

**Aon Assn Services, a Division**  
of Affinity Ins. Services, Inc  
1120 20th St NW  
Washington, DC 20036  
Phone : 800-432-7465 Fax : 202-857-0143

**Western Pension & Benefits**  
Conference, Orange County Chap  
24881 Alicia Parkway, Ste,E343  
Laguna, CA 92653

<b>INVOICE #</b> 142284		<b>Page 1</b>
<b>ACCOUNT NO.</b> WPBCOC1	<b>OP.</b> CP	<b>DATE</b> 11/21/06
<b>PRODUCER</b> Chris Palmer		
<b>BALANCE DUE ON</b> 01/09/07		
<b>AMOUNT PAID</b>		<b>AMOUNT DUE</b> \$ 752.00

\*\*\* PLEASE RETURN TOP PORTION WITH REMITTANCE \*\*\*

Item #	Trm Date	Trm Type	Policy #	Description	Amount
INVOICE #	142284				
335994	11/21/06	REN ASDO	NOA1305448	Policy renewal	\$ 752.00
Invoice Balance:					\$ 752.00

Payment must be received by renewal date or policy will be cancelled.

PLS REMIT PMT TO: Aon Association Services, P.O. Box 19584A,  
Newark, NJ 07195-0584. PLS DISREGARD IF YOU HAVE SENT PMT.



*Aon Association Services  
a Division of Affinity Insurance Services, .*

Mr. Rick Blain  
Western Pension & Benefits  
Conference, Orange County Chap  
24881 Alicia Parkway, Ste,E343  
Laguna, CA 92653

11/01/2006

Re: The American Society of Association Executives Sponsored D&O Program  
Directors' and Officers' Liability Insurance  
Renewal of Policy Number: **NOA1305448**  
Effective: 1/09/2007 to 1/09/2008

Dear Mr. Blain:

**AUTOMATIC RENEWAL:** The enclosed policy is an automatic renewal of a policy scheduled to expire in approximately 60 days. The expiring policy is eligible for our automatic renewal program. The policy qualifies for an automatic renewal, because (1) there have been no losses during the expiring policy period, and (2) there have been no material changes to this risk. This automatic renewal is void, if there have been any material changes to the risk during the past year. In the event of any material changes, you **MUST** contact our office for renewal terms.

**PREMIUM INCREASE:** To comply with state regulations on renewal procedures, we are notifying you that the renewal policy transmitted with this letter contains an increase in premium. The increased premium is set forth on the renewal policy declarations page. This will serve as the only notice of this change.

**ENDORSEMENTS:** Please note the addition of two endorsements to the renewal policy, (1) Fraud Exclusion and (2) Fair Labor Standards Act Exclusion. These are mandatory attachments to the program policy.

**PREMIUM PAYMENT:** Renewal of the enclosed policy is subject to payment of the premium in full. If payment is not received on or before the inception date, the policy will be void as of the renewal inception date 1/09/2007 . The renewal policy and invoice are enclosed.

If you do not want this renewal please return the policy with instructions to non renew. If you have any questions, feel free to contact me. Please reference Insured # **WPBCOC1**.

Sincerely,

Chris Palmer  
Account Manager  
(202) 429-8559

## **COMPENSATION AND OTHER DISCLOSURE INFORMATION**

Aon Association Services, a division of Affinity Insurance Services, Inc., exclusively offers the American Society of Association Executives' (ASAE) sponsored Directors' and Officers' Liability Insurance Program as an agent of The Hartford and provides administrative services that may include the following: program marketing, underwriting, policy management, billing, risk management and client services on its behalf.

As compensation for the services described above, Affinity receives 12.00% of your paid premium as commission for marketing the program and 15.00% for administrative services. For mid-term premium bearing coverage endorsements and renewal policies, Affinity is compensated at the same levels as the initial policy commission, unless we notify you otherwise.

Other than the commissions described in the preceding paragraph, Affinity will receive no other compensation from the insurer and there will be no other fees or charges to you.

In addition, premiums paid by Clients to Affinity for remittance to insurers, Client refunds and claim payments paid to Affinity by insurance companies for remittance to Clients are deposited into fiduciary accounts in accordance with applicable insurance laws until they are due to be paid to the insurance company or Client. Subject to such laws and the applicable insurance company's consent, where required, Affinity will retain the interest or investment income earned while such funds are on deposit in such accounts.

Aon Corporation, our ultimate parent company, and its affiliates have from time to time sponsored and invested in insurance and reinsurance companies. While we generally undertake such activities with a view to creating an orderly flow of capacity for our clients, we also seek an appropriate return on our investment. These investments, for which Aon is generally at-risk for potential price loss, typically are small and range from fixed-income to common stock transactions. In such case, the gains or losses we make through our investments could potentially be linked, in part, to the results of treaties or policies transacted with you. Please visit the Aon website at [http://www.aon.com/market\\_relationships](http://www.aon.com/market_relationships) for a current listing of insurance and reinsurance carriers in which Aon Corporation and its affiliates hold any ownership interests.

### **Contracts and Agreements**

Aon Corporation's operating affiliates are parties to numerous agreements with many insurance and reinsurance companies, including companies from which our clients have purchased insurance or reinsurance. Please visit [http://www.aon.com/market\\_relationships](http://www.aon.com/market_relationships) for more detail on these agreements.

