

EXHIBIT 3

TO

AFFIDAVIT OF DARWIN LAWS

POLICY NUMBER: 71P2000024-071
RENEWAL OF: NEW

ITEM 1.
Named
Insured

City of Durham, NC

Address
(Street,
Town,
State)

C/O Risk Management Office
2609 North Duke Street - Suite 301
Durham, NC 27704

Everest Reinsurance Company
477 Martinsville Road
P.O. Box 830 Liberty Corner, NJ 07938-0830
1-800-438-4375

Managing Underwriter:
C.V. Starr & Co.

PUBLIC ENTITY EXCESS LIABILITY POLICY DECLARATIONS

In return for the payment of the premium, we agree to provide the insurance as stated in this Policy.

ITEM 2.	POLICY FROM: April 01, 2007 TO: April 01, 2008 AT 12:01 A.M. PERIOD STANDARD TIME AT THE ADDRESS OF THE NAMED INSURED SHOWN ABOVE.										
ITEM 3.	<p>LIMITS OF INSURANCE</p> <p>The Limits of Insurance, subject to all the terms and conditions of this Policy are:</p> <p>A. Limits of Insurance</p> <table><thead><tr><th>1. Aggregate Limits</th><th>Limits of Liability</th></tr></thead><tbody><tr><td>a. <u>\$10,000,000</u></td><td>"Products-Completed Operations Hazard" Aggregate</td></tr><tr><td>b. <u>\$10,000,000</u></td><td>Errors and Omissions Liability Aggregate, other than "wrongful acts" Of "personal injury offense" or "advertising injury offense"</td></tr><tr><td>c. <u>\$10,000,000</u></td><td>"Employment Practice Liability Wrongful Acts" Aggregate</td></tr><tr><td>d. <u>\$10,000,000</u></td><td>Employee Benefit Liability Aggregate</td></tr></tbody></table> <p>2. Per "Occurrence" or "Wrongful Act" or "Employee Benefit Wrongful Act" Limit</p> <p><u>\$10,000,000</u> Any one "occurrence", "wrongful act" or "employee benefit wrongful act" or series of continuous, repeated, or related "occurrences", "wrongful acts" or "employee benefit wrongful acts" in excess of your "retained limit".</p> <p>3. Per "Employment Practice Liability Wrongful Act" Limit</p> <p><u>\$10,000,000</u> Any one "employment practice liability wrongful act" or series of continuous, repeated, or related "employment practice liability wrongful acts" in excess of your "retained limit".</p>	1. Aggregate Limits	Limits of Liability	a. <u>\$10,000,000</u>	"Products-Completed Operations Hazard" Aggregate	b. <u>\$10,000,000</u>	Errors and Omissions Liability Aggregate, other than "wrongful acts" Of "personal injury offense" or "advertising injury offense"	c. <u>\$10,000,000</u>	"Employment Practice Liability Wrongful Acts" Aggregate	d. <u>\$10,000,000</u>	Employee Benefit Liability Aggregate
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d. <u>\$10,000,000</u>	Employee Benefit Liability Aggregate										

B. "Retained Limit"

1. \$1,000,000 Any one "occurrence" or "wrongful act" or "employee benefit wrongful act" or series of continuous, repeated, or related "occurrences", "wrongful acts" or "employee benefit wrongful acts".
2. \$1,000,000 Any one "employment practice liability wrongful act" or series of continuous, repeated, or related "employment practice liability wrongful acts".

ITEM 4. ENDORSEMENTS APPLICABLE TO THIS POLICY ON THE ORIGINAL DATE OF ISSUE:

	Title	Number
	Common Policy Conditions	IL 00 17 11 98
	Nuclear Energy Liability Exclusion Endorsement	CU 21 23 02 02
	North Carolina Changes – Cancellation and Nonrenewal	IL 02 69 07 02
	Cap on Losses from Certified Acts of Terrorism	CU 21 30 11 02
	Conditional Exclusion of Terrorism (Relating to Disposition of Federal Terrorism Risk Insurance Act)	EUM 21 796 01 07
	Auto Exclusion of Terrorism Coverage	EUM 21 797 06 06
	Disclosure of Premium and Estimated Premium For Certified Acts of Terrorism Coverage (Pursuant to Terrorism Risk Insurance Act)	IL 09 99 01 07
	Subsidence and Dam Coverage	EUM 22 523 05 06
	Company Signature Page	EIL 00 522 01 06
Endt. 01	Policy Changes - Deletion of Fellow Employee Exclusion	CU 22 40 12 04

ITEM 5. PREMIUM, MINIMUM PREMIUM AND MINIMUM EARNED PREMIUM

<u>POLICY PREMIUM</u>	<u>MINIMUM PREMIUM</u>	<u>MINIMUM EARNED PREMIUM</u>
\$151,454	\$151,454	\$37,864
Total Premium Including Terrorism Coverage: \$151,454		
Premium for Terrorism Coverage: \$1,654		

ITEM 6. A. NOTICE OF CLAIM OR SUIT REPORTING LOCATION: B. RETAINED LIMIT CLAIMS SERVICING ORGANIZATION:

<p>Name: Everest Reinsurance Company 477 Martinsville Road Address: P.O. Box 830 Liberty Corner, NJ 07938-0830 Phone Number: 1-800-438-4375</p>	<p>Name: SELF ADMINISTERED Address: Phone Number:</p>
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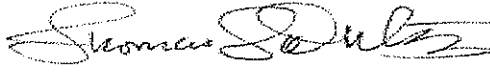
These Declarations and attached Schedule (if applicable), together with the terms and conditions, Policy form, and any endorsement(s), complete the above numbered policy.

This Policy is not valid unless countersigned by a duly authorized agent of the Company.

Producer Name and Address
(Not an authorized broker of Everest National Insurance Company)

Marsh USA, Inc.
100 North Tryon Street, Suite 3200
Charlotte, NC 28202

Date of Issue: June 21, 2007

Countersigned By: 

PUBLIC ENTITY EXCESS LIABILITY POLICY

PREAMBLE

Various provisions in this Policy restrict coverage. Read the entire Policy carefully to determine rights, duties, and what is and is not covered.

Throughout this Policy the words "you" and "your" refer to the Named Insured(s) shown in the Declarations and any other person(s) or organization(s) qualifying as a Named Insured under this Policy. The words "we", "us", and "our" refer to the company providing this insurance.

The word "insured" means any person or organization qualifying as such under **SECTION II. WHO IS AN INSURED.**

Other words and phrases that appear in quotation marks have special meaning. Refer to **SECTION V. DEFINITIONS.**

SECTION I. COVERAGES

A. INSURING AGREEMENTS

1. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

We will pay on behalf of the insured, the "ultimate net loss", in excess of the "retained limit", that the insured becomes legally obligated to pay by reason of liability imposed by law because of "bodily injury" or "property damage" caused by an "occurrence" to which this insurance applies and that takes place in the "coverage territory" during the Policy Period.

2. ERRORS AND OMISSIONS LIABILITY

We will pay on behalf of the insured, the "ultimate net loss", in excess of the "retained limit", that the insured becomes legally obligated to pay to compensate others for loss arising out of your "wrongful act" to which this insurance applies and that takes place in the "coverage territory" during the Policy Period.

3. EMPLOYMENT PRACTICE LIABILITY

We will pay on your behalf, the "ultimate net loss", in excess of the "retained limit", that the insured becomes legally obligated to compensate others for loss arising out of your "employment practice liability wrongful act" that takes place in the "coverage territory" during the Policy Period.

4. EMPLOYEE BENEFIT LIABILITY

We will pay on behalf of the insured, the "ultimate net loss", in excess of the "retained limit", that the insured becomes legally obligated to compensate others for loss arising out of your "employee benefit wrongful act" in the "administration" of your employee benefit program to which this insurance applies and that takes place in the "coverage territory" during the Policy Period.

5. This insurance applies to "bodily injury", "property damage", "wrongful acts", "employment practice liability wrongful acts" or "employee benefit wrongful acts" only if, prior to the Policy Period, no insured listed under Paragraphs 1. or 2. of **SECTION II. WHO IS AN INSURED**, and no "employee" authorized by you to give or receive notice of an "occurrence", "wrongful act", "employment practice liability wrongful act", "employee benefit wrongful act" or "claim" knew that the "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" had occurred or had taken place, in whole or in part. If such a listed insured or authorized "employee" knew, prior to the Policy Period, that the "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" occurred or took place, then any continuation, change or resumption of such "bodily injury", "property damage", "wrongful act", "employment practice

liability wrongful act" or "employee benefit wrongful act" during or after the Policy Period will be deemed to have been known prior to the Policy Period.

