMENTAL IMPAIRMENT LIABILITY) means:
- a. Physical injury to or destruction of tangible property, including the personal property of third parties, including the loss of use thereof; or,
 - b. Loss of use of such property that has not been physically injured or destroyed; or,
 - c. Diminished third party property value; or,
 - d. “Natural Resource Damage”, caused by any “pollution conditions”

“Property damage” does not include “Remediation expense”.

10. **“Remediation expense”** (ENVIRONMENTAL IMPAIRMENT LIABILITY) means expenses incurred for or in connection with the investigation, monitoring, removal, disposal, treatment or neutralization of “pollution conditions” to the extent required by any Federal, State or Local Laws, Regulations or Statutes enacted to address “pollution conditions”.

“Remediation Expense” also includes punitive, exemplary, or multiplied damages, where insurable by law.

11. **“Termination of coverage”** (ENVIRONMENTAL IMPAIRMENT LIABILITY) means cancellation or nonrenewal of the Environmental Impairment Liability Coverage Part by either party.

12. **“Natural resource damage”** (ENVIRONMENTAL IMPAIRMENT LIABILITY) means physical injury to or destruction of, as well as the assessment of such injury or destruction, including the resulting loss of value of land, fish, wildlife, biota, air, water, groundwater, drinking water supplies, and other such resources belonging to, managed by, held in trust by, appertaining to, or otherwise controlled by the United States (including the resources of the fishery conservation zone established by the Magnuson-Stevens Fishery Conservation and Management Act 16 U.S.C. 1801 et. seq.), any State, Local or Provincial government, any foreign government, any Native American tribe or, if such resources are subject to a trust restriction on alienation, any member of a Native American tribe.

13. **“Underground storage tank”** (ENVIRONMENTAL IMPAIRMENT LIABILITY) means any stationary container or vessel, including the associated piping connected thereto, which is ten percent (10%) or more beneath the surface of the ground and is:
- (i) constructed primarily of non-earthen materials; and
 - (ii) designed to contain any substance.

THIS ENDORSEMENT IS ATTACHED TO AND MADE PART OF YOUR POLICY IN RESPONSE TO THE DISCLOSURE REQUIREMENTS OF THE TERRORISM RISK INSURANCE ACT. THIS ENDORSEMENT DOES NOT GRANT ANY COVERAGE OR CHANGE THE TERMS AND CONDITIONS OF ANY COVERAGE UNDER THE POLICY.

■ Disclosure Pursuant to Terrorism Risk Insurance Act

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

This policy includes coverage for Certified Acts of Terrorism. Please refer to the applicable charge below.

SCHEDULE

	PREMIUM
Terrorism (<u>Certified Acts</u>)	\$291
Federal share of terrorism losses	<u>82%</u> Year <u>2018</u>
Federal share of terrorism losses	<u>81%</u> Year <u>2019</u>

A. DISCLOSURE OF PREMIUM

In accordance with the federal Terrorism Risk Insurance Act, we are required to provide you with a notice disclosing the portion of your premium, if any, attributable to coverage for terrorist acts certified under that Act. The portion of your premium attributable to such coverage is shown in the Schedule of this endorsement or in the policy Declarations.

B. DISCLOSURE OF FEDERAL PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. The federal share equals a percentage, as shown in the Schedule above, of that portion of the amount of such insured losses that exceeds the applicable insurer retention. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

C. CAP ON INSURER PARTICIPATION IN PAYMENT OF TERRORISM LOSSES

If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

D. ADDITIONAL OR RETURN PREMIUM

The premium for "certified acts of terrorism" coverage is calculated based in part on the federal participation in payment of terrorism losses as set forth in the Terrorism Risk Insurance Act. The federal program established by the Act is scheduled to terminate December 31, 2020, unless extended by the federal government. If the federal program terminates or if the level or terms of federal participation change, the estimated premium shown in the Schedule may not be appropriate.

If this policy contains a Conditional Exclusion, continuation of coverage for "certified acts of terrorism", or termination of such coverage, will be determined upon disposition of the federal program, subject to the terms and conditions of the Conditional Exclusion. If this policy does not contain a Conditional Exclusion, coverage for "certified acts of terrorism" will continue. In either

case, when disposition of the federal program is determined, we will recalculate the premium shown in the Schedule and will charge additional premium or refund excess premium, if indicated.

