

TAB 1

NOTICE

THIS POLICY IS ISSUED BY YOUR RISK RETENTION GROUP. YOUR RISK RETENTION GROUP MAY NOT BE SUBJECT TO ALL OF THE INSURANCE LAWS AND REGULATIONS OF YOUR STATE. STATE INSURANCE INSOLVENCY GUARANTY FUNDS ARE NOT AVAILABLE FOR YOUR RISK RETENTION GROUP.

**EXCESS LIABILITY INSURANCE POLICY
DECLARATIONS**

Item 1. **Educational Organization:** Duke University
Address: Box 104143
Durham, NC 27708-0447

Item 2. **Limits of Liability:**

(a)	\$25,000,000	Each Occurrence
(b)-1	\$25,000,000	Annual Aggregate Limit for
		(i) Product Liability
		(ii) Completed Operations Liability
		(iii) Employee Occupational Disease Liability
(b)-2	\$25,000,000	Sexual Moiestation
(c)	\$2,000,000	Underlying Limit Retention

Item 3. (a) **Policy Period:** January 1, 2006 to January 1, 2007
(b) **Inception Date:** July 20, 1990
at 12:01 A.M. at the address stated in Item 1 above.

Item 4. Premium:	\$334,892
Risk Management Premium Credit (RMPC):	\$0
Premium Due:	\$334,892
Premium Tax:	\$16,745
Paid-In Surplus:	\$14,227
Total:	<u>\$365,864</u>

Item 5. Representative of **Educational Organization:** Christopher D: Boroski

Item 6. Applicable Initial Endorsements:

GLX234G	GLX - Surplus Allocation/Paid-In Surplus Notice
GLX189G	GLX - TRIA Disclosure and Broad Terrorism Exclusion
GLX008I	GLX - Additional Insured
GLX093I	GLX - Additional Insured Entity
GLX001R	GLX - Aggregate Limit Exhaustion Endorsement (Primary Self-Insured)
GLX135R	GLX - Amended Underlying Limit Retention Amount (2)
GLX160X	GLX - Medical Products Exclusion
GLX255C	GLX - Fire Legal Liability (7/1/2004)
GLX265C	GLX - Property Damage to Non-Owned Automobiles (7/1/2004)
GLX303E	GLX - Patient Exclusion (7/1/2004)

Item 7. Applicable Initial Schedules:

GLX_SchA GLX - Schedule A

United Educators Insurance, a Reciprocal Risk Retention Group
Excess Liability Policy
Occurrence Form

THIS IS AN OCCURRENCE POLICY EXCEPT THAT THE LIMITED EXTENSION OF COVERAGE FOR MEDICAL SERVICES IN PARAGRAPH 11.e. IS PROVIDED ON A "CLAIMS MADE" BASIS.

(The words "we," "us," and "our," when used in this Policy, refer to United Educators Insurance, a Reciprocal Risk Retention Group, the "Company" issuing this Policy of insurance).

In consideration of the payment of the premium, in reliance on the information furnished to us in the application and attachments thereto, and subject to the **Limit of Liability**, exclusions, definitions, conditions and other terms of this Policy, we agree with the **Educational Organization** that:

INSURING AGREEMENT

1. We will pay on behalf of the **Insureds** that portion of the **Ultimate Net Loss** which is in excess of the **Underlying Limit Retention** amount up to the **Limit of Liability** of the Policy resulting from an **Occurrence** anywhere to which this insurance applies.

DEFINITIONS

2. This Policy is subject to the following definitions:

Advertising Injury means injury resulting from

- a. oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
- b. oral or written publication of material that violates a person's right of privacy;
- c. misappropriation of advertising ideas or style of doing business; or
- d. infringement of trademark, title, copyright or slogan

in any advertisement, publicity article, broadcast, telecast, or electronic or video publication that arises out of an **Included Entity's** advertising of its goods, products or services.

Allied Health Program means an educational program training students to become allied health professionals, including nurses, medical assistants, dental assistants, athletic trainers, audiologists, emergency medical technicians, phlebotomists, dental lab technicians, physical therapists, respiratory therapists, x-ray technicians, paramedics, lab technicians, certified nursing assistants, and similar allied health professions; but **Allied Health Program** does not include any programs that train (i) physicians of any sort, including dentists and osteopathic physicians, (ii) perfusionists, (iii) chiropractors, (iv) midwives, (v) anesthetists, or other similar medical practitioners.

Associated Medical Facility means a hospital, clinic or other medical facility in which students of the **Educational Organization** are placed as interns as part of their course of study pursuant to an agreement between the hospital, clinic or other medical facility and the **Educational Organization**.

Automobile means a land motor vehicle designed and registered for use on public roads including any attached trailer or equipment. **Automobile** does not mean or include

- a. solar or battery-powered experimental motor vehicles developed in conjunction with an educational program of the **Educational Organization** wherever operated including preparing or practicing for, or participating in, any competition or time trial with other educational organizations; or
- b. motorized land vehicles or equipment principally designed for use off public roads or on an **Included Entity's** property that are neither registered as a motor vehicle nor insured under an automobile liability insurance policy, including tractors, mowers, snow-blowers, grading equipment, farm equipment, forklifts, backhoes, all-terrain vehicles, bulldozers and similar equipment.