## **Annual Recap Disclosure**

**As compensation for providing insurance services on your behalf under the American Society of Association Executives' (ASAE) sponsored Directors' and Officers' Liability Insurance Program as an agent of The Hartford, AON Association Services, a division of Affinity Insurance Services, Inc., received a total of \$197.10 in commission for the most recently completed policy year. Services provided may have included program marketing, underwriting, policy management, billing, risk management and other client services.**



NON-PROFIT SERVICE ORGANIZATION  
 CERTIFICATE OF INSURANCE



## COVERAGE DECLARATIONS FOR NONPROFIT DIRECTORS' AND OFFICERS' LIABILITY

**Association NonProfit D&O  
 Liability Insurance**

Policy Number: NOA1305448  
 Annual Premium: 752.00 1st **POLICY YEAR**  
                           .00 2nd **POLICY YEAR**  
                           .00 3rd **POLICY YEAR**

Item A. Name of insured **ENTITY**: Western Pension & Benefits  
   C/O  
   Conference, Orange County Chap  
   Street Address  
   24881 Alicia Parkway, Ste.E343  
   City, State, Zip Code:  
   Laguna CA 92653

Item B. **POLICY PERIOD**: From 1/09/2007 To 1/09/2008  
 (12:01 a.m. local time at the **ENTITY**'s principal address) (month, day, year) (month day, year)

## Item C. Limits of Liability:

(i) Aggregate each **POLICY YEAR**: \$1,000,000

## Item D. Deductible (also known as retention):

(i) **EMPLOYMENT PRACTICES CLAIM**: \$5,000 Each and every **CLAIM**  
 (ii) Other than **EMPLOYMENT PRACTICES CLAIM**: \$5,000 Each and every **CLAIM**

Item E. Prior or Pending Litigation Date: 1/09/2003  
 (The Prior or Pending Litigation Date excludes coverage for all past and present litigation or known potential claims)

Item F. Retroactive Date: None  
 (If retroactive date is none full prior acts coverage will be provided subject to the Prior or Pending Litigation Date and the Terms and Conditions of the policy)

Form Numbers of Coverage Parts, Forms and Endorsements that are a part of this policy and that are not listed in the Coverage Parts:  
**NP00H022000803\_ NP00H03300 NP00H043001203 NP00H072000204 NP00H083000504 NP00H087000504**  
**NP00H088000504 NP04H037000803**

Program Administrator: Aon Association Services      Mailing Address: Aon Association Services  
                                   Aon Association Services Division      Aon Association Services Division  
                                   700 N. Brand Blvd Ste 840      1120 20th Street, N.W.  
                                   Glendale, CA 91203 (CA License #0795465)      Washington, D.C 20036  
                                   1-800-432-7465

Special Program: **The American Society of Association Executives Sponsored D&O**

Insurance Provided by:  
 Twin City Fire Insurance Co  
 Hartford Plaza  
 Hartford, Connecticut 06115

A Member of THE HARTFORD

Mr. Rick Blain  
Western Pension & Benefits  
Conference, Orange County Chap  
24881 Alicia Parkway, Ste,E343  
Laguna CA 92653

Policy Number: NOA1305448  
Effective Date: 01/09/2007  
Insurer: The Hartford's Twin City Fire Insurance Co

#### **OFFER OF COVERAGE   TERRORISM RISK INSURANCE ACT OF 2002**

You are hereby notified that, under the recently enacted Terrorism Risk Insurance Act of 2002 ("the Act") , effective November 26, 2002, we must make terrorism coverage as defined by the Act available in the policies that we offer. However, the actual coverage available under our policies for the acts of terrorism, is limited by the terms, conditions, exclusions, limits, other provisions, any endorsements to your policy or binder and generally applicable rules of law.

Any terrorism coverage provided by this policy is partially reinsured by the United States of America under a formula established pursuant to Federal Law. Under this formula, the United States will pay 90% of covered terrorism losses exceeding a statutorily-established deductible paid by insurers until such time as insured losses under the program reach \$100 billion. If that occurs, Congress will determine the procedures for, and the source of, any payments for losses in excess of \$100 billion.

If you decide to purchase this policy, you will not be required to pay a premium for terrorism coverage at this time. If, upon renewal of your policy, a premium is going to be charged for terrorism coverage, we will provide you with notification of what that premium will be.



## (CLAIMS MADE)

### NONPROFIT DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY

**THIS POLICY APPLIES ONLY TO CLAIMS FIRST MADE AGAINST THE INSURED AND REPORTED TO THE COMPANY DURING THE POLICY YEAR OR THE EXTENDED CLAIMS REPORTING PERIOD, IF PURCHASED. AMOUNTS PAID AS CLAIM EXPENSES SHALL REDUCE AND MAY EXHAUST THE LIMITS OF LIABILITY.**

- KEY WORDS AND PHRASES APPEARING BOLDED AND IN LARGE CASE SCRIPT THROUGHOUT THIS TEXT HAVE SPECIAL MEANINGS. PLEASE REFER TO SECTION II, DEFINITIONS -

In consideration of the payment of the premium and in reliance upon statements in the application, the Insurance Company shown on the **CERTIFICATE OF INSURANCE** (hereinafter called the **COMPANY**) agrees with the **INSURED**, subject to all of the terms, exclusions and conditions of this policy as follows.

#### I. Insuring Agreements

##### A. Coverage

The **COMPANY** shall pay on behalf of an **INSURED** all **CLAIMS EXPENSES** and **DAMAGES** that the **INSURED** becomes legally obligated to pay for any **CLAIM(s)** first made against the **INSURED** for a **WRONGFUL ACT(s)** which arise solely out of the discharge of an **INDIVIDUAL INSURED'S** duties on behalf of the **ENTITY**.

##### B. Claims Made Provision

In order for this coverage to apply:

1. The **CLAIM** must first be made against the **INSURED** for a **WRONGFUL ACT** during the **POLICY YEAR** or if applicable during the Extended Claims Reporting Period.
2. The **CLAIM** must first be reported, in writing, to the **COMPANY** as soon as practicable but in no event later than 90 days after the end of the **POLICY YEAR** in which the **CLAIM** was made against the **INSURED** or, if applicable, during the Extended Claims Reporting Period.