The "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" which occurs during the Policy Period and was not, prior to the Policy Period, known to have occurred or taken place by any insured listed under Paragraphs 1. or 2. of **SECTION II. WHO IS AN INSURED**, or any "employee" authorized by you to give or receive notice of an "occurrence", "wrongful act", "employment practice liability wrongful act", "employee benefit wrongful act" or "claim", includes any continuation, change or resumption of that "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" after the end of the Policy Period.

The "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" will be deemed to have been known to have taken place or occurred at the earliest time when any insured listed under Paragraphs 1. or 2. of **SECTION II. WHO IS AN INSURED**, or any "employee" authorized by you to give or receive notice of an "occurrence", "wrongful act", "employment practice liability wrongful act", "employee benefit wrongful act" or "claim":

- a. Reports all, or any part, of the "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" to us or any other insurer;
- b. Receives a written or verbal demand or "claim" for damages because of the "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act"; or

- c. Becomes aware by any other means that "bodily injury", "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" has taken place, occurred or has begun to occur.

Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

B. DEFENSE

We will have the right and duty to defend the insured against any "claim" or "suit" seeking damages for "bodily injury" "property damage", "wrongful acts", "employment practice liability wrongful acts" or "employee benefit wrongful acts" to which this insurance applies when the "underlying insurance" does not provide coverage or the limits of "underlying insurance" or your self-insured retention of the "retained limit" have been exhausted by payment to a third party of judgments, settlements, or defense costs, or by payment of "covered first-party automobile expenses". When we have no duty to defend, we will have the right to defend, or to participate in the defense of, the insured against any other "suit" seeking damages to which this insurance may apply. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury", "property damage", "wrongful acts", "employment related practice wrongful act" or "employee benefit wrongful acts" to which this insurance does not apply. At our discretion, we may investigate any "occurrence", "wrongful act", "employment related practice wrongful act" or "employee benefit wrongful act" that may involve this insurance and settle any resultant "claim" or "suit" for which we have the duty to defend. But:

1. The amount we will pay for the "ultimate net loss" is limited as described in **SECTION III. LIMITS OF INSURANCE**; and
2. Our right and duty to defend ends when we have used up the applicable Limit of Insurance in the payment of judgments,

settlements, defense costs, or "covered first-party automobile expenses".

C. DEFENSE COSTS

1. All expenses we incur in the defense of any "claim" or "suit" are included within and erode the Limits of Insurance, except for salaries of our employees, our office expenses, and any expenses of any claims service provider working on our behalf.
2. We will pay, with respect to any "claim" we investigate or settle, or any "suit" against an insured we defend, when the duty to defend exists:
 - a. All expenses we incur;
 - b. Costs taxed against any insured in the "suit";
 - c. The cost of appeal bonds or bonds to release attachments. But we will only pay for bond amounts to which our Limits of Insurance apply. We do not have to furnish these bonds;
 - d. Other reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the "claim" or "suit". This includes actual loss of earnings up to \$500 a day, because of time off from work;
 - e. Prejudgment interest awarded against any insured on that part of the judgment we pay. If we make an offer to pay the applicable Limit of Insurance, we will not pay any prejudgment interest based on that period of time after the offer; or
 - f. Interest on the amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable Limit of Insurance.
3. As respects any "claim" or "suit" to which this insurance applies and for which we do not assume control of the settlement or defense:
 - a. We will pay expenses we directly incur at our discretion; and
 - b. We will not pay expenses:
 - (1) Incurred by any insured; or
 - (2) Included in the self-insured retention, "underlying insurance" or other insurance.
4. If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:
 - a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";
 - b. This insurance applies to such liability assumed by the insured;
 - c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";
 - d. The allegations in the "suit" and the information we know about the "occurrence" "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;
 - e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee;
 - f. The indemnitee:
 - (1) Agrees in writing to:
 - i. Cooperate with us in the investigation, settlement or defense of the "suit";
 - ii. Immediately send us copies of any demands, notices, summons or legal papers received in connection with the "suit";

- iii. Notify any other insurer whose coverage is available to the indemnitee; and
- iv. Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee;

- (2) Provides us with written authorization to:
- i. Obtain records and other information related to the "suit"; and
 - ii. Conduct and control the defense of the indemnitee in such "suit".

Our obligation to defend an insured's indemnitee and to pay for attorneys' fees and necessary litigation expenses as Defense Costs ends when we have used up the applicable Limit of Insurance in the payment of judgments, defense expenses, settlements, "covered first-party automobile expenses" or the conditions set forth above, or the terms of the agreement in Paragraph f. above, are no longer met.

D. EXCLUSIONS

This insurance does not apply to a "claim" or "suit" against you for:

1. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.
2. "Bodily injury" or "property damage" arising out of a "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" whether causing or contributing to such "bodily injury" or "property damage" unless the "bodily injury" or "property damage" arises out of an "occurrence".
3. Any liability arising out of the ownership, maintenance, use, or entrustment to others of any aircraft, airfields, runways, hangars, buildings or other properties in connection with aviation activities. Use

includes operation and "loading or unloading".

However, this exclusion does not apply if the "occurrence" is in an area normally accessible to the public for the purpose of entering, leaving, or using the "airport facilities".

4. Any obligation for which any insured may be held liable under any of the following: workers' compensation laws, unemployment compensation laws, disability benefits laws or any similar laws.
5. "Bodily injury" to any "employee" of the insured for the acts of another of your "employees" arising out of and in the course of their employment by the insured. This exclusion does not apply to liability assumed by you in a contract or agreement that is an "insured contract".
6. Any liability for any "advertising injury offense" arising out of:
 - a. A breach of contract, except an implied contract to use another's advertising idea in your "advertisement";
 - b. The failure of goods, products or services to conform with any statement of quality or performance made in your "advertisement";
 - c. The wrong description of the price of goods, products, or services stated in your "advertisement"; or
 - d. Any of your operations whose primary business is advertising, broadcasting, publishing or telecasting.
7. "Property damage" to:
 - a. Property owned by you; or
 - b. Aircraft in the care, custody or control of the insured including aircraft of which you are exercising physical control.

8. Any liability for which you are obligated to pay damages by reason of assumption of liability in any contract or agreement. This exclusion does not apply to liability for damages:
 - a. Assumed in a contract or agreement that is an "insured contract" provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement; or
 - b. Liability for damages that you would have in the absence of the contract or agreement.
9. a. Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" at any time;
- b. Any loss, cost, or expense arising out of any:
 - (1) Request, demand, order, statutory or regulatory requirement that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of "pollutants"; or
 - (2) "Claim" or "suit" by, or on behalf of, a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of "pollutants", unless such loss, cost, or expense arising from any spill, release, or other hazardous condition at or from the premises, equipment, or location(s) which you do not own, rent, control or occupy.
- ii. Any liability arising out of explosion, lightning, windstorm, vandalism or malicious mischief, collapse, riot and civil commotion, flood, earthquake or collision, upset, or overturn of an "automobile" or equipment;
- iii. Any liability arising out of police use of mace, oleoresin capsicum (o.c.), pepper gas or tear gas;
- iv. Any liability arising from weed abatement or spraying; or
- v. Any liability arising out of the "products-completed operations hazard".

All liability arising from paragraphs i., ii., iii., iv., or v. above arising out of the same, interrelated, associated, repeated or continual discharge, dispersal, release or escape of "pollutants" shall be deemed one "occurrence", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act". The commencement of such discharge, dispersal, release or escape of "pollutants" shall be recorded and reported to the Risk Manager or designated Department Head within a seventy-two (72) hour period.

Regardless of whether any "suit" or "claim" against you has been made, you shall give written notice to us or any authorized brokers within forty (40) calendar days of the Risk Manager's or designated Department Head's recorded entry of such discharge, dispersal, release or escape of "pollutants" which may result in liability as described in paragraphs i., ii., iii., iv., or v. above.