Bodily Injury means physical injury, sickness, disease or death sustained by a person and includes mental injury and shock.

Claim means a demand for **Damages**.

Completed Operations Liability means liability resulting from an **Occurrence** arising out of an **Included Entity's** operations, if the **Occurrence** commences after such operations have been completed or abandoned and occurs away from premises owned, rented, or controlled by the **Included Entity**; but operations shall not be deemed incomplete because improperly or defectively performed or because further operations may be required pursuant to an agreement.

Damages means the amounts that an **Insured** becomes legally obligated to pay as compensation to an injured party. **Damages** includes punitive or exemplary damages, where lawfully insurable, and **Defense Costs**. But **Damages** does not include:

- a. taxes, fines, or criminal penalties;
- b. the cost of compliance with injunctive or equitable relief; or
- c. any matters uninsurable under the law pursuant to which this Policy shall be construed.

Defense Costs means the fees and expenses of investigation and defense of **Claims**, and the costs of appeal or similar bonds for amounts up to the **Limit of Liability**, and includes reasonable attorneys' fees and disbursements; but **Defense Costs** does not include the wages or salary of any employee of any **Insured** or any amounts paid by an underlying insurer pursuant to its duty to defend an **Insured**.

Educational Organization means the entity named as such in Item 1 of the Declarations.

Employee Occupational Disease Liability means liability of an **Insured** to any employees or former employees of an **Included Entity** for **Bodily Injury** arising from disease which is caused or aggravated by conditions to which the employee is exposed during such employment.

First Aid means any uncompensated emergency care or treatment given to an ill or injured person at the scene of an accident before a licensed medical professional can provide regular medical aid. However, **First Aid** shall not mean services provided by an individual (i) in the course of his/her employment as, or training for, a physician, nurse, or other licensed medical professional; or (ii) in the course of volunteer work as a physician, nurse, or other licensed medical professional.

Inception Date means the date and time stated in Item 3.(b) of the Declarations.

Included Entity means:

- a. the **Educational Organization**;
- b. any not-for-profit organization or entity over which the governing body of the **Educational Organization** exerts effective control and that is named in, and whose accounts are included with or consolidated into, the financial statements submitted to us most recently by the **Educational Organization** prior to the rating of the premium for the **Policy Period**; however, no entity or affiliate or subsidiary of any entity that has not qualified as a not-for-profit entity under applicable provisions of the Internal Revenue Code is an **Included Entity**, and no person or entity is an **Insured** with respect to such entity, unless that entity is listed on Schedule A;
- c. any entity listed on Schedule A of this Policy; and
- d. any not-for-profit entity acquired or formed by or merged with an **Included Entity** during the **Policy Period** provided that
 - (1) the value of the sum of all assets (including, but not limited to, real estate, securities, assumed indebtedness and other consideration) expended, assumed or exchanged for any such acquisition, formation or merger does not exceed 1% of the total assets of the **Educational Organization** and its consolidated subsidiaries and affiliates as most recently reported to us for rating purposes prior to such **Policy Period**;
 - (2) the combined or consolidated operations and the acquired, formed or merged entity are not materially different from those of the **Included Entity** prior to the acquisition, formation or merger; and

- (3) coverage with respect to that newly formed, acquired or merged entity will begin on the date of acquisition, formation or merger, and there is no coverage for any entity acquired by or merged into the **Included Entity** or for any person with respect to that entity for **Occurrences** happening prior to the date of acquisition or merger.

Included Entity's Products means goods or products manufactured, sold, tested, handled, or distributed by an **Included Entity** or others trading under its name or materials that were the subject of completed or abandoned operations of the **Included Entity**.

Insured means:

- a. the **Included Entities**;
- b. any past, present or future trustees, directors, or **Officers** of an **Included Entity** while acting within the scope of their duties on behalf of that **Included Entity**; the estates, heirs, legal representatives or assigns of deceased, incompetent, insolvent or bankrupt trustees, directors, or **Officers**; and spouses of directors or trustees to the extent they are involved in **Claims** solely because of their status as spouses;
- c. at the option of the **Educational Organization**, any past, present and future employee, member of the faculty, student teacher, teaching assistant, uncompensated volunteer worker, member of a committee of an **Included Entity**, representative to an education association of which the **Educational Organization** is a member, or student of an **Included Entity** while serving in a supervised internship program in satisfaction of course requirements or while acting at the direction of or performing services for or on behalf of the **Educational Organization**; but only while acting within the scope of their duties or obligations in their respective capacities as described above;
- d. any person legally responsible for the use of an **Automobile** owned, rented, leased, borrowed, hired or used by an **Included Entity** with its permission; but **Insured** under this Paragraph d. does not include:
 - (1) any person or organization's (other than an **Included Entity's**) agent or employee, operating an **Automobile** repair shop, public garage, sales agency, service station, or public parking place, with respect to any **Occurrence** arising out of the operation thereof; or
 - (2) the owner or any permissive user of the owner of an **Automobile** that is not owned by an **Included Entity**; however, at the request of the **Educational Organization**, we will not apply this provision to an employee of an **Included Entity** for liability arising out of the use of his or her personal **Automobile** in the business of that **Included Entity** at its direction or with its knowledge and consent; or
- e. except with respect to the use or operation of an **Automobile**, any person or organization to whom any **Included Entity** is obligated by virtue of a contract or agreement to provide liability insurance such as is afforded by this Policy, but only
 - (1) to the extent of such obligation;
 - (2) for operations (other than commercial insurance operations) by or on behalf of that **Included Entity** or operation of facilities of that **Included Entity** or use of facilities by that **Included Entity**; and
 - (3) if the contract or agreement is made prior to a covered **Occurrence**.

