

**HEALTHCARE ORGANIZATION
MANAGEMENT LIABILITY
POLICY**

**Directors, Officers & Organization Liability
Coverage Section**



In consideration of payment of the premium and subject to the Declarations, the General Terms and Conditions, and the terms, conditions and limitations of this Coverage Section, the Underwriter and the **Insureds** agree as follows:

I. INSURING AGREEMENTS

(A) Insured Person Non-Indemnified Loss Coverage:

The Underwriter will pay, on behalf of an **Insured Person**, **Loss** for which an **Insured Person** is not indemnified by the **Organization** from any **Claim** first made against an **Insured Person** during the **Policy Period** or applicable Extended Reporting Period for a **Wrongful Act**; provided, that such **Claim** is reported to the Underwriter in accordance with Section VIII of this Coverage Section.

(B) Insured Person Indemnified Liability Coverage:

The Underwriter will pay, on behalf of the **Organization**, **Loss** for which the **Organization** grants indemnification to an **Insured Person**, as permitted or required by law, from any **Claim** first made against an **Insured Person** during the **Policy Period** or applicable Extended Reporting Period for a **Wrongful Act**; provided, that such **Claim** is reported to the Underwriter in accordance with Section VIII of this Coverage Section.

(C) Organization Liability Coverage:

The Underwriter will pay, on behalf of the **Organization**, **Loss** from any **Claim** first made against the **Organization** during the **Policy Period** or applicable Extended Reporting Period for a **Wrongful Act**; provided, that such **Claim** is reported to the Underwriter in accordance with Section VIII of this Coverage Section.

(D) Privacy Breach Event Reimbursement Coverage:

Upon satisfactory proof of payment by the **Organization**, the Underwriter will reimburse the **Organization**, up to the Privacy Breach Event Reimbursement Limit stated in ITEM 4 of the Declarations, for any **Privacy Breach Event Expenses** actually paid by the **Organization** in connection with a **Privacy Breach Event** that first occurs during the **Policy Period**, regardless of whether or not a **Claim** is made against an **Insured** as a result of such **Privacy Breach Event**. The Underwriter will

have no liability whatsoever for fines, penalties, assessments of costs or other financial awards associated with any such **Privacy Breach Event** unless such fines, penalties, assessments of costs or other financial awards are otherwise covered under this Coverage Section.

II. DEFINITIONS

- (A) “**Antitrust Violation**” means any actual or alleged: price fixing (including horizontal or other price fixing of wages, hours, salaries, compensation, benefits or any other terms and conditions of employment); restraint of trade; monopolization; or violation of the Interstate Commerce Act of 1887, the Sherman Antitrust Act of 1890, the Clayton Act of 1914, the Robinson-Patman Act of 1936, the Cellar-Kefauver Act of 1950, the Federal Trade Commission Act of 1914, or any other federal statute involving antitrust, monopoly, price fixing, price discrimination, predatory pricing or restraint of trade activities, or of any regulations promulgated under or in connection with any of the foregoing statutes, or of any similar provision of any federal, state or local statute, ordinance, regulation or common law.
- (B) “**Claim**” means:
- (1) a written demand for monetary, non-monetary or injunctive relief (including any request to toll or waive any statute of limitations); or
 - (2) a civil, criminal, administrative, regulatory or arbitration proceeding for monetary, non-monetary or injunctive relief commenced by:
 - (a) the service of a complaint or similar pleading;
 - (b) the return of an indictment, information or similar document (in the case of a criminal proceeding); or
 - (c) the filing of a notice of charges, formal investigative order or similar document,against an **Insured** for a **Wrongful Act**; provided, that **Claim** does not include any labor or grievance arbitration or other proceeding pursuant to a collective bargaining agreement.
- (C) “**Defense Expenses**” means reasonable costs, charges, fees (including but not limited to attorneys’ fees and experts’ fees) and expenses incurred in defending any **Claim** and the premium for appeal, attachment or similar bonds. **Defense Expenses** does not include any remuneration, salaries, wages, fees, overhead or benefit expenses of any **Insured**.
- (D) “**Disqualified Person**” means a “disqualified person” as that term is defined in Section 4958 of the Internal Revenue Code of 1986, as amended.