If we notify you of an additional premium charge, the additional premium will be due as specified in such notice.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Cap on Losses from "Certified Acts of Terrorism"**

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

A. The following is applicable to the Property Coverage Part:

1. CAP ON CERTIFIED TERRORISM LOSSES

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

2. APPLICATION OF OTHER EXCLUSIONS

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under this Property Coverage Part, such as losses excluded by the III.B.1.d. NUCLEAR, BIOLOGICAL, CHEMICAL AND RADIOLOGICAL HAZARDS exclusions, III.B.1.e. "WAR" AND MILITARY ACTION exclusion or III.B.2.e. POLLUTION exclusion.

B. The following is applicable to the Liability Coverage Part, Directors & Officers Liability Coverage Part, Employee Benefits Liability Coverage Part and Environmental Impairment Liability Coverage Part:

1. CAP ON CERTIFIED TERRORISM LOSSES

With respect to any one or more "certified acts of terrorism" under the federal Terrorism Risk Insurance Act, we will not pay any amounts for which we are not responsible under the terms of that Act (including subsequent action of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

2. APPLICATION OF OTHER EXCLUSIONS

The terms and limitations of any terrorism exclusion, or the inapplicability or omission of a terrorism exclusion, do not serve to create coverage for any loss which would otherwise be excluded under these Coverage Parts, such as losses excluded by the "WAR" exclusion, HOSTILE ACTS exclusion, NUCLEAR ENERGY exclusion, NUCLEAR, BIOLOGICAL, CHEMICAL AND RADIOLOGICAL HAZARDS exclusions or the POLLUTION exclusion.

C. The following definition is added to XXVIII. DEFINITIONS SECTION:

"Certified act of terrorism" (PROPERTY, LIABILITY, DIRECTORS AND OFFICERS LIABILITY, EMPLOYEE BENEFITS LIABILITY, and ENVIRONMENTAL IMPAIRMENT LIABILITY) means an act that is certified by the Secretary of the Treasury in accordance with the provisions of the federal Terrorism Risk Insurance Act, to be an act of terrorism pursuant to such Act. The criteria contained in that Act for a "certified act of terrorism" include the following:

1. The act resulted in insured losses in excess of \$5 million in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

D. If aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act exceed \$100 billion in a calendar year and we have met our insurer deductible under the Terrorism Risk Insurance Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ Lead Exclusion

This endorsement modifies insurance provided by the following policies:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

1. Paragraph B. EXCLUSIONS under SECTION III. PROPERTY CAUSES OF LOSS, EXCLUSIONS, AND LIMITATIONS is amended by the addition of the following exclusion:

LEAD

Caused by, based on, attributable to, related to or in any manner and at any time arising out of:

- a. The use, installation, storage, withdrawal, removal, encapsulation, destruction, containment, testing, distribution, exposure, ownership, sale or disposal of lead, lead fibers, lead dust, or material containing lead.
- b. Any error or omission in testing, failure to test, supervision, instructions, recommendations, notices, warnings or advice given, or which should have been given, in connection with lead, lead dust, lead fibers, or material containing lead.

2. SECTION XI. GENERAL LIABILITY EXCLUSIONS is amended by the addition of the following exclusion:

LEAD

“Bodily injury” or “property damage” caused by, based on, attributable to, related to or in any manner and at any time arising out of:

- a. The use, installation, storage, withdrawal, removal, encapsulation, destruction, containment, testing, distribution, exposure, ownership, sale or disposal of lead, lead fibers, lead dust, or material containing lead.
- b. Any error or omission in testing, failure to test, supervision, instructions, recommendations, notices, warnings or advice given, or which should have been given, in connection with lead, lead dust, lead fibers, or material containing lead.

3. SECTION XVI. EXCESS LIABILITY EXCLUSIONS is amended by the addition of the following exclusion:

LEAD

“Bodily injury” or “property damage” caused by, based on, attributable to, related to or in any manner and at any time arising out of:

- a. The use, installation, storage, withdrawal, removal, encapsulation, destruction, containment, testing, distribution, exposure, ownership, sale or disposal of lead, lead fibers, lead dust, or material containing lead.
- b. Any error or omission in testing, failure to test, supervision, instructions, recommendations, notices, warnings or advice given, or which should have been given, in connection with lead, lead dust, lead fibers, or material containing lead.

4. SECTION II. DIRECTORS AND OFFICERS LIABILITY EXCLUSIONS of the DIRECTORS AND OFFICERS COVERAGE PART is amended by the addition of the following exclusion:

LEAD

Resulting from, based on, attributable to, related to or in any manner and at any time arising out of:

- a. The use, installation, storage, withdrawal, removal, encapsulation, destruction, containment, testing, distribution, exposure, ownership, sale or disposal of lead, lead fibers, lead dust, or material containing lead.
- b. Any error or omission in testing, failure to test, supervision, instructions, recommendations, notices, warnings or advice given, or which should have been given, in connection with lead, lead dust, lead fibers, or material containing lead.