Limit of Liability means the maximum amounts that are provided by this Policy to pay **Damages**, respectively, for each **Occurrence** and, where applicable, in the aggregate for all **Occurrences** during the **Policy Period** as stated in Items 2(a) and (b) of the **Declarations**.

Medical Services means any services that may be legally performed only by a physician, nurse or other licensed medical professional within the scope of his/her medical license, regardless of whether the person is licensed or not. However, the application of **First Aid** shall not be considered **Medical Services**.

Occurrence means:

- a. an accident during the **Policy Period** or the continuous, intermittent or repeated exposure to conditions that commence during the **Policy Period** that causes **Bodily Injury** or **Property Damage** neither expected nor intended by the **Insured**; or

- b. an event that first occurs during the Policy Period that causes Personal Injury or Advertising Injury.

All Bodily Injury and Property Damage attributable directly or indirectly to the same accident, event, conditions, cause, defect or hazard, or failure to warn of such, shall be considered as one Occurrence irrespective of the time period or area over which injury or damage arises or the number of injuries and damages.

However, any incidents related to or arising out of Sexual Molestation, sexual or physical assault, or abuse, irrespective of the number of incidents or injuries or the time period or area over which incidents or injuries occur, shall be treated as one Occurrence for each perpetrator.

Any injuries or damages that are directly or indirectly attributable to the design, formulation, manufacture, distribution, use, operation, maintenance or repair of an Included Entity's Products or the failure to warn as to its use, operation or maintenance shall be treated as one Occurrence irrespective of the time period or area over which the injuries or damages occur or the number of such injuries or damages.

The use of reasonable force to protect persons or property shall be deemed "neither expected nor intended" within the meaning of a. above.

Officer means any corporate officer of an Included Entity whether or not an employee; and any president, chancellor, provost, treasurer, vice president, dean or other comparable senior administrator of any Included Entity.

Personal Injury means injury resulting from

- a. false arrest, detention or imprisonment;
- b. malicious prosecution;
- c. wrongful entry into, or eviction of a person from, a room, dwelling or premises a person occupies;
- d. oral, written, video or electronic publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services, or violates a person's right of privacy (other than in any advertisement, publicity article, broadcast, telecast, or electronic or video publication that arises out of an Included Entity's advertising of its goods, products or services); or
- e. sexual harassment.

Policy Period means the period from the first date and hour stated in Item 3 of the Declarations until the earlier of the last date and hour stated in Item 3 of the Declarations or the date and hour of cancellation of this Policy.

Pollutant means any solid, liquid, gaseous or thermal irritant, contaminant, toxic or hazardous substance or any substance which may, does, or is alleged to affect adversely the environment, property, persons or animals, including bacteria, fungi, spores, smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Fungi includes, but is not limited to, any form or type of mold, mushroom, or mildew. Spores includes any reproductive body produced by or arising out of fungi. Waste includes materials to be recycled, reconditioned or reclaimed.

Product Liability means liability arising out of the end-use of the Included Entity's Products after possession of such goods or products has been relinquished to others by the Included Entity (or by others trading under its name) and if such use occurs away from premises owned, rented or controlled by the Included Entity.

Property Damage means physical injury to or destruction of tangible property of others including loss of use if the loss of use results from the physical injury or destruction of the property, loss of use of tangible property of others that has not been physically injured or destroyed, and consequential damage or evacuation loss from actual or threatened physical injury or destruction of tangible property.

Sexual Molestation means any actual or alleged illegal or otherwise wrongful sexual conduct with a minor.

Ultimate Net Loss means the total sum that the Insured shall be obligated to pay in respect of any one Occurrence for Damages.

Underlying Insurance means formal or informal risk instruments or transfer mechanisms including trusts or captives; or risk transfer mechanisms that name the Insured as "additional insured."