- (E) “**Employee**” means any employee of the **Organization**, whether such employee is in a supervisory, co-worker or subordinate position or otherwise, including any part-time, seasonal and temporary employee. **Employee** also includes:
- (1) any volunteer working for the **Organization**;
 - (2) any individual who is leased to, and working for, the **Organization**, but only if the **Organization** provides indemnification to such leased individual in the same manner as is provided to the **Organization’s** employees; and
 - (3) any independent contractor working for the **Organization**, but only if the **Organization** provides indemnification to such independent contractor, pursuant to a written contract, in the same manner as that provided to the **Organization’s** employees.
- (F) “**Excess Benefit Transaction**” means an “excess benefit transaction” as that term is defined in Section 4958(c) of the Internal Revenue Code of 1986, as amended.
- (G) “**Excess Benefit Transaction Excise Tax**” means any excise tax imposed by the Internal Revenue Service on an **Insured Person** who is an **Organization Manager** as a result of such **Insured Person’s** participation in an **Excess Benefit Transaction**.
- (H) “**Executive**” means any natural person who was, now is or becomes:
- (1) a duly elected or appointed director, officer, trustee, trustee emeritus, executive director, member of the Board of Managers, duly constituted committee member, in-house general counsel or risk manager of any **Organization** chartered in the United States of America; or
 - (2) a holder of a position equivalent to any position described in (1) above in any **Organization** that is chartered in any jurisdiction other than the United States of America.
- (I) “**Insured**” means the **Organization** and any **Insured Person**.
- (J) “**Insured Person**” means any natural person who was, now is or becomes:
- (1) an **Executive**;
 - (2) an **Employee**; or
 - (3) a staff physician or faculty member of the **Organization**, or a member of, or provider of administrative support to, any duly constituted review board or committee of the **Organization**, regardless of whether or not such person is directly employed by the **Organization** or is considered to be an independent contractor.

- (K) “**Internal Revenue Code Violation**” means any actual or alleged violation by an **Insured** of any of the following sections of the Internal Revenue Code of 1986, as amended, involving any **Organization** that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended:

Section 4911 (Taxes on Excess Expenditures to Influence Legislation);
Section 4941 (a) and (b) (Taxes on Self-Dealing);
Section 4942 (Taxes on Failure to Distribute Income);
Section 4943 (Taxes on Excess Business Holdings);
Section 4944 (Taxes on Investments which Jeopardize Charitable Purpose);
Section 4945 (Taxes on Taxable Expenditures);
Section 6652 (c) (1) (A)(B) (Penalties for Failure to File Certain Information Returns or Registration Statements);
Section 6655 (a)(1) (Penalties for Failure to Pay Estimated Income Taxes); or
Section 6656(a) and (b) (Penalties for Failure to Make Deposit of Taxes).

- (L) “**Loss**” means **Defense Expenses** and any monetary amount which an **Insured** is legally obligated to pay as a result of a covered **Claim**, including but not limited to:
- (1) monetary damages (including punitive or exemplary damages, to the extent such damages are insurable under the law of any jurisdiction which has a substantial relationship to the **Insureds**, this Policy or the **Claim** giving rise to such damages and which is most favorable to the insurability of such damages);
 - (2) judgments;
 - (3) settlements;
 - (4) pre- and post-judgment interest;
 - (5) **Excess Benefit Transaction Excise Taxes** that an **Insured Person** is obligated to pay as a result of a **Claim**; provided that **Loss** shall not include the twenty-five percent (25%) excise tax assessed against any **Disqualified Person** or the 200% tax assessed for failure to correct an **Excess Benefit Transaction**; and
 - (6) civil fines and penalties levied against an **Insured**:
 - (a) for an **Internal Revenue Code Violation**;
 - (b) for violation of the Emergency Medical Treatment and Active Labor Act, as amended (“EMTALA”);
 - (c) for violation of Title II of the Health Insurance Portability and Accountability Act of 1996; or
 - (d) for **Regulatory Wrongful Acts**.

Loss does not include:

- (i) any amount not insurable under the law pursuant to which this Coverage Section is construed, except as provided in paragraph (1) above with respect to punitive or exemplary damages;
 - (ii) civil or criminal fines or penalties or the multiple portion of any multiplied damage award, except as provided in paragraph (1) above with respect to punitive or exemplary damages and as provided in paragraph (6) above with respect to the specified civil fines and penalties;
 - (iii) taxes or tax penalties (whether imposed by a federal, state, local or other governmental authority), except as provided in paragraph (5) above with respect to any **Excess Benefit Transaction Excise Tax**;
 - (iv) any costs incurred by the **Organization** to comply with any order for injunctive or other non-monetary relief, or to comply with an agreement to provide such relief; or
 - (v) any fees, profits, or other revenue lost, or any costs incurred, by an **Insured** in connection with the termination, suspension or limitation of such **Insured's** right to participate in any program of a federal, state or local governmental, regulatory or administrative agency.
- (M) **“Managed Care Activities”** means any of the following services or activities, whether provided on paper, in person, electronically, or in any other form and whether performed for or on behalf of the **Organization** or by the **Organization** for itself or on behalf of any other party for a fee: **Provider Selection; Utilization Review;** advertising, marketing, selling, or enrollment for health care, consumer directed health care, behavioral health, prescription drug, dental, vision, long or short term disability, automobile medical payment, or workers’ compensation plans; **Claim Services;** establishing health care provider networks including tiered networks; provision of information with respect to tiered networks and/or consumer directed health care plans, including cost and quality information regarding specific providers, services and/or charges; reviewing the quality of **Medical Services** or providing quality assurance; design and/or implementation of financial incentive plans; design and/or implementation of Pay for Performance Programs; wellness or health promotion education; development or implementation of clinical guidelines, practice parameters or protocols; triage for payment of **Medical Services;** and services or activities performed in the administration or management of health care, consumer directed health care, behavioral health, prescription drug, dental, vision, long or short term disability, automobile medical payment, or workers’ compensation plans.
- (N) **“Medical Services”** means health care, medical care, or treatment provided to any individual, including medical, surgical, dental, psychiatric, mental health, chiropractic, osteopathic, nursing or other professional health care; the use, prescription, furnishing or dispensing of medications, drugs, blood, blood products or medical, surgical, dental or psychiatric supplies, equipment or appliances in connection with such care; the

furnishing of food or beverages in connection with such care; counseling or other social services in connection with such care; and the handling of, or the performance of post-mortem examinations on human bodies.

- (O) “**Organization Manager**” means an “organization manager” as that term is defined in Section 4958(f) of the Internal Revenue Code, 26 U.S.C. § 4958(f).
- (P) “**Outside Capacity**” means service by an **Executive** in the position of director, officer, trustee, trustee emeritus or governor of an **Outside Entity**, but only during the time that such service is at the specific request or direction of the **Organization**.
- (Q) “**Outside Entity**” means: (1) any not-for-profit organization that is not included in the definition of **Organization**; and (2) any for-profit entity specifically added as an **Outside Entity** by written endorsement to this Coverage Section.
- (R) “**Personal Injury Wrongful Act**” means false arrest, wrongful detention or imprisonment, malicious prosecution, libel, slander, defamation of character, invasion of privacy, or wrongful entry or eviction.
- (S) “**Pollutant**” means (1) any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by, the United States Environmental Protection Agency or any state, county, municipal or local counterpart thereof, including, without limitation, solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials, or (2) any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products or any noise.
- (T) “**Privacy Breach Event**” means any failure by an **Insured** to maintain the confidentiality of non-public, medical or financial personally identifiable information which is in the care, custody and control of the **Organization**.
- (U) “**Privacy Breach Event Expenses**” means:
 - (1) reasonable fees and costs of attorneys, experts and consultants, including third-party media consultants, incurred in the management or investigation of an actual or alleged **Privacy Breach Event**;
 - (2) reasonable fees and costs incurred in connection with notification of a **Privacy Breach Event** to those individuals whose information has been accessed, released or used;
 - (3) reasonable fees and costs of providing credit monitoring services to those individuals whose information has been accessed, released or used in connection with a **Privacy Breach Event**; and
 - (4) reasonable costs incurred in the management of public relations with respect to a **Privacy Breach Event**;

provided, that **Privacy Breach Event Expenses** does not include: (a) any remuneration, salaries, overhead, fees, loss of earning reimbursement or benefit expenses of any **Insured**; or (b) any fees, costs, charges or expenses incurred in defending any **Claim** resulting from a **Privacy Breach Event**.

- (V) “**Provider Selection**” means the evaluation, selection, credentialing, contracting with or performing peer review of any provider of **Medical Services**.
- (W) “**Publisher Liability Wrongful Act**” means infringement of copyright or trademark, unauthorized use of title, plagiarism or misappropriation of ideas.
- (X) “**Regulatory Wrongful Act**” means any violation of: the Federal False Claims Act or any similar federal, state or local statute or common law; any federal, state or local anti-kickback, illegal remuneration, self-referral or healthcare fraud and abuse law; or amendments to or regulations promulgated under any such law.
- (Y) “**Utilization Review**” means the process of evaluating the appropriateness, necessity or cost of **Medical Services** provided or to be provided by an **Insured** or for purposes of determining whether payment or coverage for such **Medical Services** will be authorized or paid for under any health care, consumer directed health care, behavioral health, prescription drug, dental, vision, long or short term disability, automobile medical payment or workers’ compensation plans. **Utilization Review** shall include prospective review of proposed **Medical Services**; concurrent review of ongoing **Medical Services**; retrospective review of already rendered **Medical Services**; disease management; case management; and the use of predictive modeling to identify individuals and/or populations for disease management or case management programs.
- (Z) “**Wrongful Act**” means:
 - (1) any actual or alleged act, error, omission, misstatement, misleading statement or breach of duty by any **Insured Person** in his or her capacity as such, or any matter asserted against any **Insured Person** solely by reason of his or her status as such;
 - (2) for the purposes of Insuring Agreement (C) of this Coverage Section, any actual or alleged act, error, omission, misstatement, misleading statement or breach of duty by the **Organization**;
 - (3) any actual or alleged act, error, omission, misstatement, misleading statement or breach of duty by any **Executive** in his or her **Outside Capacity**; or
 - (4) with respect to both **Insured Persons** and the **Organization**, and subject to paragraphs (1), (2) and (3) above, any:
 - (a) **Antitrust Violation**;