##### C. Defense Provision

When a **CLAIM** is made against an **INSURED** and reported to the **COMPANY** in accordance with the Claims Made Provision, the **COMPANY** has the right and duty to defend any covered **CLAIM** against the **INSURED**, even if such **CLAIM** is groundless, false or fraudulent.

**CLAIMS EXPENSES** will be paid by the **COMPANY** and such payments will reduce the limit of liability. The **COMPANY** is not obligated to defend after the limit of liability has been exhausted. The **COMPANY** has the right to immediately withdraw from the defense of any **CLAIM** once the limit of liability has been exhausted

Unless otherwise endorsed this policy is written on a "DEFENSE WITHIN THE LIMITS" basis. The limits of liability, as set forth in Item C of the **CERTIFICATE OF INSURANCE**, available to pay judgments or settlements will be reduced by amounts incurred for **CLAIM EXPENSES**.

**D. Settlement Provision**

No **CLAIMS EXPENSES** shall be incurred without the **COMPANY'S** consent.

No offer to settle any **CLAIM** shall be made or accepted by the **INSURED** without prior written agreement from the **COMPANY**.

If the **INSURED** and the **COMPANY** disagree as to the disposition of any **CLAIM**, the following provisions shall apply:

1. If the **INSURED** is willing to accept a settlement which is offered by a claimant or is unwilling to appeal a judgment, the **COMPANY** has the right to litigate in lieu of said settlement or appeal, provided that the **COMPANY** bears all **CLAIMS EXPENSES** which are subsequently incurred. Any increase in such judgment or settlement will be paid by the **COMPANY**.
2. If the **COMPANY** is willing to accept the judgment of a court or any settlement offer, and the **INSURED** is not willing to accept such judgment or settlement, the **COMPANY** may pay to the **INSURED** the amount of the judgment or settlement (less any remaining deductible amounts). The **COMPANY** shall then be relieved from any further liability for any **DAMAGES, CLAIMS EXPENSES** or any duty to defend.

**E. Territory**

The coverage afforded by this policy applies to **WRONGFUL ACT(s)** which occur anywhere in the world, provided that the **CLAIM** is made against the **INSURED** within the United States, its territories or possessions, or Canada.

**F. Spousal Extension**

If a **CLAIM** against an **INDIVIDUAL INSURED** includes a **CLAIM** against an **INDIVIDUAL INSURED'S** lawful spouse solely by reason of (1) such spouse's status as a spouse of the **INDIVIDUAL INSURED** or (2) such spouse's ownership interest in property which the claimant seeks as recovery for alleged **WRONGFUL ACTS** of the **INDIVIDUAL INSURED** then all **CLAIMS EXPENSES** or **DAMAGES** which such spouse becomes legally obligated to pay by reason of said **CLAIM** shall be treated as **CLAIMS EXPENSES** or **DAMAGES** which the **INDIVIDUAL INSURED** is obligated to pay.

The coverage which is provided by this extension does not apply to any **CLAIM** which alleges that the **INDIVIDUAL INSURED'S** spouse committed any **WRONGFUL ACTS**.

**G. Outside Directorship Extension**

The insurance which is provided by this policy shall extend to any **CLAIM** against an **INDIVIDUAL INSURED** for **WRONGFUL ACTS** arising from such **INDIVIDUAL INSURED'S** service in an **OUTSIDE DIRECTORSHIP** capacity. Coverage provided to any **INDIVIDUAL INSURED** while serving in an **OUTSIDE DIRECTORSHIP** capacity does not extend to the organization in which such **OUTSIDE DIRECTORSHIP** is held or to any of the other directors, officers, employees or trustees of the organization. The coverage provided by this **OUTSIDE DIRECTORSHIP** extension shall be specifically excess of any other indemnity or insurance available to such **INDIVIDUAL INSURED** from the Organization.

**H. Excess Benefits Transaction Extension**

Subject to Exclusion A (Section III) it is hereby agreed that the insurance which is provided by this policy shall extend to include the 10% penalty excise tax imposed on any **INDIVIDUAL INSURED** pursuant to 26 U.S.C. Section 4958 (a) (2) for alleged participation in an excess benefit transaction.



I. **Breach of Contract Extension**

It is hereby agreed that the insurance provided by this policy shall extend to include **CLAIMS EXPENSES** and **DAMAGES** for **CLAIMS** arising from an actual or alleged breach of employment contract or agreement. However, the coverage for any **CLAIM** which alleges a breach of a nonemployment-related contract or agreement will be limited to **CLAIMS EXPENSES** only.

J. **Employment Retirement Income Security Act of 1974 \$100,000 Sublimit Extension**

It is hereby agreed that the insurance provided by this policy shall be extended to include a \$100,000 sublimit for **CLAIMS EXPENSES** which arise out of any **CLAIM** or **CLAIMS** alleging that an **INSURED** committed an **EMPLOYEE BENEFIT PLAN- RELATED WRONGFUL ACT**. This sublimit is a part of and not an addition to the **LIMIT OF LIABILITY** which is set forth on the Declarations Page. The amount of this sublimit is not increased by the number of **CLAIMS**. This Extension does not include any coverage for **DAMAGES**.

II. **Definitions**

The following terms whenever used in this policy in boldface type shall have the meaning indicated.