However, this exclusion shall not apply to the following:

- i. Any liability arising out of heat, smoke, or fumes from a "hostile fire";

10. a. Any liability arising, in whole or in part, out of actual or alleged, threatened or suspected, inhalation of, ingestion of, contact with, exposure to, existence of, or presence of asbestos; or

- b. Any loss, cost or expense arising, in whole or in part, out of the abating, testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating, or disposing of or in any way responding to or assessing the effects of asbestos by any insured or by any other person or entity.
11. "Bodily injury" or "property damage" arising out of the failure or inability to supply or provide an adequate supply of electricity, gas, steam or water;
- This exclusion does not apply if:
- a. Such failure arises out of a "wrongful act" or "occurrence"; and
 - b. The combined capacity of your installed production facilities and contractual supply arrangements is equal to or greater than one hundred and ten percent (110%) of the electricity, steam and/or gas demand or one hundred percent (100%) of the water demand, whichever demand is applicable to your electric, gas, steam or water system.
12. Any liability arising out of the handling of "claims" or "suits" within the "retained limit", including investigation, defense or settlement of "claims" and suits.
13. Any liability arising out of failing to procure or effect insurance contracts.
14. Any obligation of the insured under the Employee Retirement Income Security Act (E.R.I.S.A) and amendments thereto or any similar federal, state or local statute.
15. Any liability arising out of criminal, fraudulent, dishonest or malicious acts or omissions committed by or at the direction of the insured. We may, at our sole discretion, agree to waive this exclusion in order to supply certain payments under Paragraph C. **Defense Costs** of SECTION I. **COVERAGES**. If the judgment or final adjudication is

adverse to you, you will reimburse us for all defense costs.

This exclusion does not apply to liability arising from the managerial, advisory, supervisory, or controlling obligations of any insured over the actions of another insured.

16. Any liability arising out of your "wrongful act" for gain, profit, or advantage to which you are not legally entitled. We may, at our sole discretion, agree to waive this exclusion in order to supply certain payments under Paragraph C. **Defense Costs** of SECTION I. **COVERAGES** as respects any "claim" or "suit" arising from an alleged criminal, fraudulent, dishonest or malicious act or omission committed by or at the direction of you, for any "claim" or "suit" arising out of your wrongful act for gain, profit, or advantage to which you are not legally entitled until final adjudication, judgment or settlement to which we have agreed. If the judgment or final adjudication is adverse to you, you will reimburse us for all costs associated with the defense.
- This exclusion does not apply to liability that any insured has with regard to the managerial, advisory, supervisory, or controlling obligations over the actions of another insured.
17. Any liability for "personal injury offense" or "advertising injury offense":
- a. Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity; or
 - b. Arising out of oral or written publication of material whose first publication took place before the beginning of the Policy Period. All "personal injury offense" or "advertising injury offense" arising out of publication of the same or similar material subsequent to the beginning of the Policy Period is also excluded.
18. Any liability for the purchase, sale, or offer of sale, or solicitation of any

security, debt, bank deposit or financial interest or instrument arising out of:

- a. Representations made by you at any time in relation to the price or value of any security, debt, bank deposit, or financial interest or instrument, including, but not limited to, advice given to any person to participate in any plan included in the "employee benefit program";
 - b. Any depreciation or decline in price or value of any security, debt, bank deposit or financial interest or instrument;
 - c. An insufficiency of funds to meet any obligation under any "employee benefit program";
 - d. Any act, error, or omission by you to effect and maintain insurance or bonding for plan property or assets of "employee benefit program"; or
 - e. Failure of performance or lack of performance under any contract by an insurer of benefits subject to the "employee benefit program".
19. "Property damage" caused by, arising out of, resulting from, attributable or contributed to, or aggravated by "subsidence".

20. Liability arising out of the direct condemnation of property or exercise of power of eminent domain by you or on your behalf, or inverse condemnation, or the taking of any property by you which is compensable under the Fifth or Fourteenth Amendments to the United States Constitution, or the taking of any property by you which is compensable under law of the State in which the "claim" or "suit" is made.

This exclusion does not apply to physical injury or to destruction of tangible property, including all resulting loss of use of such property for which you may be legally responsible and for which recovery is sought for "claims" or "suits" for inverse condemnation, by whatever name called however, there shall be no coverage for reduced value

of property (diminution of value), attorney fees, expert fees, severance damages, relocation costs or any other form of relief, however denominated.

21. Any liability arising out of the rupture, bursting, over-topping, flooding, cracking, seepage, under-seepage, accidental discharge or partial or complete structural failure of any "dam".
22. Any liability arising out of refund of taxes, fees or assessments.
23. Liability arising out of the operation of any hospital, clinic, or health care facility, owned or operated by the insured. This includes, but is not limited to:
 - a. The rendering or failure to render:
 - (1) Medical, surgical, dental, x-ray or nursing service or treatment, or the furnishing of food or beverages in connection therewith;
 - (2) Any service or treatment related to physical or mental health or of a professional nature; or
 - (3) Any cosmetic or tonsorial service or treatment.
 - b. The furnishing of or dispensing of drugs or medical, dental or surgical supplies or appliances.

This exclusion does not apply to any liability arising out of:

- i. Occupational physical examinations, non-clinic nursing services or services of your "employees" who are nurses, paramedics, emergency medical technicians, speech therapists, speech pathologists, nutritionists, psychologists, audiologists, or physical therapists;
- ii. "Employment practice liability wrongful act";
- iii. "First aid" to any person;

- iv. Any nursing services clinic that does not perform invasive surgery of any kind; or
 - v. Operations performed by coroners.
24. Any liability arising out of or in connection with any transit authority, transit system, or public transportation system owned, operated, or regulated by any insured, unless the transit or public transportation systems operate over non-fixed routes, including, but not limited to, Dial-a-Ride, senior citizen transportation, or handicapped persons transportation or to contingent liability coverage where such services are contracted.
 25. Any liability for injunctions, equitable relief, or any other form of relief other than the payment of money damages.
 26. Any liability arising out of or in connection with the operation of any school owned or operated by you.
 27. Any obligation of any insured under any Uninsured Motorist or Underinsured Motorist law and to any sums you may be legally entitled to recover as damages from the owner or operator of an uninsured or underinsured "automobile" because of "bodily injury" and "property damage" sustained by any insured, caused by an "occurrence" and arising out of the ownership, maintenance or use of such "automobile". Use includes operation and "loading and unloading".
3. Your "volunteer workers" only while performing duties related to the conduct of the Named Insured, or your "employees" but only for acts within the scope of their employment by you or while performing duties related to the conduct of the Named Insured;
 4. Any legally authorized "joint power authority(ies)" representing any Named Insured. The following are also insureds with respect to such "joint power authority(ies)":
 - a. The interest of "municipality" agencies participating as member agencies in the "joint power authority(ies)", and any and all districts, authorities, committees, trustees, boards, commissions, or similar entity subject to the direction or control of such agencies or for which the board members act as governing body. A member agency includes any department or constituent agency of the member agency; and
 - b. Any individual who was previously or is presently elected or appointed as an official of a member agency in the "joint power authority", but only with respect to their duties as an official of the member agency, including acting on boards at the direction of the agency; or
 - c. Any "volunteer worker" of the member agency only while performing duties related to the conduct of the member agencies, or any "employee" of the member agencies but only for acts within the scope of their employment or while performing duties related to the conduct of the member agencies.

SECTION II. WHO IS AN INSURED

The following are insureds under this insurance:

1. You;
2. Any individual who was previously or is presently elected or appointed as an official of the Named Insured, including members of its governing body or any other agencies, districts, authorities, committees, trustees, boards, commissions, or similar entity of the Named Insured, but only with respect to their duties as an official of the Named Insured;
5. Any person designated in paragraphs 1. through 4. above:
 - a. Using any "automobile" not owned by you that is used in connection with your operations as a "public entity"; or

- b. Using with your permission any owned "automobile" of yours or "hired automobile" or any person legally responsible for the use thereof,

except:

- i. Any person using an "automobile" while he or she is working in a business of selling, servicing, repairing, delivering, testing, parking, or storing "automobiles"; or
- ii. The owner or lessee of any "hired automobile". This exception does not apply if the owner or lessee is an insured designated in paragraphs 1. through 4. above.