- (b) **Regulatory Wrongful Act;**
- (c) act, error or omission in connection with the performance of, or failure to perform, **Provider Selection;**
- (d) **Personal Injury Wrongful Act;** and
- (e) **Publishers Liability Wrongful Act.**

III. EXCLUSIONS

This Coverage Section does not apply to, and no coverage will be available under this Coverage Section for, **Loss** from any **Claim**:

- (A) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any fact, circumstance, situation, transaction, event or **Wrongful Act** that, before the Inception Date of this Policy stated in ITEM 2(a) of the Declarations, was the subject of any notice given under any directors and officers liability or other similar management liability policy or coverage section of which this Coverage Section is a direct or indirect renewal or replacement;
- (B) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any prior and/or pending litigation or administrative, regulatory or arbitration proceeding against any **Insured** as of the applicable Pending or Prior Date stated in ITEM 3 of the Declarations, or the same or substantially the same fact, circumstance, situation, transaction, event or **Wrongful Act** underlying or alleged therein;
- (C) brought by or on behalf of the **Organization** or any **Insured Person**; provided, that this EXCLUSION (C) shall not apply to:
 - (1) any **Claim** brought or maintained derivatively on behalf of the **Organization** by a member, an attorney general, a security holder or any other such representative party, provided such **Claim** is brought and maintained independently of, and without the solicitation, assistance, active participation or intervention of, any **Executive**, the **Organization** or any **Affiliate**;
 - (2) any **Claim** in the form of a cross-claim, third party claim or other claim for contribution or indemnity by any **Insured Person** which is part of or results directly from a **Claim** which is not otherwise excluded by the terms of this Coverage Section;
 - (3) in any bankruptcy proceeding by or against the **Organization**, any **Claim** brought by the examiner, trustee, receiver, liquidator or rehabilitator (or any assignee thereof) of such **Organization**;

- (4) any **Claim** brought or maintained by an **Executive** who has not served as a duly elected or appointed director, officer, trustee, governor, management committee member, member of the management board, general counsel or risk manager (or equivalent position) of, or consultant for, the **Organization** for at least four (4) years prior to the date such **Claim** is first made and who brings and maintains such **Claim** independently of, and without the solicitation, assistance, active participation or intervention of, the **Organization** or any other **Executive** who is serving or has served in any of the listed capacities within such four (4) year period;
 - (5) any **Claim** brought or maintained by an **Employee** who is not a past or present **Executive** if such **Claim** is brought and maintained independently of, and without the solicitation, assistance, active participation or intervention of, any **Executive**; or
 - (6) any **Claim** brought or maintained by any provider of **Medical Services** relating to any **Provider Selection**;
- (D) for any **Wrongful Act** of an **Executive** in his or her **Outside Capacity**, if such **Claim** is brought by or on behalf of (1) the **Outside Entity** with which such **Executive** is serving or has served in an **Outside Capacity** or (2) any director, officer, trustee, governor or equivalent executive of such **Outside Entity**; provided, that this EXCLUSION (D) shall not apply to:
- (a) any **Claim** brought or maintained derivatively on behalf of the **Outside Entity** by one or more security holders or members of the **Outside Entity** who are not **Insured Persons** and are not directors, officers, trustees, governors or equivalent executives of the **Outside Entity** and who bring and maintain such **Claim** independently of, and without the solicitation, assistance or active participation of any **Insured Person** or of any director, officer, trustee, governor or equivalent executive of the **Outside Entity**;
 - (b) any **Claim** in the form of a cross-claim, third party claim or other claim for contribution or indemnity by a director, officer, trustee, governor or equivalent executive of the **Outside Entity** which is part of or results directly from a **Claim** which is not otherwise excluded by the terms of this Coverage Section;
 - (c) in any bankruptcy proceeding by or against the **Outside Entity**, any **Claim** brought by the examiner, trustee, receiver, liquidator or rehabilitator (or any assignee thereof) of such **Outside Entity**; or
 - (d) any **Claim** brought or maintained by a director, officer, trustee, governor or equivalent executive of the **Outside Entity** who has not served as a duly elected or appointed director, officer, trustee, governor, management committee member, member of the management board, general counsel or risk manager (or equivalent position) of, or consultant for, the **Outside Entity** for at least four (4) years prior to the date such **Claim** is first made