- A. **CLAIM** shall mean a demand for the institution of proceedings or a demand for money, including but not limited to, a service of suit, an institution of mediation or arbitration proceedings, or the institution of a charge against the **INSURED** with the United States Equal Employment Opportunity Commission (hereafter referred to as the EEOC) or a similar state or local agency which is responsible for the administration of state fair employment practices laws.
- B. **CLAIMS EXPENSES** shall mean the following but only when authorized by the **COMPANY**:
1. Fees, costs, and expenses charged by an attorney who is designated by the **COMPANY** to represent the **INSURED** in the defense of a **CLAIM**;
  2. All other fees, costs and expenses resulting from the investigation, defense and settlement of any **CLAIM**, including the administrative and investigative expenses or fees arising from EEOC proceedings (or similar state or local agencies).
  3. The interest on any part of a judgment that accrues before or after the entry of the judgment and before the **COMPANY** has paid or tendered or deposited the applicable judgment amount in court as well as any premiums for a bond amount, not exceeding the limit of liability, which is required as the result of a covered **CLAIM**, and premiums on bonds to release attachments. However, the **COMPANY** has no obligation to apply for or to furnish any such bonds.
- C. **DAMAGES** shall mean any amount that the **INSURED** becomes legally obligated to pay for any covered **CLAIM**, including judgments or settlements and the back pay and future lost earnings of **INDIVIDUAL INSURED(s)** if associated with **EMPLOYMENT PRACTICES CLAIM**. **DAMAGES** shall not include the following:
1. Sanctions, fines or penalties (except as provided in Section I. H);
  2. Any punitive or exemplary damages unless such coverage is specifically required by state law or regulation.
- D. **ENTITY** shall mean the nonprofit corporation which is named in Item A on the **CERTIFICATE OF INSURANCE** and any organization which is added by endorsement to the policy.
- E. **INSURED** shall mean the **ENTITY** or an **INDIVIDUAL INSURED**.

**F. INDIVIDUAL INSURED shall mean:**

1. Any past, present or future director, officer, trustee, employee, volunteer or member of any duly constituted committee of the **ENTITY** but only with regard to **WRONGFUL ACTS** which arise solely out of the discharge of the **INDIVIDUAL INSURED'S** duties on behalf of the **ENTITY**;
2. The heirs, executors, administrators, and legal representatives of an **INDIVIDUAL INSURED**, in the event of an **INDIVIDUAL INSURED'S** death, insolvency, incapacity or bankruptcy. This coverage extends only to the liability which arises out of **WRONGFUL ACTS** related to the **INDIVIDUAL INSURED'S** duties solely in their capacity with the **ENTITY**.

**G. POLICY PERIOD shall mean the period of time which is specified on the CERTIFICATE OF INSURANCE or its earlier cancellation date, if any.**

**H. POLICY YEAR shall mean the period of one year following the effective date and hour of this Policy or any anniversary thereof, or of the time between the effective date or any anniversary and the end of the POLICY PERIOD is less than one year, such lesser period. If the Extended Claims Reporting Period is exercised, such period shall be deemed part of the POLICY YEAR during which it was exercised.**

In the event that the **POLICY PERIOD** is twelve months or less, then the term **POLICY YEAR** shall mean the same as the term **POLICY PERIOD**.

**I. POLLUTANTS shall mean any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to smoke, vapor, soot, fumes, acids, alkalis, chemicals, radioactive substances, and waste (including medical wastes). Waste includes materials to be recycled, reconditioned or reclaimed.**

**J. WRONGFUL ACTS shall mean the following:**

1. Any actual or alleged act, error, misstatement, misleading statement, omission, neglect or breach of duty by an **INSURED**;
2. Any actual or alleged mismanagement including, but not limited to the mismanagement of the **ENTITY'S** funds, except those funds covered by Exclusion E;
3. Any actual or alleged wrongful Employment Practices, including but not limited to any actual or alleged violations of the following statutes:
  - a) Title VII of the Civil Rights Act of 1964
  - b) The Americans with Disabilities Act 1990
  - c) The Age Discrimination in Employment Act of 1967
  - d) The Equal Pay Act of 1963
  - e) Sections 503 and 504 of the Rehabilitation Act of 1973

or any discrimination, wrongful termination or dismissal, workplace harassment (including sexual harassment), breach of any verbal or written employment contract or quasi-employment contract, employment-related misrepresentation, wrongful failure to employ or promote, wrongful discipline, wrongful deprivation of a career opportunity, failure to grant tenure, negligent evaluation, employment-related mental anguish or employment-related emotional distress, retaliation (including lockouts);

4. Any actual or alleged Personal Injury or Publishers Liability, including but not limited to: libel, slander, false arrest, invasion of privacy, wrongful detention or imprisonment, malicious prosecution, defamation of character, wrongful entry, wrongful eviction, plagiarism, misappropriation of ideas, infringement of a copyright or trademark, unauthorized use of a title;
5. Any actual or alleged violation of the Sherman Antitrust Act, the Clayton Act or similar federal, state or local statutes or rules.

**K. OUTSIDE DIRECTORSHIP shall:**

1. Mean any official position held by an **INDIVIDUAL INSURED** in any Outside Nonprofit Organization at the specific written request of the **ENTITY**;
2. Not extend to the Outside Nonprofit Organization in which the **OUTSIDE DIRECTORSHIP** is held or to any of the other directors, officers, trustees or employees of such Organization.

**L. EMPLOYEE BENEFIT PLAN-RELATED WRONGFUL ACT(s) shall mean:**

1. Any breach of the responsibilities, obligations or duties imposed upon fiduciaries of an **EMPLOYEE BENEFIT PLAN** by the Employee Retirement Income Security Act of 1974, as amended, or by the common or statutory law of the United States, or any state or other jurisdiction;
2. Any error, omission or negligent act made in the **ADMINISTRATION** of an **EMPLOYEE BENEFIT PLAN**.