SECTION III. LIMITS OF INSURANCE

- 1. Limits of Insurance shown in the Declarations and the rules below fix the most we will pay in excess of your "retained limit" regardless of the number of:

- a. Insureds, except in the event that there are multiple "municipalities" as Named Insureds, the Limits of Insurance shall apply separately to each "municipality" insured under this Policy;
- b. "Claims" made or "suits" brought; or
- c. Persons or organizations making "claims" or bringing "suits".

- 2. The "retained limit" stated in the Declarations applies:

- a. Only to damages for "occurrences", losses for "wrongful acts", losses for "employment practice liability wrongful acts", or losses for "employee benefit wrongful acts" covered under this Policy;
- b. Separately to each "occurrence", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" or series of continuous, repeated, or related "occurrences", "wrongful

acts", "employment practice liability wrongful acts" or "employee benefit wrongful acts"; and

- c. Separately to each "municipality" insured under this Policy in the event that there are multiple "municipalities" as Named Insureds.

- 3. We will pay any sums covered under this Policy only after your "retained limit" has been exhausted by means of payments for judgments, settlements, defense costs or "covered first-party automobile expense" for "claims" and "suits" subject to Paragraph 2. above. We will then pay damages in excess of your "retained limit" up to our Limits of Insurance.

- 4. If you procure "underlying insurance" with limits of liability that are less than your "retained limit", you shall bear the risk of the difference. If such limits are greater than your "retained limit", this Policy is excess of the greater limits.

- 5. Subject to Paragraph 1. above and Paragraph 7. below:

- a. The Per Occurrence, Wrongful Act or Employee Benefit Wrongful Act Limit of Insurance stated in the Declarations is the most we will pay for the sum of all damages in "ultimate net loss" for:

(1) "Bodily injury" or "property damage" arising out of a single "occurrence";

(2) A single "wrongful act"; or

(3) A single "employee benefit wrongful act".

- b. The Employment Practice Liability Wrongful Act Limit of Insurance stated in the Declarations is the most we will pay for the sum of all damages in "ultimate net loss" for a single "employment practice liability wrongful act".

- 6. In determining the Limits of Insurance that apply:

- a. All "occurrences" arising out of continuous, repeated, or related "occurrences" shall be treated as a single "occurrence" and Limits of Insurance in effect at the first occurrence shall apply;
 - b. All "wrongful acts" arising out of continuous, repeated, or related "wrongful acts" shall be treated as a single "wrongful act" and Limits of Insurance in effect at the time of the first "wrongful act" shall apply;
 - c. All "employment practice liability wrongful acts" arising out of continuous, repeated, or related "employment practice liability wrongful acts" shall be treated as a single "employment practice liability wrongful act" and Limits of Insurance in effect at the time of the first "employment practice liability wrongful act" shall apply;
 - d. All "employee benefit wrongful acts" arising out of continuous, repeated, or related "employee benefit wrongful acts" shall be treated as a single "employee benefit wrongful act" and Limits of Insurance in effect at the time of the first "employee benefit wrongful act" shall apply.
7. Subject to 1. above, the Aggregate Limits stated in the Declarations apply as shown below:
- a. **Products-Completed Operations Hazard Aggregate-** The Aggregate Limit of this insurance is the most we will pay for all damages arising out of the "products-completed operations hazard".
 - b. **Errors and Omissions Liability Aggregate-** The Aggregate Limit of this insurance is the most we will pay for all damages arising out of all "wrongful acts", other than any "personal injury offense" and any "advertising injury offense".
 - c. **Employment Practice Liability Aggregate-** The Aggregate Limit of this insurance is the most we will pay for all damages arising out of all "employment practice liability wrongful acts".
 - d. **Employee Benefit Liability Aggregate-** The Aggregate Limit of this insurance is the most we will pay for all damages arising out of all "employee benefit wrongful acts".
8. Limits of Insurance apply separately to each consecutive annual period. The Policy Period begins with the effective date shown in the Declarations. If the Policy Period is extended after issuance for an additional period of less than twelve (12) months, the additional period will be deemed part of the last preceding period.

SECTION IV. GENERAL CONDITIONS

1. Appeals

If the "underlying insurer" or insured elects not to appeal a judgment in excess of your "retained limit", we may do so at our own expense. We will not be liable for any award or judgment that exceeds the Limits of Insurance as stated in the Declarations.

2. Bankruptcy or Insolvency

Bankruptcy or insolvency of the insured, the insured's estate, or the "underlying insurer" will not relieve us of our obligations under this Policy.

However, this insurance will not drop down or replace the "retained limit" in the event of bankruptcy or insolvency of the "underlying insurer" or of the insured, or assume any obligation associated with your "retained limit". This insurance will apply as if the "retained limit" were in full effect.

3. Duties in The Event of an "Occurrence", "Wrongful Act", "Employment Practice Liability Wrongful Act", "Employee Benefit Wrongful Act" or "Claim" or "Suit"

- a. You must see to it that we are notified as soon as practicable of an "occurrence", "wrongful act",

"employment practice liability wrongful act", or "employee benefit wrongful act", regardless of the amount, which may result in a "claim". To the extent possible, notice should include:

- (1) How, when and where the "occurrence", "wrongful act", "employment practice liability wrongful act", or "employee benefit wrongful act" took place;
 - (2) The names and addresses of any injured persons and witnesses; and
 - (3) The nature and location of any injury or damage arising out of the "occurrence", "wrongful act", "employment practice liability wrongful act", or "employee benefit wrongful act".
- b. If a "claim" is made or "suit" is brought against any insured, you must:
- (1) Immediately record the specifics of the "claim" or "suit" and the date received; and
 - (2) Notify us as soon as practicable.
- c. You and any other involved insured must:
- (1) Cooperate with the "underlying insurers" as required by their terms and conditions;
 - (2) Pursue all rights of contribution or indemnity against any person or organization who may be liable to you because of "bodily injury", "property damage", "personal injury offense", "advertising injury offense", "wrongful act", "employment practice liability wrongful acts", or "employee benefit wrongful act" under this Policy or any "underlying insurance". This condition, however, shall not

apply to the self insured retention of the "retained limit".

- d. When we believe that a "claim" or "suit" may exceed the "retained limit", we may join you and, if applicable, the "underlying insurer" in the investigation, settlement and defense of all "claims" and "suits" in connection with such "occurrence", "wrongful act", "employment practice liability wrongful act", or "employee benefit wrongful act". In such event, we and you will cooperate fully with each other.

e. Special Serious "Claims" Reporting Requirements

You must see to it that we receive written notice as soon as practicable of all "occurrences", "wrongful acts", "employment practice liability wrongful act" or "employee benefit wrongful acts" for "claims" or "suits" of which you become aware which involve:

- (1) A serious case where, in which your judgment or the judgment of your defense counsel, the exposure may exceed 50% of your "retained limit";
- (2) A demand or demands totaling 50% of your "retained limit" or more;
- (3) Death;
- (4) Paralysis, paraplegia, quadriplegia;
- (5) Loss of eye(s) or limb(s);
- (6) Spinal cord or brain injury;
- (7) Sensory organ or nerve injury, or neurological deficit;
- (8) Serious burns;
- (9) Sexual abuse or molestation;
- (10) Substantial disability or disfigurement; or
- (11) Loss of work time of six months or more.

- f. Such notice is to be sent with all pertinent facts as respect **SECTION IV. CONDITIONS**, paragraphs 3.a through 3.e. to the name and address listed in the Declarations, Item 6.A.

4. Legal Actions Against Us

No person or organization has a right under this Policy:

- a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or
- b. To sue us on this Policy unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured; but we will not be liable for damages that are not payable under the terms of this Policy or that are in excess of the applicable Limit of Insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

This insurance does not give anyone the right to add us as a defendant in an action against you to determine your liability.

5. Other Insurance

This insurance is excess over, and shall not contribute with any of the other valid insurance or group coverage under a joint powers authority, whether primary, excess, contingent or on any other basis. This condition will not apply to insurance specifically written as excess over this Policy.

6. Policy Period

The Policy Period commences on the effective date shown in the Declarations. The period ends on the earlier of either the expiration date or the effective date of cancellation of this Policy. If you became an insured under this Policy after the effective date, the Policy Period begins on the date you became an insured.

7. Representations Or Fraud

By accepting this Policy, you agree:

- a. The statements in the Declarations are accurate and complete;
- b. Those statements are based upon representations you made to us;
- c. We have issued this Policy in reliance upon your representations; and
- d. This Policy is void in any case of fraud by you as it relates to this Policy or any "claim" under this Policy.