and who brings and maintains such **Claim** independently of, and without the solicitation, assistance or active participation of, any **Insured Person**, the **Outside Entity** or any other director, officer, trustee, governor or equivalent executive of the **Outside Entity** who is serving or has served in any of the listed capacities within such four (4) year period;

- (E) for: (1) any actual, alleged, or threatened exposure to, generation, storage, transportation, discharge, emission, release, seepage, dispersal, escape, treatment, removal, handling, processing or disposal of any **Pollutants**; or (2) any order, direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any **Pollutants**; provided, that this EXCLUSION (E) shall not apply to any **Claim** to which Insuring Agreement (A) of this Coverage Section solely applies;
- (F) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any actual or alleged nuclear reaction, nuclear radiation, radioactive contamination or radioactive substance;
- (G) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any actual or alleged bodily injury, mental anguish, emotional distress, sickness, disease or death of any person, or damage to or destruction of any tangible property including loss of use thereof whether or not it is damaged or destroyed; provided, that this EXCLUSION (G) shall not apply to allegations of emotional distress or mental anguish to the extent that such allegations are made as part of a **Claim** brought or maintained by a provider of **Medical Services** relating to **Provider Selection**;
- (H) for any actual or alleged violation of the responsibilities, duties or obligations imposed on fiduciaries by the Employee Retirement Income Security Act of 1974, or any amendments thereto or regulations promulgated thereunder, or any similar provisions of any federal, state or local statute, ordinance, regulation or common law;
- (I) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any **Wrongful Act** of any **Insured Person** serving in any capacity, other than as an **Executive** or **Employee** or in an **Outside Capacity**;
- (J) made against a **Subsidiary** or listed **Affiliate** or any **Insured Person** of such **Subsidiary** or **Affiliate** for any **Wrongful Act** committed or allegedly committed during any time when such entity was not a **Subsidiary** or **Affiliate**;
- (K) made against any **Insured** based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving:
 - (1) such **Insured** having gained in fact any profit, remuneration or advantage to which such **Insured** is not legally entitled; or
 - (2) the committing of any deliberately fraudulent or dishonest act or omission, or any willful violation of any statute, rule or law, by such **Insured**;

- provided, that this EXCLUSION (K) shall not apply unless the gaining by such **Insured** of such profit, remuneration or advantage to which such **Insured** is not legally entitled, or the deliberately fraudulent or dishonest act or omission or willful violation of statute, rule or law, has been established by a final adjudication of the **Claim** or final adjudication in any judicial or administrative proceeding;
- (L) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any actual or alleged violation of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Act of 1940, any state “blue sky” securities law, or any other federal, state or local securities law, or any amendments thereto or regulations promulgated under any such laws; provided, that this EXCLUSION (L) shall not apply to matters involving tax exempt bonds and tax exempt bond holders;
 - (M) for any actual or alleged violation of the responsibilities, duties or obligations imposed under any law concerning Social Security, unemployment insurance, workers’ compensation, disability insurance, or any similar provisions of any federal, state or local statute, ordinance, regulation or common law;
 - (N) for any actual or alleged violation of the responsibilities, duties or obligations imposed under the Worker Adjustment and Retraining Notification Act (WARN), Occupational Safety and Health Act (OSHA), Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), the National Labor Relations Act (NLRA), Fair Labor Standards Act (FLSA), or any amendments thereto or regulations promulgated thereunder, or any similar provisions of any federal, state or local statute, ordinance, regulation or common law;
 - (O) for any actual or alleged liability of any **Insured** under any express contract or agreement; provided, that this EXCLUSION (O) shall not apply to liability which would have attached in the absence of such express contract or agreement;
 - (P) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any actual or alleged act, error or omission in the performance of, or failure to perform, **Managed Care Activities** by any **Insured** or by any individual or entity for whose acts, errors or omissions any **Insured** is legally responsible; provided, that this EXCLUSION (P) shall not apply to any **Claim** for an actual or alleged act, error or omission in connection with the performance of, or failure to perform, **Provider Selection** otherwise covered by this Coverage Section;
 - (Q) for any actual or alleged sexual abuse, sexual assault or sexual battery;
 - (R) for any employment-related **Wrongful Act**;
 - (S) based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving any actual or alleged discrimination against, or harassment (whether sexual or non-sexual in nature) of, any person or entity that is not an **Insured**; provided, that this EXCLUSION (S) shall not apply to any **Claim** brought

or maintained by any provider of **Medical Services** relating to any **Provider Selection**; or