Underlying Limit Retention means the amount stated in Item 2(c) of the Declarations. This amount applies separately and always to each Occurrence covered by this Policy whether or not Underlying Insurance is available to the Insured to cover the Underlying Limit Retention amount. The Underlying Limit Retention amount shall be satisfied with respect to an Occurrence when the amount stated in Item 2(c) of the Declarations is exceeded by

- a. Damages other than Defense Costs, when Defense Costs are outside the liability limits of the Underlying Insurance; or
- b. Damages, if Defense Costs are within the liability limits of Underlying Insurance or if no Underlying Insurance applies to that Occurrence.

Watercraft means any ship or vessel intended to be operated on or beneath the water whether or not self-propelled.

Wrongful Employment Practices means wrongful acts against or wrongful treatment of an employee, former employee or applicant for employment by an Included Entity in its capacity as employer or by any person for whose conduct or misconduct the Included Entity is liable, including wrongful failure to hire, retain or promote; wrongful discrimination in the terms or conditions of employment, including sexual harassment; wrongful demotion, termination of employment, or discipline; failure to grant due process; the granting or removal of tenure; defamation or retaliation.

LIMIT OF LIABILITY

3. Regardless of the number of Insureds under this Policy, parties who sustain injury or damage, Claims made or suits brought on account of one or more Occurrences, the number of such injuries or damages, or the period of time over which injuries or damages occur:
 - a. in the case of **Product Liability, Completed Operations Liability and Employee Occupational Disease Liability** combined, our liability for all Damages is limited to the amount(s) stated in Item 2(b)-1 of the Declarations for each Occurrence and in the aggregate for all such Occurrences covered by this Policy during the Policy Period;
 - b. in the case of **Sexual Molestation**, our liability for all Damages is limited to the amount stated in Item 2(b)-2 of the Declarations for each Occurrence and in the aggregate for all such Occurrences covered by this Policy during the Policy Period; and
 - c. for all other Occurrences, our liability for Damages is limited to the amount stated in Item 2(a) of the Declarations for each Occurrence covered by this Policy.
4. In the event that the Insured is also an Insured under any Educators' Legal Liability Insurance Policy issued by us ("ELL Policy"), to the extent that any Wrongful Act giving rise to a Claim (Wrongful Act and Claim shall have the same meaning as defined in the ELL Policy issued by us and all endorsements thereto) under such ELL Policy in whole or part gives rise to, occurs in connection with or arises from an Occurrence within the meaning of this Policy, the liability of the Company under this Policy with respect to such Occurrence shall be reduced by the amount the Company is obligated to pay under the remaining Aggregate Limit of Liability of such ELL Policy with respect to such Wrongful Act.
5. We shall have no further obligation after the applicable Limit of Liability has been exhausted by payment of Damages.

DEFENSE AND SETTLEMENT

6. We will pay Damages on behalf of an Insured as soon as practicable after
 - a. the Insured's liability has been established by judgment after actual trial or by written agreement to which we have consented; and
 - b. it has been determined that the Ultimate Net Loss as a result of the Occurrence in question exceeds the Underlying Limit Retention amount.
7. We have no duty to defend any Insured and we shall not be called upon to assume charge of the investigation, settlement or defense of any suit brought or legal proceedings instituted against any Insured, but we shall have the right and be given the opportunity to be associated at our own expense with the Insured or the Insured's underlying insurers, or both, in the defense and control of Claims, or the trial of any suits or other legal proceedings, relative to any Occurrence that, in our opinion, may create liability for us under the terms of this Policy, in which event the Insured shall fully cooperate with us in the defense of that Claim.
8. The Insureds shall immediately notify us of any settlement demand, and no settlement offer shall be made or settlement agreed to by an Insured without our prior consent (which we will not unreasonably withhold or delay), other than a settlement for which no payment for Damages is sought by the Insureds under this Policy.
9. If the Insureds shall refuse to consent to a reasonable settlement we recommend that is acceptable to the claimant and if the Insureds shall elect thereafter to contest any Claim or continue any legal proceedings in connection with that Claim, then our liability for Damages in respect of that Claim shall not exceed the amount for which it could have been settled including Defense Costs incurred up to the date of such refusal.
10. In the event the Insured or the Insured's underlying insurers elect not to appeal a judgment in excess of the Underlying Limit Retention amount, we may appeal (including disbursements and interest on judgments incidental to the appeal), but in no event shall our liability exceed the Limit of Liability of this Policy including the cost of such appeal.