8. Separation of Insureds

Except with respect to the **SECTION III. LIMITS OF INSURANCE** and any rights or duties specifically assigned in this Policy to the first Named Insured, this insurance applies:

- a. As if each Named Insured were the only Named Insured; and
- b. Separately to each insured against whom a "claim" is made or "suit" brought.

9. Transfer of Rights Of Recovery Against Others To Us

If the insured has rights to recover all or part of any payment we have made under this Policy, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

Recoveries will be applied in the following order:

- a. First, to reimburse any interests (including those of the insured) that may have paid any amounts in excess of our liability under this Policy;
- b. Then, to reimburse us for all amounts paid under this Policy; and
- c. Finally, to reimburse all other interests (including those of the

insured) with respect to the remaining amounts, if any.

The expenses of the recovery will be distributed in proportion to the share of each party's recovery. But, if we conduct the recovery proceedings by ourselves:

- a. We will pay all expenses; and
- b. If we make a recovery, we will be reimbursed in full from the recovery for our expenses before the recovery is distributed.

10. When We Do Not Renew

If we decide not to renew this Policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than thirty (30) days before the expiration date. If notice is mailed, proof of mailing will be sufficient proof of notice.

11. Arbitration

Any dispute arising from or relating to this Policy shall be submitted to arbitration. Either party may commence arbitration by making a written demand to the other.

When this demand is made, each party will select an arbitrator. The two arbitrators will select a third. If they cannot agree within thirty (30) days, either may request that selection be made by a judge of a court having jurisdiction. Each party will:

1. Pay the expenses it incurs, including the expenses of the arbitrator it appoints; and
2. Bear the expenses of the third arbitrator equally.

Unless both parties agree otherwise, arbitration will be in the county or parish in which the address shown in the Declarations is located, and the panel will be relieved of any strict rules of procedure. A decision agreed to by two

of the arbitrators will be binding and final.

12. Named Insureds

The Named Insureds jointly and severally agree to make any premium payments in full if the First Named Insured fails to pay the amount due within thirty (30) days after we give a written demand for payment to the First Named Insured.

13. Our Right of Approval

We reserve the right to approve defense counsel for "claims" or "suits" likely to exceed your "retained limit".

14. Endorsements To This Policy

Reference to Commercial Liability Umbrella Coverage Part or Commercial Excess Liability Coverage Part in any endorsement that is attached to or made a part of this Policy shall apply to this Policy.

15. Minimum Premium And Minimum Earned Premium

Earned premium shall be subject to the Minimum Premium and the Minimum Earned Premium, as stated in the Declarations. In the event of cancellation by the insured, there will be no return of any portion of the Minimum Earned Premium.

SECTION V. DEFINITIONS

A. "Administration" means:

1. Providing information to "employees", including their dependents and beneficiaries, with respect to eligibility for or scope of the "employee benefit program";
2. Handling records in connection with the "employee benefit program"; or
3. Effecting, continuing or terminating any "employee's" participation in any benefit included in the "employee benefit program".

However, "administration" does not include handling of payroll deductions.

- B.** "Advertisement" means a notice that is broadcast or published to the general public or specific market segments about your goods, products or services for the purpose of attracting customers or supporters. For the purposes of this definition:
1. Notices that are published include material placed on the Internet or on similar electronic means of communication; and
 2. Regarding websites, only that part of a website that is about your goods, products or services for the purposes of attracting customers or supporters is considered an "advertisement".
- C.** "Advertising injury offense" means any act, error, or omission constituted by one or more of the following:
1. Oral or written publication, in any manner, of material that slanders or libels a person or organization, or disparages a person's or organization's goods, products, or services;
 2. Oral or written publication, in any manner, of material that violates a person's right of privacy;
 3. Misappropriation of advertising ideas or style of doing business; or
 4. Infringing upon another's copyright, trade dress or slogan.
- D.** "Airport facility" means an airfield, runway, hangar, or other aviation activity related buildings or properties, including parking lots and garages.
- E.** "Automobile" or "Auto" means;
1. A land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment;
 2. Any other land vehicle that is subject to a compulsory or financial responsibility law or other motor vehicle insurance law
- where it is licensed or principally garaged; or
3. Such land motor vehicles used in a transit or public transportation system operating over non-fixed routes as provided in the exception provisions of Exclusion 24.
- F.** "Bodily Injury" means bodily injury, disability, sickness, or disease sustained by a person, including care, loss of services and death resulting from any of these at any time. "Bodily injury" includes mental anguish, mental injury, humiliation, shock or death if resulting from "bodily injury".
- G.** "Cafeteria plans" means plans authorized by applicable law to allow employees to elect to pay for certain benefits with pre-tax dollars.
- H.** "Claim(s)" means a demand for money and includes a "suit".
- I.** "Covered first-party automobile expenses" means the minimum legally mandated "automobile" personal injury protection (PIP) expenses.
- J.** "Coverage Territory" means anywhere in the world with the exception of any country or jurisdiction which is subject to trade or other economic sanction or embargo by the United States of America, but only if a "claim" is made and a "suit" is brought for such "occurrence", "wrongful act", or "employee practice liability wrongful act" and "employee benefit wrongful act" in the United States of America.
- K.** "Dam" means any artificial barrier together with appurtenant works, which does or may impound or divert water and which is either (a) twenty five (25) feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream channel of watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of fifty (50) acre feet or more. Any such barrier which is not in excess of twenty five (25) feet in height regardless of storage capacity, or which has a storage capacity not in excess of fifteen (15) acre feet regardless of height, shall not be considered a "dam".

L. "Employee" includes a "leased worker".

M. "Employee benefit program" means a program providing some or all of the following benefits to "employees", whether provided through a "cafeteria plan" or otherwise:

1. Group life insurance, group accident or health insurance, dental, vision and hearing plans, and flexible spending accounts, provided that no one other than an "employee" may subscribe to such benefits and such benefits are made generally available to those "employees" who satisfy the plan's eligibility requirements;
2. Profit sharing plans, employee savings plans, employee stock ownership plans, pension plans and stock subscription plans, provided that no one other than an "employee" may subscribe to such benefits and such benefits are made generally available to all "employees" who are eligible under the plan for such benefits;
3. Unemployment insurance, social security benefits, workers' compensation and disability benefits; and
4. Vacation plans, including buy and sell programs; leave of absence programs, including military, maternity, family, and civil leave; tuition assistance plans; transportation and health club subsidies.

N. "Employee benefit wrongful act" means any actual or alleged negligent act, error, or omission in the "administration" of your "employee benefit program".

O. "Employment practice liability wrongful act" means any actual or alleged negligent error or omission resulting in loss to:

1. A person arising out of any:
 - a. Refusal to employ that person;
 - b. Termination of that person's employment;
 - c. Employment related practices, policies, acts or omissions,

including, but not limited to, coercion, demotion, evaluation, "retaliation", reassignment, discipline, defamation, harassment, failure to promote, humiliation, discrimination directed at that employee; or

d. Acts or omissions as described in 1.c. herein directed at a "whistle-blower"; or

2. The spouse, child, parent, brother or sister of that person as a consequence of loss to that person to whom any of the employment-related practices described in paragraphs. 1.a., 1.b., or 1.c. is directed.

This coverage applies:

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

P. "First aid" means the immediate and emergency care given to an ill or injured person before regular medical aid can be obtained.

Q. "Hired automobile" means an "automobile" you lease, hire, rent or borrow. This does not include any "automobile" owned by you, under a long term (12 months or more) lease to you, or hired, rented, or borrowed from any of your "employees", partners, members or members of their households.

R. "Hostile fire" means a fire that becomes uncontrollable or breaks out from where it is intended to be.

S. "Insured contract" means:

1. A contract for a lease of premises including but not limited to premises rented or loaned to you;
2. A sidetrack agreement;
3. Any easement or license agreement;
4. An obligation, as required by ordinance;

5. An elevator maintenance agreement;
6. That part of any other contract or agreement pertaining to your business under which you assume the tort liability of another party to pay for "bodily injury" or for "property damage", for a "wrongful act" from a "personal injury offense" to a third person or organization or "employment related practice wrongful act". Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

Paragraph 6. does not include that part of any contract or agreement:

- a. That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within fifty (50) feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing;
 - b. That pertains to the loan, lease or rental of an "automobile" to you or any of your "employees", if the "automobile" is loaned, leased or rented with a driver;
 - c. That holds a person or organization engaged in the business of transporting property by "automobile" for hire harmless for your use of an "automobile" over a route or territory that person or organization is authorized to serve by public authority; or
 - d. That indemnifies an architect, engineer, or surveyor, his agents or "employees", for injury or damage arising out of preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs, or specifications or giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage.
- T. "Joint powers authority(ies)" means two (2) or more public agencies joined together by a joint agreement in order to jointly exercise any power common to the contracting

parties, including, but not limited to the power to create risk pooling and joint purchase of private insurance.

U. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business.

V. "Loading or unloading" means the handling of property:

1. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "automobile";
2. While it is in or on an aircraft, watercraft or "automobile"; or
3. While it is being moved from an aircraft, watercraft or "automobile" to the place where it is finally delivered;

but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "automobile".

W. "Municipality" means a legally incorporated or duly authorized association of inhabitants of a limited area limited to the following: city, town, county, village, township, parish, borough, hamlet, burgh, or state, and the special districts, authorities and bureaus directly related to such entities.

X. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

Y. "Owned automobile" means an "automobile" you own or under long term (12 months or longer) lease to you.

Z. "Personal injury offense" means any act, error, or omission constituted by or arising out of one or more of the following:

1. False arrest, detention or imprisonment;
2. Malicious prosecution;
3. Oral or written publication, in any manner, of material that slanders or

libels a person or organization, or disparages a person or organization's goods, products, or services;

4. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling, or premises that a person occupies committed by or on behalf of its owner, landlord or lessor;
5. Violation of an individual's person's right to privacy; or
6. Assault and battery.

AA. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials which are intended to be or have been recycled, reconditioned or reclaimed.

"Pollutants" does not include potable water, water distributed to the consumer intended to be potable water, agricultural water, or water furnished to commercial users, or water used for fire suppression. "Pollutants" also does not include smoke or fumes from a "hostile fire".

BB. "Products-completed operations hazard":

1. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:
 - a. Products that are still in your physical possession; or
 - b. Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:
 - (1) When all of the work called for in your contract has been completed;
 - (2) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site; or

- (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

2. Does not include "bodily injury" or "property damage" arising out of:
 - a. The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured; or
 - b. The existence of tools, uninstalled equipment or abandoned or unused materials.

CC. "Property damage" means:

1. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or
2. Loss of use of tangible property that is not physically injured or destroyed. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

For the purposes of this insurance, electronic data is not tangible property.

As used in this definition, electronic data means information, facts or programs stored as or on, created or used on, or transmitted to or from computer software, including systems and applications software, hard or floppy disks, CD-ROMS, tapes, drives, cells, data processing devices or any other media which are used with electronically controlled equipment.

DD. "Public entity" refers to that "municipality", governmental body, department, or unit, which is a Named Insured in the Declarations.

EE. "Retained limit" refers to the amount stated in the Declarations. This amount may consist of a self-insured retention, "underlying insurance", or a combination thereof. The "retained limit" will be the sum of all damages in "ultimate net loss" for:

1. "Bodily injury" or "property damage" arising out of each such "occurrence";
2. Each such "wrongful act";
3. Each such "employment practice liability wrongful act"; or
4. Each such "employee benefit wrongful act".

In determining the "retained limit" that applies:

- i. All "occurrences" arising out of continuous, repeated, or related "occurrences" shall be treated as a single "occurrence" and the "retained limit" in effect at the first occurrence shall apply.
- ii. All "wrongful acts" arising out of continuous, repeated, or related "wrongful acts" shall be treated as a single "wrongful act" and the "retained limit" in effect at the time of the first "wrongful act" shall apply.
- iii. All "employment practice liability wrongful acts" arising out of continuous, repeated, or related "employment practice liability wrongful acts" shall be treated as a single "employment practice liability wrongful act" and the "retained limit" in effect at the time of the first "employment practice liability wrongful act" shall apply.
- iv. All "employee benefit wrongful acts" arising out of continuous, repeated, or related "employee benefit wrongful acts" shall be treated as a single "employee benefit wrongful act" and the "retained limit" in effect at the time of the first

"employee benefit wrongful act" shall apply.

The "retained limit", with respect to a self-insured retention, shall include defense costs. The "retained limit", however, shall not include salaries of your "employees", your office expenses, or expenses of any claims servicing organization that you have engaged.

FF. "Retaliation" means an "employment practice liability wrongful act" of yours relating to or alleged to be in response to an employee who has:

1. Notified a superior or proper authority of any aspect of your business operation which is illegal;
2. Attempted or actually exercised any right that such "employee" has under law, including rights under worker's compensation laws, the Family and Medical Leave Act, the Americans with Disabilities Act or any other law relating to "employee" rights;
3. Filed a complaint with a governmental authority or a "suit" against you or any other insured in which damages are claimed;
4. Testified against you or any other insured at a legal proceeding;
5. Declined to perform an illegal or unethical act; or
6. Exercised their right to strike against you.

GG. "Subsidence" means land or earth movement, including, but not limited to, sinking or settling of land, earthquake, earth movement, earth expansion and/or contraction, landslide, slipping, falling away, caving in, eroding, earth sinking, and earth rising or shifting or tilting.

HH. "Suit" means a civil proceeding in which damages because of "bodily injury" or "property damage", "wrongful act", "employment practice liability wrongful act" or "employee benefit wrongful act" to which this insurance applies are alleged. "Suit" includes:

1. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or
2. Any other alternative dispute resolution proceeding in which such damages are claimed and to which you submit with our consent.

II. "Ultimate net loss" means the total sum, after reduction for recoveries or salvages collectible, actually paid or payable due to a "claim" or "suit" for which you are liable either by a settlement to which we agreed or a final judgment, and shall include defense costs.

JJ. "Underlying insurance" refers to any policies listed in the Schedule of Underlying Insurance and includes:

1. Any renewal or replacement of such policies;
2. Any other insurance available to the you; and
3. Any other valid and collectible risk financing mechanism provided under a "joint power authority".

KK. "Underlying insurer" means any insurer which provides any policy listed in the Schedule of Underlying Insurance and includes any insurer which provides any renewal or replacement of such policies and any insurer which provides any other primary insurance available to you.

LL. "Volunteer Worker" means a person who is not your "employee", and who donates his or her work and acts at the direction of and within the scope of duties determined by you, and is not paid a fee, salary or other compensation by you or anyone else for their work performed for you.

MM. "Whistle-blower" means an "employee", who discloses or threatens to disclose to a superior or any governmental agency, or who gives testimony relating to any action by you, which may be a violation of public policy as reflected in legislation, administrative rules, regulations or decisions, judicial decisions, or professional codes of ethics.

NN. "Wrongful act" means:

Any actual or alleged error or misstatement, omission, negligent act, or breach of duty including misfeasance, malfeasance, and nonfeasance by you, including, but not limited to, those constituted by:

1. Any violation of antitrust statutes;
2. Any negligent ministerial act;
3. Any faulty preparation or approval of maps, plans, reports, surveys, designs, bid documents, bid specifications, other specifications, or inaccuracies due to estimates of probable costs, but only if any of these services are provided by any insured for another insured; or
4. Discrimination on any basis, including, but not limited to: race, creed, religion, ethnic background, national origin, age, handicap, sex or sexual orientation; but not intentionally committed by you or at your direction.

"Wrongful act" also means any "personal injury offense" or "advertising injury offense".

"Wrongful act" does not include "employment practice liability wrongful act" or "employee benefit wrongful act".

OO. "Your Product"

1. Means:
 - a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:
 - (1) You;
 - (2) Others trading under your name; or
 - (3) A person or organization whose business or assets you have acquired; and
 - b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products;

2. Includes:

- a.** Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product";
- b.** The providing of or failure to provide warnings or instructions;

PP. "Your Work"

1. Means:

- a.** Work or operations performed by you or on your behalf; and
- b.** Materials, parts or equipment furnished in connection with such work or operations.

2. Includes:

- a.** Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work";
- b.** The providing of or failure to provide warnings or instructions.

COMMON POLICY CONDITIONS

All Coverage Parts included in this policy are subject to the following conditions.