**M. ADMINISTRATION shall mean giving advice to employees or effecting enrollment, termination or cancellation of employees under an EMPLOYEE BENEFIT PLAN.**

**N. EMPLOYEE BENEFIT PLAN shall mean those benefit plans which provide benefits solely to the employees of the ENTITY and which meet the definition of Employee Benefit Plan in the Employee Retirement Income Security Act of 1974.**

**O. EMPLOYMENT PRACTICES CLAIM shall mean a CLAIM which is brought and maintained by any past, present or prospective employee of the ENTITY against any INSURED for any WRONGFUL ACT in connection with any actual or alleged violation of the following statutes:**

1. Title VII of the Civil Rights Act of 1964
2. The Americans with Disabilities Act 1990
3. The Age Discrimination in Employment Act of 1967
4. The Equal Pay Act of 1963
5. Sections 503 and 504 of the Rehabilitation Act of 1973

or any discrimination, wrongful termination, workplace harassment (including sexual harassment), breach of any verbal or written employment contract or quasi-employment contract, employment-related misrepresentation, wrongful failure to employ or promote, wrongful discipline, wrongful deprivation of a career opportunity, failure to grant tenure, negligent evaluation, employment-related mental anguish or employment-related emotional distress, retaliation (including lockouts);

**P. APPLICATION shall mean all signed applications for this Policy and for any policy in an uninterrupted series of policies issued by the COMPANY of which this Policy is a renewal or replacement.**

**Q. INTERRELATED WRONGFUL ACTS shall mean WRONGFUL ACTS which have as a common nexus any fact, circumstance, situation, event, transaction or series of facts, circumstances, situations, events or transactions.**

**R. CERTIFICATE OF INSURANCE means what is commonly considered to be the declarations page of the policy, containing information, such as insured ENTITY, policy period, limits of liability, premium, and policy number, which is commonly included on a declarations page.**

### III. Exclusions

The **COMPANY** is not obligated to pay **DAMAGES** or **CLAIMS EXPENSES** for:

- A. Any **CLAIM** arising from any dishonest (including any **INSURED** gaining any profit or advantage to which the **INSURED** was not legally entitled), fraudulent, criminal, or malicious **WRONGFUL ACT** or any **WRONGFUL ACT** committed deliberately by any **INSURED** or at the direction of any **INSURED**.
- B. Any **CLAIM** arising out of or attributable to obligations under any employer's liability law, unemployment compensation law, worker's compensation law, disability benefits law or similar law.
- C. Any **CLAIM** which arises out of or is in any way attributable to any actual or alleged:
  - 1. Bodily injury, sickness, disease or death of any person; or
  - 2. Mental Anguish or emotional distress (except that which arises out of an **EMPLOYMENT PRACTICES CLAIM**); or
  - 3. Physical damage to or destruction of tangible property, including the loss of use thereof, or the loss of use of tangible property which has not been physically damaged or destroyed.
- D. Any **CLAIM** arising out of or attributable to any actual or alleged:
  - 1. Injury or damage which would not have occurred in whole or part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **POLLUTANTS** at any time; or
  - 2. Request, demand or order that any **INSURED** or any other party test for monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to, or assess the effects of **POLLUTANTS**, or
  - 3. Lawsuit, action, or proceeding by or on behalf of a governmental authority for **DAMAGES** because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, or in any way responding to, or assessing the effects of **POLLUTANTS**.
- E. Except to the extent that coverage is provided by Extension J, any **CLAIM** arising out of any actual or alleged violation of the Employment Retirement Income Security Act of 1974 and its amendments or any regulations or order pursuant thereto, as well as any similar state law or regulation or from the **INSURED'S ADMINISTRATION** of an **EMPLOYEE BENEFIT PLAN**.
- F. Any **CLAIM** arising from any litigation, claims, demands, causes of action, legal or quasi-legal proceedings, decrees or judgments against any **INSURED**, occurring Prior to, or Pending the date stated in Item E. of the **CERTIFICATE OF INSURANCE**, of which any **INSURED** had received notice or otherwise had knowledge as of such date; or 1.) Arising from any subsequent litigation, claims, demands, causes of action, legal or quasi-legal proceedings, decrees or judgments against any **INSURED** arising from or based substantially on the same or related matters as alleged in the pleadings of such prior or pending litigation, claims, demands, causes of action, legal or quasi-legal proceedings, decrees or judgments against any **INSURED**; or 2.) Arising from any act of any **INSURED** which gave rise to such prior or pending litigation, claims, demands, causes of action, legal or quasi-legal proceedings, decrees or judgments against any **INSURED**.
- G. Any **CLAIM** based upon, arising out of, directly or indirectly resulting from or in consequence of, or in any way involving any fact, circumstance, or situation committed, or alleged to have been committed prior to the Retroactive Date stated in Item F. of the **CERTIFICATE OF INSURANCE**, including any related facts or circumstances that are logically or causally connected by reason of any common fact, circumstance, situation, transaction, casualty, event, or decision.

#### IV. Deductible and Limit of Liability

##### A. Deductible (also known as retention)

The Deductible stated on the **CERTIFICATE OF INSURANCE** applies to each **CLAIM** and shall be paid by the **ENTITY**. The deductible shall apply to the payment of **CLAIMS EXPENSE** and **DAMAGES**.

##### B. Limit of Liability

The Limit of Liability shall apply in excess of the deductible shown on the **CERTIFICATE OF INSURANCE**. The Limit of Liability set forth in the **CERTIFICATE OF INSURANCE** shall be the maximum amount of **DAMAGES** or **CLAIMS EXPENSE** or both combined that the **COMPANY** will pay for all **CLAIMS** made in a given **POLICY YEAR**.