All other terms and conditions of this policy remain unchanged by this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Amended Water Exclusion**

This endorsement modifies insurance provided by the Property Coverage Part of the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

III. PROPERTY CAUSES OF LOSS, EXCLUSIONS, AND LIMITATIONS SECTION is amended as follows:

Paragraph (3) of exclusion f. WATER under Section B. EXCLUSIONS is deleted and replaced by the following:

(3) Continuous or repeated seepage, leakage, or inundation of water, or the presence of condensation, humidity, moisture, or vapor, that occurs over 14 days or more.

All other terms and conditions of this policy remain unchanged by this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Deductible Credit**

This endorsement modifies insurance provided by the Property Coverage Part of the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

The following is added to the Property Coverage Part, **VI. PROPERTY CONDITIONS SECTION, K. DEDUCTIBLE:**

When a loss or damage caused by or resulting from a COVERED CAUSE OF LOSS to "covered property" exceeds \$250,000, the deductible amount shown on the "Declarations" is waived.

This endorsement does not apply to any deductibles shown on endorsements to this policy or to any per "unit" deductibles.

All other terms and conditions of this policy remain unchanged.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Deductible Allowance**

This endorsement modifies insurance provided by the Property Coverage Part of the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

The following is added to the Property Coverage Part, **VI. PROPERTY CONDITIONS SECTION, K. DEDUCTIBLE:**

DEDUCTIBLE ALLOWANCE

- A.** For every consecutive annual “policy period” that you do not sustain a loss or damage caused by or resulting from a COVERED CAUSE OF LOSS to “covered property”, to which the deductible amount shown on the “Declarations” applies, and also applies to all other endorsements, we will annually allot 20% of the deductible amount shown on the “Declarations” to a Deductible Allowance to be used in the event of a future loss or damage resulting from a COVERED CAUSE OF LOSS to “covered property”.
- B.** The Deductible Allowance is subject to the following conditions:
1. The Deductible Allowance shall be used for any loss or damage from a COVERED CAUSE OF LOSS to “covered property” that exceeds the applicable deductible shown on the “Declarations” and all endorsements;
 2. The Deductible Allowance may not be used if loss or damage caused by or resulting from a COVERED CAUSE OF LOSS to “covered property” is less than the applicable deductible shown on the “Declarations” and all endorsements;
 3. The Deductible Allowance is eliminated in the event we pay a loss or damage caused by or resulting from a COVERED CAUSE OF LOSS to “covered property” for which a deductible applies;
 4. The Deductible Allowance cannot exceed the applicable deductible amount shown on the “Declarations” and all endorsements. The maximum Deductible Allowance you may accrue is \$2,500.
- C.** For example, if your deductible amount shown on the “Declarations” is \$5,000 and you do not sustain a loss or damage from a COVERED CAUSE OF LOSS to “covered property” for four consecutive annual “policy periods”, the Deductible Allowance will have accrued \$4,000. If you then sustain a loss or damage caused by or resulting COVERED CAUSE OF LOSS to “covered property”, that exceeds the applicable deductible shown on the “Declarations”, the Deductible Allowance of \$4,000 may be used to reduce the applicable deductible by \$4,000.

All other terms and conditions of this policy remain unchanged by this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ Employee Dishonesty - Community Manager

This endorsement modifies insurance provided by the Property Coverage Part of the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

Definition 18. "Covered employee" (PROPERTY) of **XXII. DEFINITIONS SECTION** is deleted and replaced by the following:

18. **"Covered employee"** (PROPERTY) means:

- a. Any natural person:
 - (1) While in your service (and for 30 days after termination of service);
 - (2) Whom you compensate directly by salary, wages or commissions; and
 - (3) Whom you have the right to direct and control while performing services for you.
- b. Any natural person employed by an employment contractor while that person is subject to your direction and control and performing services for you. However, any such person is excluded while having care and custody of property outside the "premises".
- c. Any natural person who is a duly elected or appointed director, trustee, "officer", "committee" volunteer or "committee member", whether salaried or not, and any other person acting on behalf or at the direction of an "officer" or board of directors of your Association with the exception of the developer when acting in a capacity as the developer.
- d. Other than your "employee", any person or any organization while acting as your community manager.