A. Cancellation

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

B. Changes

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

C. Examination Of Your Books And Records

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

D. Inspections And Surveys

1. We have the right to:
 - a. Make inspections and surveys at any time;

- b. Give you reports on the conditions we find; and
- c. Recommend changes.

2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
 - a. Are safe or healthful; or
 - b. Comply with laws, regulations, codes or standards.

3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

E. Premiums

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

F. Transfer Of Your Rights And Duties Under This Policy

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT

(Broad Form)

This endorsement modifies insurance provided under the following:

COMMERCIAL LIABILITY UMBRELLA COVERAGE PART

I. The insurance does not apply:

A. Under any Liability Coverage, to "bodily injury" or "property damage":

- (1) With respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters, Nuclear Insurance Association of Canada or any of their successors, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
- (2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

B. Under any Liability Coverage, to "bodily injury" or "property damage" resulting from "hazardous properties" of "nuclear material", if:

- (1) The "nuclear material" (a) is at any "nuclear facility" owned by, or operated by or on behalf of, an insured or (b) has been discharged or dispersed therefrom;

- (2) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of, by or on behalf of an insured; or

- (3) The "bodily injury" or "property damage" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility", but if such facility is located within the United States of America, its territories or possessions or Canada, this Exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

II. As used in this endorsement:

"Hazardous properties" includes radioactive, toxic or explosive properties.

"Nuclear material" means "source material", "Special nuclear material" or "by-product material".

"Source material", "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof.

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor".

"Waste" means any waste material (a) containing "by-product material" other than the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content, and (b) resulting from the operation by any person or organization of any "nuclear facility" included under the first two paragraphs of the definition of "nuclear facility".

"Nuclear facility" means:

- (a) Any "nuclear reactor";
- (b) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel", or (3) handling, processing or packaging "waste";
- (c) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

- (d) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

"Property damage" includes all forms of radioactive contamination of property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NORTH CAROLINA CHANGES – CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
 CAPITAL ASSETS PROGRAM (OUTPUT POLICY) COVERAGE PART
 COMMERCIAL GENERAL LIABILITY COVERAGE PART
 COMMERCIAL INLAND MARINE COVERAGE PART
 COMMERCIAL LIABILITY UMBRELLA COVERAGE PART
 COMMERCIAL PROPERTY COVERAGE PART
 CRIME AND FIDELITY COVERAGE PART
 EMPLOYMENT-RELATED PRACTICES LIABILITY COVERAGE PART
 FARM COVERAGE PART
 FARM UMBRELLA LIABILITY POLICY
 LIQUOR LIABILITY COVERAGE PART
 POLLUTION LIABILITY COVERAGE PART
 PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART
 PROFESSIONAL LIABILITY COVERAGE PART

- A. Paragraph 2. of the Cancellation Common Policy Condition is replaced by the following:**
- 2. Cancellation Requirements**
- a. Policies In Effect Less Than 60 Days**
- If this policy has been in effect for less than 60 days, we may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
- (1) 15 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- b. Policies In Effect More Than 60 Days**
- If this policy has been in effect for 60 days or more, or is a renewal of a policy we issued, we may cancel this policy prior to the:
- (1) Expiration of the policy term; or
 - (2) Anniversary date,
 stated in the policy only for one or more of the following reasons:
 - (a) Nonpayment of premium;
 - (b) An act or omission by the insured or his or her representative that constitutes material misrepresentation or nondisclosure of a material fact in obtaining this policy, continuing this policy or presenting a claim under this policy;
 - (c) Increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time of assumption of the risk;
 - (d) Substantial breach of contractual duties, conditions or warranties that materially affects the insurability of the risk;
 - (e) A fraudulent act against us by the insured or his or her representative that materially affects the insurability of the risk;
 - (f) Willful failure by the insured or his or her representative to institute reasonable loss control measures that materially affect the insurability of the risk after written notice by us;

- (g) Loss of facultative reinsurance, or loss of or substantial changes in applicable reinsurance as provided in G.S. 58-41-30;
 - (h) Conviction of the insured of a crime arising out of acts that materially affect the insurability of the risk;
 - (i) A determination by the Commissioner of Insurance that the continuation of the policy would place us in violation of the laws of North Carolina; or
 - (j) You fail to meet the requirements contained in our corporate charter, articles of incorporation or by-laws when we are a company organized for the sole purpose of providing members of an organization with insurance coverage in North Carolina.
- We will mail or deliver written notice of cancellation to the first Named Insured at least:
- (i) 15 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (ii) 30 days before the effective date of cancellation if we cancel for any other reason.
- c. Cancellation for nonpayment of premium will not become effective if you pay the premium amount due before the effective date of cancellation.
 - d. We may also cancel this policy for any reason not stated above provided we obtain your prior written consent.

B. The following provisions are added and supersede any other provisions to the contrary:

1. Nonrenewal

- a. If we elect not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of nonrenewal at least 45 days prior to the:
 - (1) Expiration of the policy if this policy has been written for one year or less; or
 - (2) Anniversary date of the policy if this policy has been written for more than one year or for an indefinite term.
 - b. We need not mail or deliver the notice of nonrenewal if you have:
 - (1) Insured property covered under this policy, under any other insurance policy;
 - (2) Accepted replacement coverage; or
 - (3) Requested or agreed to nonrenewal of this policy.
 - c. If notice is mailed, proof of mailing will be sufficient proof of notice.
2. The written notice of cancellation or nonrenewal will:
- a. Be mailed or delivered to the first Named Insured and any designated mortgagee or loss payee at their addresses shown in the policy, or if not indicated in the policy, at their last known addresses; and
 - b. State the reason or reasons for cancellation or nonrenewal.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CAP ON LOSSES FROM CERTIFIED ACTS OF TERRORISM

This endorsement modifies insurance provided under the following:
COMMERCIAL LIABILITY UMBRELLA COVERAGE PART

With respect to any one or more "certified acts of terrorism", we will not pay any amounts for which we are not responsible under the terms of the federal Terrorism Risk Insurance Act of 2002 (including subsequent acts of Congress pursuant to the Act) due to the application of any clause which results in a cap on our liability for payments for terrorism losses.

"Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism pursuant to the federal Terrorism Risk Insurance Act of 2002. The federal Terrorism Risk Insurance Act of 2002 sets forth the following criteria for a "certified act of terrorism":

1. The act resulted in aggregate losses in excess of \$5 million; and
2. The act is a violent act or an act that is dangerous to human life, property or infrastructure and is committed by an individual or individuals acting on behalf of any foreign person or foreign interest, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONDITIONAL EXCLUSION OF TERRORISM (RELATING TO DISPOSITION OF FEDERAL TERRORISM RISK INSURANCE ACT)

This endorsement modifies insurance provided under the following:

PUBLIC ENTITY EXCESS LIABILITY
COMMERCIAL EXCESS LIABILITY COVERAGE PART

A. Applicability Of The Provisions Of This Endorsement

1. The provisions of this endorsement become applicable commencing on the date when any one or more of the following first occurs. But if your policy (meaning the policy period in which this endorsement applies) begins after such date, then the provisions of this endorsement become applicable on the date your policy begins.

a. The federal Terrorism Risk Insurance Program ("Program"), established by the Terrorism Risk Insurance Act, has terminated with respect to the type of insurance provided under this Coverage Part; or

b. A renewal, extension or replacement of the Program has become effective without a requirement to make terrorism coverage available to you and with revisions that:

(1) Increase our statutory percentage deductible under the Program for terrorism losses. (That deductible determines the amount of all certified terrorism losses we must pay in a calendar year, before the federal government shares in subsequent payment of certified terrorism losses.); or

(2) Decrease the federal government's statutory percentage share in potential terrorism losses above such deductible; or

(3) Redefine terrorism or make insurance coverage for terrorism subject to provisions or requirements that differ from those that apply to other types of events or occurrences under this policy.

2. If the provisions of this endorsement become applicable, such provisions:

a. Supersede any terrorism endorsement already endorsed to this policy that addresses "certified acts of terrorism" and/or "other acts of terrorism", but only with respect to an incident(s) of terrorism (however defined) which results in injury or damage that occurs on or after the date when the provisions of this endorsement become applicable (for claims made policies, such an endorsement is superseded only with respect to an incident of terrorism (however defined) that results in a claim for injury or damage first being made on or after the date when the provisions of this endorsement become applicable); and

b. Remain applicable unless we notify you of changes in these provisions, in response to federal law.