- (T) with respect to Insuring Agreement (C) of this Coverage Section only, for any actual or alleged infringement of patent or misappropriation of intellectual property, ideas or trade secrets; provided, that this EXCLUSION (T) shall not apply to any **Claim** for a **Publisher Liability Wrongful Act**.

IV. SEVERABILITY OF EXCLUSIONS

- (A) No fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** to determine the application of EXCLUSION (K) of this Coverage Section.
- (B) Only facts pertaining to and knowledge possessed by any past, present or future chief executive officer, chief operating officer, chief financial officer, president or in-house general counsel of the **Organization** (or equivalent positions thereof) shall be imputed to such **Organization** to determine the application of EXCLUSION (K) of this Coverage Section.

V. COVERAGE SECTION SPECIFIC LIMITS OF LIABILITY AND RETENTIONS

- (A) Antitrust Claim Sublimit:

The Underwriter's maximum limit of liability for all **Loss** resulting from all **Claims** based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving **Antitrust Violations** shall be the amount stated in ITEM 4 of the Declarations as the Antitrust Claim Sublimit, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

- (B) Regulatory Claim Sublimit:

The Underwriter's maximum limit of liability for all **Loss** resulting from all **Claims** based upon, arising out of, directly or indirectly resulting from, in consequence of, or in any way involving **Regulatory Wrongful Acts** shall be the amount stated in ITEM 4 of the Declarations as the Regulatory Claim Sublimit, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

- (C) Excess Benefit Transaction Excise Tax Sublimit:

The Underwriter's maximum limit of liability for all **Excess Benefit Transaction Excise Taxes** resulting from all **Claims** shall be \$10,000, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any

Separate Limit of Liability or **Shared Limit of Liability** applicable to this Coverage Section.

(D) Internal Revenue Code Violation Sublimit:

The Underwriter's maximum limit of liability for all civil fines and penalties resulting from all **Claims** for **Internal Revenue Code Violations** shall be \$25,000, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

(E) EMTALA Claims Sublimit:

The Underwriter's maximum limit of liability for all civil fines and penalties resulting from all **Claims** for violations of EMTALA shall be \$150,000, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

(F) HIPAA Claims Sublimit:

The Underwriter's maximum limit of liability for all civil fines and penalties resulting from all **Claims** for violations of Title II of the Health Insurance Portability and Accountability Act of 1996 shall be \$25,000, which amount shall be part of, and not in addition to, the **Policy Aggregate Limit of Liability** and any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

(G) Privacy Breach Event Reimbursement Limit:

The Underwriter's maximum limit of liability for all **Privacy Breach Event Expenses** resulting from all **Privacy Breach Events** occurring during the **Policy Period** shall be the amount stated in ITEM 4 of the Declarations as the Privacy Breach Event Reimbursement Limit, which amount shall be in addition to, and not part of, the **Policy Aggregate Limit of Liability** or any **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section.

(H) Retentions:

The following provisions shall apply in addition to the provisions of Section IV of the General Terms and Conditions Section:

- (1) The Underwriter's obligation to pay **Loss** under this Coverage Section shall only be in excess of the applicable Retention stated in ITEM 5 of the Declarations. Such Retention shall only be eroded (or exhausted) by the **Insured's** payment of **Loss** otherwise covered under this Coverage Section, and shall be borne by the **Insureds** uninsured and at their own risk. The Underwriter shall have no obligation whatsoever, either to the **Insureds** or any other person or entity, to pay all or any portion of the applicable

Retention on behalf of any **Insured**. The Underwriter shall, however, at its sole discretion, have the right and option to do so, in which event the **Insureds** will repay the Underwriter any amounts so paid. No Retention shall apply under Insuring Agreement (D) of this Coverage Section.

- (2) If the **Organization** fails or refuses, other than for reason of **Financial Impairment**, to indemnify any **Insured Person** for **Loss**, or to advance **Defense Expenses** on behalf of any **Insured Person**, to the fullest extent permitted by statutory or common law, then, notwithstanding any other terms, conditions or limitations of this Coverage Section to the contrary, any payment by the Underwriter of such **Defense Expenses** or other **Loss** shall be subject to the applicable Insuring Agreement (B) Retention stated in ITEM 5 of the Declarations.