But covered employee does not include

- a. Any "employee" immediately upon discovery by:
 - (1) You; or
 - (2) Any of your "officers" and directors not in collusion with the employee, director, "officer" or board member; of any dishonest act committed by that employee, director, "officer" or board member whether before or after being hired or appointed by you.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

■ **Arizona Changes - Amendatory Endorsement**

This endorsement modifies insurance provided under the following:

CONDOMINIUM ASSOCIATION INSURANCE POLICY
COOPERATIVE APARTMENT INSURANCE POLICY
HOMEOWNERS ASSOCIATION INSURANCE POLICY
OFFICE CONDOMINIUM ASSOCIATION INSURANCE POLICY

- A. V. PROPERTY SUPPLEMENTARY PAYMENTS SECTION**, Paragraph **B. FIRE DEPARTMENT SERVICE CHARGES** is deleted.
- B. VI. PROPERTY CONDITIONS SECTION**, Paragraph **A. CONCEALMENT, MISREPRESENTATION, OR FRAUD** is replaced by the following:

A. CONCEALMENT, MISREPRESENTATION, OR FRAUD

We will not pay for any loss or damage in any case involving misrepresentations, omissions, concealment of facts or incorrect statements:

1. That are fraudulent;
2. That are material either to the acceptance of the risk, or to the hazard assumed by us; and
3. Where, if the true facts had been known to us as required either by the application for the policy or otherwise, we in good faith would either:
 - a. Not have issued the policy;
 - b. Not have issued the policy in as large an amount; or
 - c. Not have provided coverage with respect to the hazard resulting in the loss.

- C. VI. DIRECTORS AND OFFICERS LIABILITY COVERAGE PART, ENVIRONMENTAL IMPAIRMENT LIABILITY COVERAGE PART, and EMPLOYEE BENEFITS LIABILITY COVERAGE PART, CONDITIONS** is amended as follows:

Paragraph 1. of the Condition titled **REPRESENTATIONS AND SEVERABILITY** is amended by the addition of the following:

Subject to the provisions of Paragraph 2. below, any misrepresentation, omission, concealment of facts or incorrect statements in the application shall not prevent a recovery under this policy for any insured who knew of such misrepresentation, omission, concealment of facts or incorrect statements, unless:

- a. Fraudulent;
- b. Material either to the acceptance of the risk, or to the hazard assumed by us; or
- c. We in good faith would either not have issued this policy, or would not have issued a policy in as large an amount, or would not have provided coverage with respect to the hazard resulting in the loss, if the true facts had been made known to us as required either by the application for this Directors and Officers coverage or otherwise.

- D. XXI. COMMON POLICY CONDITIONS SECTION, A. CANCELLATION**, Paragraphs 2. and 3. are replaced by the following:

2. For a cancellation not subject to Paragraphs **A. 7.** or **A. 8.** below, we may cancel this policy in its entirety, or any Coverage Part or coverage within a Coverage Part that is part of this policy, by mailing or delivering to:
 - a. The first Named Insured; and
 - b. Each unit owner (shareholder in the COOPERATIVE APARTMENT INSURANCE POLICY or owners in the HOMEOWNERS ASSOCIATION INSURANCE POLICY) to whom certificates of insurance have been issued;written notice of cancellation at least 45 days before the effective date of cancellation.
3. We will mail or deliver our written notice of cancellation, stating the reasons for cancellation, to the first Named Insured's last mailing address known to us and, if applicable, to the agent of record. If we mail notice of cancellation, we will mail it by certified mail or by first-class mail using Intelligent Mail barcode or another similar tracking method used or approved by the United States Postal Service.

E. XXI. COMMON POLICY CONDITIONS SECTION, Paragraph A. CANCELLATION is amended by the addition of the following:

7. CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE

For a cancellation not subject to Paragraph **A. 8.** below, if this policy has been in effect for 60 days or more or if this policy is a renewal of a policy we issued, we may cancel this policy in its entirety, or any Coverage Part or coverage within a Coverage Part that is part of this policy, only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in the procurement of this policy, in continuing this policy or in presenting a claim under this policy;
- d. Substantial change in the risk assumed, except to the extent that we should have reasonably foreseen the change or contemplated the risk in writing the contract;
- e. Substantial breach of contractual duties or conditions;
- f. Loss of reinsurance applicable to the risk insured against resulting from termination of treaty or facultative reinsurance initiated by our reinsurer or reinsurers;
- g. Determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state or would jeopardize our solvency; or
- h. Acts or omissions by you or your representative which materially increase the hazard insured against.