3. If the provisions of this endorsement do NOT become applicable, any terrorism endorsement already endorsed to this policy, that addresses "certified acts of terrorism" and/or "other acts of terrorism", will continue in effect unless we notify you of changes to that endorsement in response to federal law.

B. The following definition is added and applies under this endorsement wherever the term terrorism is enclosed in quotation marks:

"Terrorism" means activities against persons, organizations or property of any nature:

a. That involve the following or preparation for the following:

- (1) Use or threat of force or violence; or
- (2) Commission or threat of a dangerous act; or
- (3) Commission or threat of an act that interferes with or disrupts an electronic, communication, information, or mechanical system; and

b. When one or both of the following applies:

- (1) The effect is to intimidate or coerce a government or the civilian population or any segment thereof, or to disrupt any segment of the economy; or
- (2) It appears that the intent is to intimidate or coerce a government, or to further political, ideological, religious, social or economic objectives or to express (or express opposition to) a philosophy or ideology.

C. The following exclusion is added:

EXCLUSION OF TERRORISM

We will not pay for any liability arising directly or indirectly out of "terrorism", including action in hindering or defending against an actual or expected incident of "terrorism", regardless of any other cause or event that contributes concurrently or in any sequence to such liability. **But this exclusion applies only when one or more of the following are attributed to an incident of "terrorism":**

1. The "terrorism" is carried out by means of the dispersal or application of radioactive material, or through the use of a nuclear weapon or device that involves or produces a nuclear reaction, nuclear radiation or radioactive contamination; or
2. Radioactive material is released, and it appears that one purpose of the "terrorism" was to release such material; or

3. The "terrorism" is carried out by means of the dispersal or application of pathogenic or poisonous biological or chemical materials; or

4. Pathogenic or poisonous biological or chemical materials are released, and it appears that one purpose of the "terrorism" was to release such materials; or

5. The total of insured damage to all types of property exceeds \$25,000,000. In determining whether the \$25,000,000 threshold is exceeded, we will include all insured damage sustained by property of all persons and entities affected by the "terrorism" and business interruption losses sustained by owners or occupants of the damaged property. For the purpose of this provision, insured damage means damage that is covered by any insurance plus damage that would be covered by any insurance but for the application of any terrorism exclusions; or

6. Fifty or more persons sustain death or serious physical injury. For the purposes of this provision, serious physical injury means:

- a. Physical injury that involves a substantial risk of death; or
- b. Protracted and obvious physical disfigurement; or
- c. Protracted loss of or impairment of the function of a bodily member or organ.

Multiple incidents of "terrorism" which occur within a 72-hour period and appear to be carried out in concert or to have a related purpose or common leadership will be deemed to be one incident, for the purpose of determining whether the thresholds in Paragraphs C.5. or C.6. are exceeded.

With respect to this Exclusion, Paragraphs C.5. and C.6. describe the threshold used to measure the magnitude of an incident of "terrorism" and the circumstances in which the threshold will apply, for the purpose of determining whether this Exclusion will apply to that incident. When the Exclusion applies to an incident of "terrorism", there is no coverage under this insurance.

In the event of any incident of "terrorism" that is not subject to this Exclusion, coverage does not apply to liability that is otherwise excluded under this insurance.

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

DISCLOSURE OF PREMIUM AND ESTIMATED PREMIUM FOR CERTIFIED ACTS OF TERRORISM COVERAGE (PURSUANT TO TERRORISM RISK INSURANCE ACT)

SCHEDULE

SCHEDULE – PART I

Terrorism Premium (Certified Acts)

(A) Premium through end of year (12/31/2007) \$1,242

(B) Estimated Premium beyond the date specified above \$412
(Refer to Paragraph C. in this endorsement.)

This premium is the total Certified Acts premium attributable to the following Coverage Part(s), Coverage Form(s) and/or Policy(s):

All Coverages under this policy except for Commercial Auto.

Additional information, if any, concerning the terrorism premium:

SCHEDULE – PART II

Federal share of terrorism losses % Year: 20 _____

(Refer to Paragraph B. in this endorsement.)

Federal share of terrorism losses % Year: 20 _____

(Refer to Paragraph B. in this endorsement.)

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. Disclosure Of Premium

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

B. Disclosure Of Federal Participation In Payment Of Terrorism Losses

The United States Government, Department of the Treasury, will pay a share of terrorism losses insured under the federal program. For losses occurring in 2006, the federal share equals 90% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. For losses occurring in 2007, the federal share equals 85% of that portion of the amount of such insured losses that exceeds the applicable insurer retention. If the federal program is extended beyond 2007, the applicable percentage is shown in Part II of the Schedule of this endorsement or in the policy Declarations.

C. Possibility Of Additional Or Return Premium

The premium for certified acts of terrorism coverage is calculated based in part on the federal participation in payment of terrorism losses as set forth in the Terrorism Risk Insurance Act. The federal program established by the Act is scheduled to terminate at the end of the year specified in Part I of the Schedule of this endorsement, unless extended by the federal government. If the federal program terminates or if the level or terms of federal participation change, the estimated premium shown in (B) in Part I of the Schedule may not be appropriate.

If this policy contains a Conditional Exclusion, continuation of coverage for certified acts of terrorism, or termination of such coverage, will be determined upon disposition of the federal program, subject to the terms and conditions of the Conditional Exclusion. If this policy does not contain a Conditional Exclusion, coverage for certified acts of terrorism will continue. In either case, when disposition of the federal program is determined, we will recalculate the premium shown in (B) in Part I of the Schedule and will charge additional premium or refund excess premium, if indicated.

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

POLICY NUMBER: 71P2000024-071

EUM 22 523 05 06

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SUBSIDENCE AND DAM COVERAGE

This endorsement modifies insurance provided under the following:

PUBLIC ENTITIES EXCESS LIABILITY

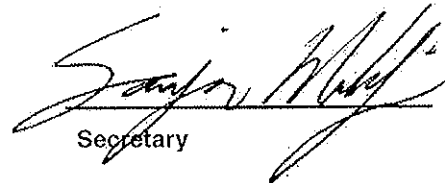
Exclusions 19. and 21. in paragraph D. EXCLUSIONS of SECTION I. COVERAGES, are deleted.

This policy is signed by officers of the Company shown on the Declarations page of this policy.

For: Everest Reinsurance Company



President



Secretary

POLICY NUMBER: 71P2000024-071

COMMERCIAL LIABILITY UMBRELLA
CU 22 40 12 04

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICY CHANGES

This endorsement modifies insurance provided under the following:

COMMERCIAL LIABILITY UMBRELLA COVERAGE PART

Effective Date of Change: April 01, 2007
Change Endorsement No.: 01
Named Insured: City of Durham, NC

The following item(s):

- | | |
|---|---|
| <input type="checkbox"/> Insured's Name | <input type="checkbox"/> Insured's Mailing Address |
| <input type="checkbox"/> Policy Number | <input type="checkbox"/> Company |
| <input type="checkbox"/> Effective/Expiration Date | <input type="checkbox"/> Insured's Legal Status/Business of Insured |
| <input type="checkbox"/> Payment Plan | <input type="checkbox"/> Premium Determination |
| <input type="checkbox"/> Additional Interested Parties: | <input type="checkbox"/> Coverage Forms and Endorsements |
| <input type="checkbox"/> Limits/Exposures | <input type="checkbox"/> Self-Insured Retention |
| <input type="checkbox"/> Covered Property/Located Description | <input type="checkbox"/> Classification/Class Codes |
| <input type="checkbox"/> Rates | <input type="checkbox"/> Underlying Insurance |

is (are) changed to read {See Additional Page(s)}:

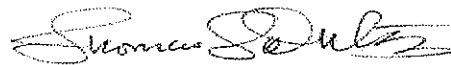
The above amendments result in a change in the premium as follows:

<input checked="" type="checkbox"/> NO CHANGES	<input type="checkbox"/> TO BE ADJUSTED AT AUDIT	ADDITIONAL PREMIUM \$	RETURN PREMIUM \$
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Endorsement Effective: April 01, 2007

Named Insured: City of Durham, NC

Countersigned By:



(Authorized Representative)

POLICY CHANGES ENDORSEMENT DESCRIPTION

Exclusion 5. of **D. EXCLUSIONS** in **SECTION I. COVERAGES** is deleted in its entirety.