VI. DEFENSE AND SETTLEMENT

- (A) It shall be the duty of the **Insureds** and not the duty of the Underwriter to defend any **Claim** covered by this Coverage Section. The Underwriter shall have the right to participate with the **Insureds** in the investigation, defense and settlement of any **Claim**, including but not limited to the selection of appropriate defense counsel and the negotiation of a settlement of any **Claim** that appears reasonably likely to be covered in whole or in part by this Coverage Section.
- (B) Upon written request, the Underwriter will pay **Defense Expenses** owed under this Coverage Section on a current basis. Such advanced payments by the Underwriter shall be repaid to the Underwriter by the **Insureds** severally according to their respective interests in the event and to the extent that the **Insureds** shall not be entitled to payment of such **Defense Expenses** under this Coverage Section. As a condition of any payment of **Defense Expenses** before the final disposition of a **Claim**, the Underwriter may require a written undertaking on terms and conditions satisfactory to the Underwriter guaranteeing the repayment of any **Defense Expenses** paid to or on behalf of any **Insured** if it is finally determined that any such **Claim** or portion of any **Claim** is not covered under this Coverage Section. Except for **Defense Expenses** paid in accordance with this paragraph (B), the Underwriter will have no obligation to pay any **Loss** before the final disposition of a **Claim**.
- (C) No **Insured** may admit any liability for any **Claim**, settle or offer to settle any **Claim** or incur any **Defense Expenses** without the Underwriter's prior written consent. The Underwriter will have the right to make investigations and conduct negotiations and, with the consent of the **Insureds**, enter into such settlement of any **Claim** as the Underwriter deems appropriate. If the **Insureds** refuse to consent to a settlement acceptable to the claimant in accordance with the Underwriter's recommendation, then, subject to the Underwriter's applicable Limits of Liability stated in ITEM 4 of the Declarations, the Underwriter's liability for such **Claim** will not exceed:

- (1) the amount for which the **Claim** could have been settled plus **Defense Expenses** incurred up to the date the **Insureds** refused to settle such **Claim** (the “Settlement Amount”); plus
- (2) seventy percent (70%) of any **Loss** in excess of the Settlement Amount incurred in connection with such **Claim**. The remaining thirty percent (30%) of **Loss** in excess of the Settlement Amount will be carried by the **Insureds** at their own risk and will be uninsured.

VII. ALLOCATION

If both **Loss** covered by this Coverage Section and loss not covered by this Coverage Section are incurred, either because a **Claim** made against the **Insureds** includes both covered and uncovered matters, or because a **Claim** is made against both **Insureds** and others not included within the definition of “**Insured**” set forth in DEFINITION (I) above, the **Organization**, the **Insured Persons** and the Underwriter agree to use their best efforts to determine a fair and proper allocation of all such amounts. The Underwriter’s obligation to pay **Loss** under this Coverage Section shall relate only to those sums allocated to the **Insureds**. In making such determination, the parties shall take into account the relative legal and financial exposures of, and relative benefits obtained in connection with the defense and/or settlement of the **Claim** by the **Insured Persons**, the **Organization** and others. In the event that the Underwriter and the **Insureds** do not reach an agreement with respect to an allocation, then the Underwriter shall be obligated to make an interim payment of the amount of **Loss** which the parties agree is not in dispute until a final amount is agreed upon or determined pursuant to the provisions of this Policy and applicable law.

VIII. REPORTING OF CLAIMS AND CIRCUMSTANCES

- (A) If, during the **Policy Period** or any applicable Extended Reporting Period, any **Claim** is first made against an **Insured**, the **Insureds** must, as a condition precedent to any right to coverage under this Coverage Section, give the Underwriter written notice of such **Claim** as soon as practicable after the **Organization’s** risk manager or general counsel (or an equivalent position thereof) first becomes aware of such **Claim**, and in no event later than:
 - (1) with respect to any **Claim** first made during the **Policy Period**, ninety (90) days after the end of the **Policy Period**; or
 - (2) with respect to any **Claim** first made during any applicable Extended Reporting Period, ninety (90) days after the end of the Extended Reporting Period.

Timely and sufficient notice by one **Insured** of a **Claim** shall be deemed timely and sufficient notice for all **Insureds** involved in the **Claim**. Such notice shall give full particulars of the **Claim**, including, but not limited to: a description of the **Claim** and **Wrongful Act**; the identity of all potential claimants and any **Insureds** involved;

a description of the injury or damages that resulted from such **Wrongful Act**; information on the time, place and nature of the **Wrongful Act**; and the manner in which the **Insureds** first became aware of such **Wrongful Act**.