If we cancel based on one or more of the above reasons, we will mail by certified mail to the first Named Insured, and mail to the agent, if any, written notice of cancellation stating the reason(s) for cancellation. We will mail this notice to the last mailing addresses known to us, at least:

- a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
- b. 45 days before the effective date of cancellation, if we cancel for any of the other reasons.

8. CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE (1 - 4 DWELLING UNITS)

If the Property Coverage Part provides coverage for:

- a. Real property which is used predominantly for residential purposes and consists of 1 - 4 dwelling units; and/or
- b. Personal property of a person residing in such real property;

the following replaces **A. CANCELLATION**, Paragraph 7. with respect to the cancellation of this policy in its entirety or cancellation of the Property Coverage Part specifically:

If this policy has been in effect for 60 days or more or if this policy is a renewal of a policy we issued, we may cancel only for one or more of the following reasons:

- a. Nonpayment of premium;
- b. Your conviction of a crime arising out of acts increasing the hazard insured against;
- c. Acts or omissions by you or your representative constituting fraud or material misrepresentation in obtaining the policy, continuing the policy, or presenting a claim under the policy;
- d. Discovery of grossly negligent acts or omissions by you substantially increasing any of the hazards insured against;
- e. Substantial change in the risk assumed by us, since the policy was issued, except to the extent that we should reasonably have foreseen the change or contemplated the risk in writing the contract;
- f. A determination by the Director of Insurance that the continuation of the policy would place us in violation of the insurance laws of this state; or
- g. Your failure to take reasonable steps to eliminate or reduce any conditions in or on the insured premises which contributed to a loss in the past or will increase the probability of future losses.

If we cancel based on one or more of these reasons, we will mail written notice of cancellation, stating the reasons for cancellation, to the first Named Insured. We will mail this notice to the last mailing address known to us, at least:

- a. 10 days before the effective date of cancellation, if we cancel for nonpayment of premium; or
- b. 45 days before the effective date of cancellation, if we cancel for any of the other reasons.

F. **XXI. COMMON POLICY CONDITIONS SECTION, B. NONRENEWAL**, Paragraphs 2. and 3. are replaced by the following and Paragraph 5. is added:

2. Subject to Paragraph 5. below, if we elect not to renew this policy, or any Coverage Part or coverage within a Coverage Part that is part of this policy, we will mail by:
 - a. Certified mail; or
 - b. First-class mail using Intelligent Mail barcode or another similar tracking method used or approved by the United States Postal Service;

to the first Named Insured, and mail to the agent, if any, written notice of nonrenewal. We will mail this notice to the last mailing addresses known to us at least 45 days prior to the policy anniversary date or the policy expiration date. If written notice of nonrenewal is mailed less than 45 days prior to the anniversary date or expiration of this policy and neither 3.a or 3.b. immediately below applies, the coverage shall remain in effect until 45 days after the notice is mailed. Earned premium for any period of coverage that extends beyond the anniversary date or expiration date of this policy shall be considered pro rata based upon the previous year's rate.

3. If either one of the following occurs, we are not required to provide written notice of nonrenewal:
 - a. We or a company within the same insurance group has offered to issue a renewal policy; or
 - b. You have obtained replacement coverage or agreed in writing to do so.
5. If this policy provides coverage for:
 - a. Real property which is used predominantly for residential purposes and consists of 1 - 4 dwelling units; and/or
 - b. Personal property of a person residing in such real property;

then **B. NONRENEWAL**, Paragraphs 2. and 3. above, are replaced by the following:

2. If we elect not to renew this policy in its entirety or nonrenew the Property Coverage Part specifically, we will mail by:
 - a. Certified mail; or
 - b. First-class mail using Intelligent Mail barcode or another similar tracking method used or approved by the United States Postal Service;

written notice of nonrenewal to the first Named Insured and to the agent, if any. We will mail this notice to the last mailing addresses known to us, at least 45 days prior to the policy anniversary date or the policy expiration date.

3. If either one of the following occurs, we are not required to provide notice of nonrenewal:
 - a. You have agreed to nonrenewal; or
 - b. You have accepted replacement coverage.

Additionally, if this Paragraph 5. applies and our nonrenewal is based on the condition of the premises, you will be given 30 days' notice to remedy the identified conditions. If the identified conditions are remedied, coverage will be renewed. If the identified conditions are not remedied to our satisfaction, you will be given an additional 30 days, upon payment of premium, to correct the defective condition.