One or more **CLAIMS** arising out of the same **WRONGFUL ACT** or **INTERRELATED WRONGFUL ACTS** shall be deemed to constitute a single **CLAIM** and shall be deemed to have been made within the **POLICY YEAR** in which the earliest **CLAIM** involving the same **WRONGFUL ACT** or **INTERRELATED WRONGFUL ACT** was first made against the **INSURED**.

#### V. Extended Claims Reporting Period

If this policy is canceled or nonrenewed, the **INSURED** is entitled to an Extended Claims Reporting Period. This extension extends the period of time during which the **INSURED** may report **CLAIMS** to the **COMPANY**. This extension applies only to **CLAIMS** which are first made against the **INSURED** during the Extended Claims Reporting Period and arising out of a **WRONGFUL ACT** which occurred prior to the end of the **POLICY PERIOD**. The terms of the automatic Extended Claims Reporting Period shall be 90 days from the date of cancellation or nonrenewal of the policy. There is no additional premium charge for this automatic extension.

The Extended Claims Reporting Period does not do the following:

- (1) Extend the length of the **POLICY PERIOD**;
- (2) Increase the policy's limits of liability;
- (3) Reinstate any exhausted limits of liability of this policy;
- (4) Otherwise change any of the policy's terms and conditions.

In addition to the Automatic Extended Claims Reporting Period, at the option of the **INSURED**, the **INSURED** may purchase an optional Extended Claims Reporting Period as set forth below:

<u>Terms of the Optional Extended Reporting Period</u>	<u>Percentage of the Policy's Annual Premium</u>
One Year	50%
Two Years	100%
Three Years	150%

To exercise this option, the **INSURED** must, within 90 days of the date of cancellation or nonrenewal of the policy, forward to the **COMPANY** a written request to purchase the optional Extended Claims Reporting Period. Said written request must be accompanied by full payment of the additional premium due. Note that the policy's annual premium is set forth on the **CERTIFICATE OF INSURANCE**. The entire premium for the Extended Claims Reporting Period is deemed to be fully earned upon election and payment of that premium. If this policy is canceled for any reason, the **COMPANY** shall not be obligated to return any portion of the Extended Claims Reporting Period premium to the **INSURED**.

This extension is not available if the policy is canceled or nonrenewed for any if the following reasons:

- (1) The failure of the **INSURED** to comply with policy provisions.
- (2) The failure of the **INSURED** to cooperate with the **COMPANY**.

- (3) Any material misrepresentation of facts by the **INSURED**.
- (4) The failure of the **INSURED** to pay the policy premium.

## VI. Conditions

### A. The **INSURED'S** duties in the event of a **CLAIM**:

- (1) When a **CLAIM** is made against the **INSURED**, the **INSURED** must give prompt written notice to the **COMPANY**. Said notice shall include all demands, notices, summons or any other information which was received by the **INSURED**.
- (2) The **INSURED** must provide the **COMPANY** with all information, materials and cooperation which the **COMPANY** requests.
- (3) The **INSURED** must not make payment, admit liability, agree to any settlement or agree to an arbitration without the prior consent of the **COMPANY**.
- (4) The **INSURED** must do whatever is necessary to secure and effect any rights of indemnity, contribution or apportionment which the **INSURED** may have.

### B. The Reporting of Possible Claims

If during a **POLICY YEAR** or during an Extended Claims Reporting Period, the **INSURED** first becomes aware of a possible **CLAIM** arising from a **WRONGFUL ACT** for which coverage may be provided hereunder, and if the **INSURED**, during that **POLICY YEAR** or no later than 90 days after that **POLICY YEAR** or during the Extended Claims Reporting Period, gives written notice to the **COMPANY** then any **CLAIM** which may subsequently be made against the **INSURED** shall be deemed to have been made during the **POLICY YEAR** or the Extended Claims Reporting Period in which the notice was given.

Said written notice must:

- (1) Be given to:     The Hartford  
                          2 Park Avenue  
                          New York, NY 10016-5675  
  
                          Toll Free: 800-721-8189  
                          Toll Free Fax: 212-277-0945
- (2) Include the potential claimant's name and address.
- (3) Include a detailed description of the **WRONGFUL ACT**.
- (4) Include a detailed explanation as to why the **INSURED** believes that a **CLAIM** may be made and the date on which the **INSURED** became aware of the potential **CLAIM**.

### C. Subrogation:

In the event of any payment under this policy, the **COMPANY** shall be subrogated to all the **INSURED'S** rights of recovery therefor against any person or organization and the **INSURED** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **INSURED** shall do nothing after loss to prejudice such rights.

### D. Other Insurance

Coverage under this policy is excess over any other insurance, including but not limited to a Comprehensive General Liability Policy, which also provides coverage for any **CLAIM**.

**E. Merger**

In the event of a merger involving the **ENTITY**, written notice must be given to the **COMPANY** at least 90 days prior to the date of the merger. The **ENTITY** shall provide such information as the **COMPANY** may require. The **COMPANY** at its option may elect to continue the coverage beyond the date of the merger. The **INSURED** shall pay any reasonable additional premium required by the **COMPANY**. If the **COMPANY** chooses to cancel the coverage, the **INSURED** is entitled to the Automatic Extended Claims Reporting Period which is set forth in Section V. The **INSURED** at its option may also elect to purchase the optional Extended Claims Reporting Period.

**F. Subsidiaries**

If the **ENTITY** acquires or creates a Subsidiary, written notice must be given to the **COMPANY** 90 days prior to the activation of its operations. The **ENTITY** shall provide such information as the **COMPANY** may require. The **COMPANY** at its option may elect to continue the coverage beyond the date of the Subsidiary's activation. The **INSURED** shall pay any reasonable additional premium required by the **COMPANY**.