EXCLUSIONS

11. This Policy does not apply to:
 - a. any obligation for which any Insured or any company as its insurer may be held liable under any workers' compensation, unemployment compensation or disability benefits law or the Longshoremen's and Harbor Workers' Compensation Act, or any similar law;
 - b. **Wrongful Employment Practices;**
 - c. **Personal Injury or Advertising Injury**
 - (1) resulting from an act by or at the direction of any Insured if performed with the knowledge that such act would cause injury; or
 - (2) arising out of the oral or written publication of material
 - (i) first published prior to the beginning of the Policy Period; or
 - (ii) by or at the direction of the Insured with knowledge of its falsity;
 - d. **Advertising Injury** arising out of
 - (1) breach of contract;
 - (2) the failure of goods, products or services to conform to advertised quality or performance; or
 - (3) incorrect description or mistake in advertised price

Exception: Item (1) of this exclusion does not apply to misappropriation of advertising ideas under an implied contract;
 - e. any liability arising out of rendering or failure to render any **Medical Services;**

Exception: This exclusion shall not apply to the liability of the **Educational Organization** and its employed Insureds from Claims first made against any Insured during the **Policy Period** for an **Occurrence** on or after the **Inception Date**

 - (1) arising out of rendering or failure to render any **Medical Services** at
 - (i) a dispensary, clinic, infirmary, student health center, athletic facility, or similar facility maintained by the Included Entity principally for use by the Included Entity's employees or students; or

(ii) other incidental locations that are not medical facilities in the event of a medical emergency; and

(2) against an **Associated Medical Facility** and/or an **Insured** as a result of injury caused by a student intern while participating in any supervised practicum, field work experience, clinical training or internship program in fulfillment of course requirements in an **Allied Health Program**; and

the coverage afforded by this Exception to this Exclusion 11.e. does not extend to liability assumed by any **Insured** in any contract or agreement except for liability that the **Insured** would have in the absence of the contract or agreement;

- f. any **Property Damage** to property owned, occupied or rented by, or within the care, custody or control of, any **Insured**;
- g. (i) any liability related to or arising out of **Sexual Molestation** when known to an **Officer** who did not engage in **Sexual Molestation** but failed to report it to proper authorities when under a legal duty to do so; or, (ii) any person who engaged in **Sexual Molestation**, sexual or physical assault, abuse or corporal punishment or who knew about any of these acts, and to have failed to report it to proper authorities when under a legal duty to do so, however, if a final civil adjudication determines that the person did not engage in or failed to report **Sexual Molestation**, sexual or physical assault, abuse or corporal punishment, we will reimburse **Defense Costs** associated with defense of that person;
- h. any liability arising out of the design, manufacture, assembly, maintenance, sale, service, ownership or operation of any **Watercraft**;

Exception: This exclusion shall not apply to

- (1) non-submersible **Watercraft** up to 50 feet in length;
- (2) rowing or sculling shells regardless of length;
- (3) **Watercraft** listed on Schedule B attached to this Policy;
- (4) **Watercraft** chartered with crew for recreational purposes for a period up to twelve hours on a U.S. Coast Guard-approved and commercially-licensed vessel operated in U.S. waters, but this limited extension of coverage does not apply to any **Claim** relating to liability of others assumed by an **Insured** or any **Claim** by or on behalf of, or against, an owner, operator or crew member of any **Watercraft** or to any relative or estate of such owner, operator or crew member; or
- (5) loading or unloading of any **Watercraft** or **Watercraft** ashore, if at premises owned, leased, or controlled by an **Included Entity**;

- i. any liability arising out of the design, manufacture, assembly, maintenance, sale, service, ownership, lease, use or operation of any aircraft, including any "lighter than air" craft or manned balloon;
Exception: This exclusion does not apply to the use of non-owned regularly-scheduled commercial airlines by an **Insured**, operating within or originating in the United States;
- j. any liability directly or indirectly resulting from war, invasion, hostile action of foreign enemies, civil war, rebellion, revolution, insurrection, military or usurped power; or confiscation, nationalization, requisition, destruction of, or damage to property by or under the order of any government or public or local authority;

Exception: This exclusion shall not apply to any events or conditions occurring in the United States of America, its territories or possessions or Canada;

- k. any liability arising out of, related to, or in any way involving asbestos or lead in any form;
- l. any liability arising out of the actual, alleged or threatened discharge, dispersal, release, seepage, migration, growth or escape of **Pollutants** into or upon land, the interior of buildings, any enclosed space or any other real estate; into the atmosphere, or into any watercourse or body of water, whether above or below ground or otherwise into the environment; or any direction, demand or request, whether governmental or other, that any **Insured** test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**;

Exception: Subject always to the conditions in Paragraph (2) below, we will not apply this exclusion to

- (1) **Bodily Injury** or **Property Damage** to the property of others that is solely the result of:
 - (a) fire that breaks out from where it was intended to be including any consequential smoke damage;
 - (b) collision or overturning of an **Automobile**;
 - (c) explosion or lightning;
 - (d) the accidental upset, dropping, falling, breaking, spilling, splashing or rupture of any above-ground container of **Pollutants**;
 - (e) faulty heating or cooling equipment;