- (B) If, during the **Policy Period**, an **Insured** first becomes aware of a specific **Wrongful Act** which may subsequently give rise to a **Claim**, and:
- (1) gives the Underwriter written notice of such **Wrongful Act** with full particulars as soon as practicable thereafter but in any event before the end of the **Policy Period**; and
 - (2) requests coverage under this Coverage Section for any **Claim** subsequently arising from such **Wrongful Act**;

then any **Claim** subsequently made against an **Insured** arising out of such **Wrongful Act** shall, subject to paragraph (D) below, be treated as if it had been first made during the **Policy Period**. The full particulars required in any notice given under paragraph (B)(2) above must include, without limitation, a description of the **Wrongful Act**, the identities of the potential claimants and involved **Insureds**, the injury or damages which have resulted and/or may result from such **Wrongful Act**, the manner in which the **Insureds** first became aware of such **Wrongful Act**, and the reasons why the **Insureds** believe the **Wrongful Act** is likely to result in a **Claim** being made.

- (C) As a condition precedent to any right to reimbursement under Insuring Agreement (D) of this Coverage Section, the **Insureds** must give the Underwriter written notice of any **Privacy Breach Event** no later than thirty (30) days after the **Organization's** risk manager or general counsel (or an equivalent position thereof) first becomes aware of such **Privacy Breach Event**. Within sixty (60) days of making any payment of **Privacy Breach Event Expenses**, the **Insureds** must provide the Underwriter with a detailed breakdown of all **Privacy Breach Event Expenses** for which the **Organization** seeks reimbursement under Insuring Agreement (D) of this Coverage Section, together with satisfactory proof of payment and any additional information as the Underwriter may reasonably request.
- (D) All **Related Claims**, whenever made, shall be deemed a single **Claim** made when the earliest of such **Related Claims** was first made, or when the earliest of such **Related Claims** is treated as having been made in accordance with paragraph (B) above, whichever is earlier.

IX. OTHER INSURANCE

This Coverage Section is specifically excess of and will not contribute with:

- (A) any other valid and collectible insurance available to any **Insured**, including but not limited to any insurance under which there is a duty to defend, unless such other insurance is written specifically in excess of this Policy; or

- (B) any indemnification to which any **Insured Person** is entitled from any entity other than the **Organization**.

This Coverage Section will not be subject to the terms of any other insurance.

X. PAYMENT OF LOSS

In the event payment of **Loss** is due under this Coverage Section but the amount of such **Loss** in the aggregate exceeds the remaining available **Separate Limit of Liability** or **Shared Limit of Liability** applicable to this Coverage Section, the Underwriter shall:

- (A) first pay such **Loss** for which coverage is provided under Insuring Agreement (A) of this Coverage Section; then
- (B) to the extent of any remaining amount of such **Separate Limit of Liability** or **Shared Limit of Liability** after payment under paragraph (A) above, pay such **Loss** for which coverage is provided under any other Insuring Agreement of this Coverage Section.

Except as otherwise provided in this Section X, the Underwriter may pay covered **Loss** as it becomes due under this Coverage Section without regard to the potential for other future payment obligations under this Coverage Section.

XI. REPRESENTATIONS AND SEVERABILITY; INCORPORATION OF APPLICATION

- (A) The **Insureds** represent that the particulars and statements contained in the **Application** attached to this Policy are true, accurate and complete, and agree that:
 - (1) this Coverage Section is issued and continued in force by the Underwriter in reliance upon the truth of such representation;
 - (2) those particulars and statements are the basis of the coverage granted by this Coverage Section; and
 - (3) the **Application** and those particulars and statements are incorporated in and form a part of this Policy.
- (B) The **Insureds** agree that in the event of any material untruth, misrepresentation or omission in connection with any of the particulars or statements in the **Application**, this Coverage Section shall be void *ab initio* with respect to any **Insured** who knew, as of the Inception Date stated in ITEM 2(a) of the Declarations, of such facts that were not accurately and completely disclosed in the **Application** (whether or not such **Insured** knew that such facts were not accurately and completely disclosed in the **Application**). Solely for the purposes of determining whether this Coverage Section shall be void *ab initio* with respect to an **Insured**:

- (1) no knowledge possessed by any **Insured Person** will be imputed to any other **Insured Person**; and
- (2) the knowledge of any past or present chief executive officer, chief operating officer or chief financial officer (or an equivalent position thereof) of the **Organization** shall be imputed to such **Organization**.

Notwithstanding the foregoing, the Underwriter shall not be entitled under any circumstances to void, whether by rescission or otherwise, Insuring Agreement (A) of this Coverage Section.

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