**G. Representation and Severability**

For purposes of paying premiums, providing applications and all other correspondence between the **INSURED** and the **COMPANY**, it is agreed that the **ENTITY** is the representative of all **INDIVIDUAL INSUREDS**.

In granting coverage to the **INDIVIDUAL INSUREDS**, the **COMPANY** has relied upon the declarations and statements in the written **APPLICATIONS** for this policy. Such declarations and statements are the basis of coverage and shall be considered as incorporated in and constituting a part of this policy. Such written **APPLICATIONS** for coverage shall be construed as separate applications for coverage by each **INDIVIDUAL INSURED**. With respect to the declarations and statements contained in such written **APPLICATIONS** for coverage no statements in the applications or knowledge possessed by any **INDIVIDUAL INSURED** shall be imputed to any other **INDIVIDUAL INSURED** for the purpose of determining if coverage is available. This policy encompasses all agreements existing between the **INSURED** and the **COMPANY** or any of its agents relating to this insurance.

**H. Cancellation**

This policy may be canceled by the **INSURED** by returning the policy to:

Aon Association Services  
A division of Affinity Insurance Services, Inc.  
1120 20th Street, NW  
Washington, DC 20036

Toll Free: 800-432-7465  
Fax: 202- 857-0143

This policy is not cancelable by the **COMPANY** except for the following reasons:

1. The **INSURED S** failure to pay the premium.
2. A material misrepresentation by the **INSURED**.
3. The merger of the **INSURED**.

If the coverage is canceled for nonpayment of premium, the **COMPANY** will provide the **INSURED** with 10 days written notice of said cancellation. A cancellation for any other reason will require 60 days written notice to the **INSURED**. If the **COMPANY** cancels the policy, the earned premium will be computed on a prorata basis.

The mailing of any notice of cancellation will be sufficient proof of notice.

I. Policy Changes

The terms and conditions of this policy cannot be waived or amended except by specific written endorsement issued by the **COMPANY**.

J. Assignment

The interest of the **INSURED** may not be assigned to any other person or organization.

K. Action Against the **COMPANY**

No action shall lie against the **COMPANY** unless, as a condition precedent thereto, the **INSURED** shall have fully complied with all the terms of this policy, nor until the amount of the **INSURED**'s obligation to pay shall have been finally determined either by judgment against the **INSURED** after actual trial or by written agreement of the **INSURED**, the claimant and the **COMPANY**.

L. Conformance to Statute

Any terms of this policy which are in conflict with the terms of any applicable laws construing this policy are hereby amended to conform to such laws.

In Witness Whereof, the **COMPANY** has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a fully authorized representative of the **COMPANY**.



Michael S. Wilder, Secretary



Ramani Ayer, President & CEO





**CANCELLATION AND NON-RENEWAL ENDORSEMENT  
STATE OF CALIFORNIA**



It is hereby agreed that Section VI. (H), Cancellation is deleted in its entirety and replaced with the following:

**Cancellation and Non-Renewal**

**1. Cancellation by the INSURED**

The INSURED has the right to cancel this Policy at any time by giving notice to the Company stating when thereafter the cancellation shall be effective. If the Policy is so canceled, earned premium shall be computed short rate.

**2. Cancellation by the Company**

The Company has the right to cancel this Policy at any time and for any reason within the first sixty (60) days. The Company must mail the notice of cancellation at least thirty (30) days prior to the effective date of such cancellation.

After this Policy has been in effect for sixty (60) days or more, it may be canceled for one of the following reasons:

- a. Nonpayment;
- b. Policy obtained through material misrepresented or fraud;
- c. Any insured violated the terms and conditions of the policy;
- d. The risk originally accepted has measurably increased;
- e. Certification of the Commission of loss of reinsurance;
- f. Determination by the Commissioner that continuation of the policy could place insured in violation of law;
- g. Discovery of willful or grossly negligent acts or omissions or violations of state laws.

The Company must mail notice of cancellation at least thirty (30) days prior to the effective date of such cancellation. If the Company cancels for non-payment of premium, the Company must mail notice of cancellation at least ten (10) days prior to the effective date of such cancellation. All notices shall state the reason for cancellation.

**3. Non-Renewal by the Company**

The Company has the right to non-renew this Policy effective of any policy anniversary date. All notices of non-renewal must be mailed to the INSURED at the last mailing address known to the Company, at least sixty (60) days prior to the effective date of non-renewal and shall provide a specific explanation of the reason(s) for non-renewal.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<b>Must Be Completed</b>
POLICY NO. <b>NOA1305448</b>

<b>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</b>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT



### AMENDMENT TO SECTION III (C)

This endorsement modifies insurance provided under:

#### NONPROFIT DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY

It is understood and agreed that Section III, Exclusions, C., is deleted and replaced by the following:

- C. Any **CLAIM** which arises out of or is in any way attributable to any actual or alleged:
1. Bodily injury, sickness, disease or death of any person; or
  2. Mental Anguish or emotional distress (except that which arises out of an **EMPLOYMENT PRACTICES CLAIM**); or
  3. Physical damage to or destruction of tangible property, including the loss of use thereof, or the loss of use of tangible property which has not been physically damaged or destroyed.

This exclusion includes but is not limited to any **CLAIM** which alleges that any of the above occurred as a result of any actual or alleged negligent employment, investigation, supervision, reporting to the proper authorities, or failure to so report, or retention of a person for whom any **INSURED** is or ever was legally responsible.

All other terms and conditions remain unchanged.