- (f) application of pesticides, herbicides or swimming pool chemicals on or at a premises of an **Included Entity** by its employees who are properly licensed or certified by a federal or state agency to apply those pesticides, herbicides or chemicals; or
 - (g) a single or intermittent above-ground discharge, dispersal, release, or escape of **Pollutants** that commences during the **Policy Period** and ceases within seven (7) days of its commencement;
- (2) The limited coverage provided by the exceptions to this exclusion in Paragraph (1) above is at all times subject to and limited by these conditions:
- (a) the exceptions only apply if the injury or damage is discovered or becomes known to the **Insured** within fourteen (14) days and reported to us in writing within sixty (60) days of the accident, fire, collision or overturning, explosion or lightning, or commencement of any discharge, dispersal, release, seepage, migration, growth or escape of **Pollutants**; and
 - (b) we will not pay any loss, cost or expense of
 - (i) evaluating, testing for, monitoring, cleaning up, removing, controlling, containing, treating, detoxifying and/or neutralizing the discharge, dispersal, release, seepage, migration, growth or escape of any **Pollutant** on property at any time owned, leased or rented by an **Insured** and/or under the control of any **Insured**; or
 - (ii) **Property Damage** to any aquifer or underground watercourse or well, or any **Property Damage** directly or indirectly arising out of underground or underwater operations of any **Insured**; and
 - (c) our liability is limited to that portion of **Damages** directly attributable to or caused by an **Insured's** own negligence and we will not pay or share in any liability of others resulting from **Pollutants** for which an **Insured** is held jointly and/or severally liable (whether under the Comprehensive Environmental Response Compensation & Liability Act or any other statute or any judgment of any court) for **Bodily Injuries** and/or **Property Damages** caused in fact by parties other than an **Insured**; and
 - (d) any discharge, dispersal, release, seepage, migration, growth or escape of **Pollutants** shall be deemed to have "commenced" at the time of the first event in any series, chain or combination of related events resulting in any discharge, dispersal, release, seepage, migration, growth or escape of **Pollutants**, and all subsequent, sequential, contributing or combined discharges, dispersals, releases, seepages, migrations, growths or escapes, no matter when occurring, shall be deemed to have "commenced" at the time of that first event; and
 - (e) the burden of proof that any **Occurrence** meets the conditions of coverage in this Paragraph (2) lies with the **Insureds**;
- m. any liability resulting from the hazardous properties of radioactive or nuclear material (including *source material, special nuclear material and by-product material* as those terms are defined in the Atomic Energy Act of 1954 and amendments thereto);
- Exception:** While in all instances applying to nuclear material (including *source material, special nuclear material and by-product material* as those terms are defined in the Atomic Energy Act of 1954 any amendments thereto), this exclusion shall not apply to any other radioactive material used by an **Included Entity** for medical or research purposes;
- n. any liability arising out of any diminished value or economic utility of the **Included Entity's Products** or work completed by or on behalf of the **Included Entity** if such diminished value or economic utility resulted from the failure of an **Included Entity's Products** or work completed by or on behalf of the **Included Entity** to meet any warranty or representation as to the level of performance, quality, fitness, or durability, or to perform the function or serve the purpose intended; or
- o. except as otherwise provided by endorsement to this Policy, any liability arising out of the administration of any employee benefit plan or any violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act (ERISA) or any similar statute, regulation, ordinance, order or edict of any jurisdiction or political subdivision (whether or not in the United States).

NOTICE OF OCCURRENCE OR CLAIM

12. As a condition precedent to the rights of any **Insured** under this Policy, if a **Claim** reasonably likely to involve this Policy is made against an **Insured** or, except as otherwise provided in Exclusion 11.i.(2)(a), if any employee of the risk management department, or any **Officer** or legal counsel of any **Included Entity** becomes aware of an:

- (a) Occurrence reasonably likely to involve this Policy, or
- (b) regardless of the Insured's opinion of whether this Policy is likely to be involved, an Occurrence or Claim involving any of the following:
 - (1) fatality;
 - (2) major paralytic conditions such as paraplegia and quadriplegia;
 - (3) second or third degree burns to 25% or more of the body;
 - (4) amputation, permanent loss of use or permanent loss of sensation of a major extremity;
 - (5) head or brain injuries resulting in permanent disorientation, behavioral disorders, personality changes, seizures, aphasia or coma;
 - (6) loss of sight in one or both eyes or loss of hearing;
 - (7) injury resulting in incontinence of bowel or bladder;
 - (8) Sexual Molestation, sexual assault or rape;
 - (9) AIDS; or
 - (10) Bodily Injury resulting from Medical Services;

The Insured must:

- (a) notify us as soon as practicable in writing;
- (b) provide particulars sufficient to identify the Insured, person, persons or organizations involved in the Occurrence, and also such reasonably detail information as we may request;
- (c) promptly forward to us any written demand, notice, summons, complaint, or other process of service received by the Insured or its representatives; and
- (d) cooperate with us and with any claims administrator we designate in the investigation, defense or settlement of Claims.

13. Notice to the Company shall be in writing delivered to us at Two Wisconsin Circle, Suite 1040, Chevy Chase, MD 20815-9913, Fax 301-907-0303.