G. **XXI. COMMON POLICY CONDITIONS SECTION** is amended by the addition of the following:

RENEWAL

1. If we elect to renew this policy and the renewal is subject to any of the following:
 - a. Increase in premium;
 - b. Change in deductible;
 - c. Reduction in limits of insurance; or
 - d. Substantial reduction in coverage;

we will mail or deliver written notice of the change(s) to the first Named Insured, at the last mailing address known to us, at least 30 days before the anniversary date or policy expiration date.

2. If renewal is subject to any condition described in 1.a. through 1.d. above, and we fail to provide notice 30 days before the anniversary date or policy expiration date, the following procedures apply:

- a. The present policy will remain in effect until the earlier of the following:
 - (1) 30 days after the date of mailing or delivery of the notice; or
 - (2) The effective date of replacement coverage obtained by the first Named Insured.
- b. If the first Named Insured elects not to renew, any earned premium for the period of extension of the terminated policy will be calculated pro rata at the lower of the following rates:
 - (1) The rates applicable to the terminated policy; or
 - (2) The rates presently in effect.
- c. If the first Named Insured accepts the renewal, the premium increase, if any, and other changes are effective the day following this policy's anniversary date or expiration date.

All other terms and conditions of the Policy remain unchanged by this endorsement.

COMMUNITY ASSOCIATION UNDERWRITERS RENEWAL INVOICE

INSURED NAME AND MAILING ADDRESS

Desert Palms Townhouse Association
C/O Bidegain Realty, Inc.
8755 E. Broadway Boulevard
Tucson, AZ 85710

PRODUCER NAME & ADDRESS

Community Association Underwriters Of America
7418 East Helm Drive - Suite 206
Scottsdale, AZ 85260

C2

ACCOUNT #	POLICY #	INSURANCE COMPANY	LINE OF BUSINESS	INVOICE DATE
38043	CAU510518-1	AAICO	CPKGE	05/22/2018

THE INSURED HAS THE OPTION OF PAYING THE POLICY PREMIUM OF \$9,977.00 BY 06/11/2018 OR CHOOSING OUR INSTALLMENT PLAN. IF THE INSURED CHOOSES TO BE BILLED IN INSTALLMENTS, A FIRST PAYMENT OF \$3,329.00 IS DUE BY 06/11/2018. THERE WILL BE AN INSTALLMENT CHARGE OF \$8.00 PER INSTALLMENT.

INSTALLMENT SCHEDULE

INSTALLMENT	DUE DATE	INSTALLMENT AMOUNT	INSTALLMENT CHARGE	TOTAL INSTALLMENT
DOWN PAYMENT	06/11/2018	\$3,329.00	\$0.00	\$3,329.00
1.	08/11/2018	\$831.00	\$8.00	\$839.00
2.	09/11/2018	\$831.00	\$8.00	\$839.00
3.	10/11/2018	\$831.00	\$8.00	\$839.00
4.	11/11/2018	\$831.00	\$8.00	\$839.00
5.	12/11/2018	\$831.00	\$8.00	\$839.00
6.	01/11/2019	\$831.00	\$8.00	\$839.00
7.	02/11/2019	\$831.00	\$8.00	\$839.00
8.	03/11/2019	\$831.00	\$8.00	\$839.00
		\$9,977.00	\$64.00	\$10,041.00

NOTE: THIS INVOICE DOES NOT REFLECT ANY PAYMENTS ALREADY MADE. THIS INSTALLMENT SCHEDULE IS SUBJECT TO CHANGE IN THE EVENT OF AN ENDORSEMENT OR REVISION TO THE POLICY.

PLEASE MAKE CHECKS PAYABLE TO: Community Association Underwriters

MAIL TO: P.O. Box 1100
Newtown, PA 18940

If you have any questions, please call (800) 228-1930.

ACCOUNT #	AAICO POLICY #	EFFECTIVE DATE	EXPIRATION DATE	PREMIUM	STATE FEE	TOTAL PREMIUM
38043	CAU510518-1	06/11/2018	06/11/2019	\$9,977.00	\$0.00	\$9,977.00

INSURED NAME AND MAILING ADDRESS

**Desert Palms Townhouse Association
C/O Bidegain Realty, Inc.
8755 E. Broadway Boulevard
Tucson, AZ 85710**

PLEASE MAKE CHECK PAYABLE TO:
Community Association Underwriters

PLEASE MAIL CHECK TO:
Community Association Underwriters
P.O. Box 1100
Newtown, PA 18940