This endorsement is a part of your policy and takes effect on the effective date of your policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<i>Must Be Completed</i>
POLICY NO. <b>NOA1305448</b>

<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT



**THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

**AMENDED DEFINITION OF OUTSIDE DIRECTORSHIP**

This endorsement modifies insurance provided under:

**NONPROFIT DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY**

Section II. Definitions, K. **OUTSIDE DIRECTORSHIP**, of this policy is deleted and replaced by the following:

**K. OUTSIDE DIRECTORSHIP shall:**

1. Mean any official position held by an **INDIVIDUAL INSURED** in any outside 26 U.S.C. 501(c)(3) nonprofit organization at the specific written request of the **ENTITY**;
2. Not extend to the outside 26 U.S.C. 501(c)(3) nonprofit organization in which the **OUTSIDE DIRECTORSHIP** is held or to any of the other directors, officers, trustees or employees of such organization.

All other terms and conditions remain unchanged.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<i>Must Be Completed</i>
POLICY NO. <b>NOA1305448</b>

<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT



**THIS ENDORSMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.**

**AMENDED DEFINITION OF DAMAGES**

This endorsement modifies insurance provided under:

**NONPROFIT DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY**

Section II. Definitions, C. **DAMAGES**, of this policy is amended by the addition of the following:

**DAMAGES** shall furthermore not include:

3. Any actual or alleged excessive compensation that was paid to any **INSURED INDIVIDUAL**.
4. The return of funds that the **INSURED** received under any type of grant, program, contract or similar agreement.

All other terms and conditions remain unchanged.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<i>Must Be Completed</i>
POLICY NO. <b>NOA1305448</b>

<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**FRAUD EXCLUSION  
(FINAL ADJUDICATION REIMBURSEMENT; NON-IMPUTATION)**

This endorsement modifies insurance provided under the following:

**NONPROFIT DIRECTORS, OFFICERS LIABILITY INSURANCE POLICY**

It is agreed that Section III. Exclusions, A. is deleted and replaced by the following:

- A. Any **CLAIM** based upon, arising from, or in any way related to any dishonest (including any **INSURED** gaining any profit or advantage to which the **INSURED** was not legally entitled), fraudulent, criminal, or malicious **WRONGFUL ACT** or any **WRONGFUL ACT** committed deliberately by any **INSURED** or at the direction of any **INSURED**, provided that:
1. the **COMPANY** shall reimburse **CLAIMS EXPENSES** if a final adjudication establishes that no such **WRONGFUL ACT** occurred; and
  2. the **WRONGFUL ACT** of any **INDIVIDUAL INSURED** shall not be imputed to any other **INDIVIDUAL INSURED**

All other terms and conditions remain unchanged.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<i>Must Be Completed</i>
POLICY NO. <b>NOA1305448</b>

<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT



**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**FAIR LABOR STANDARDS ACT EXCLUSION**

This endorsement modifies insurance provided under the following:

**NONPROFIT DIRECTORS, OFFICERS LIABILITY INSURANCE POLICY**

Section III., **EXCLUSIONS**, is amended to include the following:

for, based upon, arising from or in any way related to:

1. **CLAIMS** for unpaid wages, including overtime pay, for hours actually worked or labor actually performed by an employee of the Insured;
2. **CLAIMS** for improper payroll deductions, improper employee classification, or failure to maintain accurate time records; or
3. any actual or alleged violation of the Fair Labor Standards Act (FLSA) or any rule or regulation promulgated thereunder, or any other federal, state, local or common law, rules or regulations pertaining to wages, overtime and other subject matters governed under the FLSA.
4. any actual or alleged violation of the Worker Adjustment and Retraining Notification Act, the National Labor Relations Act, the Occupational Safety and Health Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, or rule or regulation promulgated thereunder, or other federal, state, local, or common law, rules or regulations pertaining to the subject matter governed under the aforementioned laws.

All other terms and conditions remain unchanged.

This endorsement is a part of **your** policy and takes effect on the effective date of **your** policy, unless another effective date is shown below. All other provisions of the policy remain unchanged.

<i>Must Be Completed</i>	<i>Complete Only When This Endorsement Is Not Prepared with the Policy Or Is Not to be Effective with the Policy</i>	
POLICY NO. <b>NOA1305448</b>	ISSUED TO	EFFECTIVE DATE OF THIS ENDORSEMENT

### **Defense Outside of the Limit Endorsement**

It is understood and agreed that Section I (C) is deleted and replaced with the following language:

**C. Defense Provision**

When a **CLAIM** is made against an **INSURED** reported to the **COMPANY** in accordance with the Claims Made Provision, the **COMPANY** has the right and the duty to defend any covered **CLAIM** against the **INSURED**, even if such **CLAIM** is groundless, false or fraudulent.

**CLAIMS EXPENSES** will be paid by the **COMPANY** and such payments shall not reduce the limit of liability. The **COMPANY** is not obligated to defend after the limit of liability has been exhausted by the payment of **DAMAGES**. The **COMPANY** has the right to immediately withdraw from the defense of any **CLAIM** once the limit of liability has been exhausted.

It is further understood and agreed that Section IV (B) is deleted and replaced by the following language:

**B. Limit of Liability**

The limit of liability shall apply in excess of the deductible shown on the Declarations Page. The Limit of Liability which is set forth on the Declarations Page is the maximum amount of **DAMAGES** that the **COMPANY** will pay for all **CLAIMS** made in a given **POLICY YEAR**.

One or more **CLAIMS** arising out of the same **WRONGFUL ACT** or **INTERRELATED WRONGFUL ACTS** shall be deemed to constitute a single **CLAIM** and shall be deemed to have been made in the **POLICY YEAR** in which the earliest **CLAIM** involving the same **WRONGFUL ACT** or **INTERRELATED WRONGFUL ACTS** was first made against the **INSURED**.

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Policy Number: **NOA1305448**  
Effective Date: **1/09/2007**  
Entity: **Western Pension & Benefits**

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