CANCELLATION AND NONRENEWAL

14. The Educational Organization may cancel this Policy for all Insureds by surrendering it to us or by written notice to us by certified mail at the address in Paragraph 13 stating when not less than 10 days thereafter the cancellation shall be effective. We may cancel this Policy by mailing written notice by certified mail to the Educational Organization at the last mailing address known by us stating when not less than 90 days, or not less than 10 days in the event any payment of premium is not made when due and payable, thereafter such cancellation shall be effective.
15. The time of surrender or the effective date and hour of cancellation stated in the notice shall become the end of the Policy Period. If the Educational Organization cancels this Policy, earned premium shall be calculated in accordance with the customary short rate table and procedure. If we cancel, earned premium shall be computed pro-rata. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.
16. If we elect not to renew coverage provided by this Policy at then current standard terms and conditions (a change or increase in premium is not a change of terms and conditions) at the end of the Policy Period, we shall give the Educational Organization written notice at least 90 days before the end of the Policy Period.

GOVERNING LAW AND INTERPRETATION

17. This Policy shall be governed by and construed in accordance with the internal laws of the State of New York, except insofar as such laws may prohibit payment in respect of punitive damages; however, the provisions, stipulations, exclusions and conditions of the Policy are to be construed in an evenhanded fashion between the Insureds and us. Where the language of this Policy is deemed to be ambiguous or otherwise unclear, the issue shall be resolved in the manner most consistent with the relevant provisions, stipulations, exclusions and conditions without regard to authorship of the language and without any presumption or arbitrary interpretation or construction in favor of either the Insureds or us.

ARBITRATION

18. All disputes that may arise between the **Insureds** and us in relation to this Policy, or for its breach, shall be finally settled by arbitration held according to the Commercial Arbitration Rules of the American Arbitration Association, by which the **Insureds** and we agree to be bound. In addition to the Rules governing such arbitration, the parties shall have at their disposal the broadest pre-trial discovery rights as are then available under applicable laws and judicial rules, provided that any disputes between the parties relating to discovery shall be submitted to the arbitration panel for resolution.
19. Unless the parties consent in writing to a lesser number, the arbitration panel shall consist of three (3) arbitrators, the first to be appointed by the **Educational Organization** on behalf of the **Insureds**, the second to be appointed by us, and the third by the two (2) arbitrators so appointed. The legal situs of the arbitration shall be New York, New York; but the arbitration panel may, for the convenience of the parties and subject always to Paragraph 18, meet or take evidence at any place or places.
20. The award of the arbitration panel may be, alternatively or cumulatively, for monetary damages, an order requiring the performance of obligations under this Policy, or any other appropriate order or remedy. The award shall assign all costs of the arbitration to one or both parties. Judgment upon any award rendered in the arbitration may be entered by any Court having proper jurisdiction. For purposes of implementing Paragraphs 18, 19, and 20, including entering judgment upon any award by the arbitration panel, we and the **Insureds** hereby submit themselves to the jurisdiction of the State and Federal District Courts located in the State of New York.

REPRESENTATION

21. Except as respects the giving of notice of **Occurrence** or **Claim** pursuant to Paragraphs 11.I.(2)(a) and 12, by acceptance of this Policy the **Educational Organization** agrees to act on behalf of all **Insureds** with respect to all matters under this Policy, including, without limitation, payment of premium, negotiation of the terms of renewal, resolution of disputes, the giving and receiving of notice of cancellation, and the receiving of any return premiums that may become due.
22. In the event there is a dispute among **Insureds** as to allocation of the proceeds of this Policy among any of them or on their behalf, we may pay such proceeds to the **Educational Organization**, which agrees to accept such proceeds and to assume responsibility for its allocation among the **Insureds** or on their behalf, and we shall be discharged from any further responsibility or liability hereunder or otherwise with respect to such proceeds. The **Insureds** agree that the **Educational Organization** shall so act on their behalf. Notice by certified mail to the **Educational Organization** at the last mailing address known by us shall constitute notice to all **Insureds**.

SUBROGATION

23. In the event of any payment under this Policy, we shall be subrogated to all the **Insureds'** rights of recovery against any person or organization and the **Insureds** shall execute and deliver such instruments and papers and do whatever else is necessary to secure such rights and shall do nothing after an **Occurrence** to prejudice such rights.

ALTERATION AND ASSIGNMENT

24. No change in, modification of, or assignment of interest under this Policy shall be effective except when made by a written endorsement to this Policy that is signed by our authorized representative.

INSPECTION

25. We shall be permitted but we are not obligated to inspect an **Included Entity's** property and operations at any time. Neither our right to make inspections nor the making thereof nor a report thereon shall constitute an undertaking on behalf of or for the benefit of any **Insured** or others to determine or warrant that such property or operations are safe or are in compliance with any law, rule or regulation.

OTHER INSURANCE

26. This Policy shall at all times be excess over the greater of the **Underlying Limit Retention** amount, or the amount of any other insurance (including any insurance naming any Insured as "additional insured") available to the Insured covering an Occurrence covered by this Policy (other than insurance that is expressly and specifically excess of the limits of this Policy or quota-share in the same layer as this Policy), and nothing in this Policy or in any other policy shall be construed to require this Policy to contribute with, or subject this Policy to the terms, conditions or limits of, such other insurance.

BANKRUPTCY

27. Bankruptcy, insolvency, or receivership of the Insured or any insurer, or the Insured's inability to pay any **Underlying Limit Retention** amount, will not relieve us of our obligations under this Policy; however, this Policy shall not drop down as a result of such bankruptcy, insolvency, receivership or inability, or apply as a replacement of any self-insured retention amount or any **Underlying Insurance** and our **Limits of Liability** shall apply only in excess of the required **Underlying Limit Retention** amounts.

OPTIONAL EXTENDED DISCOVERY PERIOD

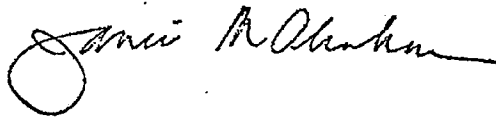
28. If this Policy is canceled or not renewed, the **Educational Organizations** shall have the right to an extension of the coverage granted by the exception to Exclusion 11.e. of this Policy for Claims first made against an Insured and reported to us during the 36-month period after the end of the **Policy Period** but only for an **Occurrence** on or after the **Inception Date** and before the end of the **Policy Period** ("Extended Discovery Period").

The right to an endorsement providing an Extended Discovery Period must be exercised by notice to us in writing and by payment of such additional premium as we may require (not to exceed 25% of the annual premium for this Policy) and be received by us within 30 days following the end of the **Policy Period**. The additional premium will be considered fully earned on the first day of the Extended Discovery Period.

HEADINGS

29. The descriptions in the headings and subheadings of this Policy are inserted solely for convenience and do not constitute any part of the terms or conditions of this Policy.

IN WITNESS WHEREOF, United Educators Insurance, a Reciprocal Risk Retention Group has caused this Policy to be signed by its President.



President

SCHEDULE A

INCLUDED ENTITIES
Subsidiary and Affiliated Entities of the Educational Organization

Duke University Health System, Inc.

dba Duke University Hospital

dba Durham Regional Hospital

dba Lenox Baker Children's Hospital

dba Duke Health Raleigh Hospital (formerly known as Raleigh Community Hospital)

Associated Health Services, Inc.

dba James E. Davis Ambulatory Surgical Center

Duke PRMO, LLC.

Duke University Affiliated Physicians, Inc.

Duke Health Community Care, Inc. (formerly Durham Therapies, Inc.)

dba Duke Community Infusion Services

dba Duke Community Hospice Services formerly Triangle Hospice

dba Triangle Hopice

dba Duke Community Home Health Services

United Methodist Retirement Services, Inc. (dissolved 12-20-02)

Duke Hospital Auxilliary, Inc.

Duke Management Company

Duke University Special Ventures Fund, Inc.

Duke Venture Support Fund, Inc.

Durham Asset Management Company, Inc.

Durham Realty, Inc.

Gothic Corporation

High Point Realty Association, Inc.

The American Association of Gifted Children
The Center for Documentary Studies
Duke Scholarly Exhibits, Inc. (formerly The Children's Campus, Inc.)
The FSB Support Fund
The Jewish Center Support Fund of Duke University (dissolved 6-26-03)
The Leadership Initiative (dissolved 6-11-02)
The Lord Foundation of North Carolina
The Private Adjudication Center
The Ruth. K Broad Biomedical Research Foundation, Inc.
The Duke University School of Medicine Research Foundation, Inc.
Washington Duke Inn, LLC
Duke Gift Properties, Inc.
Duke University Philanthropies, Inc
Duke Medical Strategies
DCE, Inc. dba Duke CE

SURPLUS ALLOCATION / PAID-IN SURPLUS NOTICE

As owners of United Educators Insurance, a Reciprocal Risk Retention Group (UE), new and renewing UE policyholders are required to make a "Surplus Allocation." Under UE's Rules and Regulations and its Standards and Formulas for Allocations to Subscribers and Other Distributions ("Standards and Formulas"), this "Surplus Allocation" or "Paid-In Surplus" is put into the policyholder's "Paid-In Surplus Account (PSA)." For renewing policyholders, the Surplus Allocation amount is based on the expiring premium. For new policyholders, it is based on the current year premium.

Each policyholder will receive a priority allocation to its Subscriber Savings Account (SSA) based on the balance in its PSA in accordance with UE's Standards and Formulas. Under certain circumstances, these allocations may be distributed to policyholders in the form of dividends. Withdrawing policyholders will be paid the balance in their SSA in accordance with the Standards and Formulas, which currently require repayment no later than six years after the end of the fiscal year in which the policyholder withdraws. Although there is no legal requirement to return the PSA balances at any specific time, it is UE's current intent to return PSA balances to withdrawing policyholders at the same time it returns their SSA balances, subject to capital adequacy requirements and regulatory approval.

For a complete explanation of the operation of policyholder PSA and SSA accounts, please review UE's Rules and Regulations and Standards and Formulas, which are available in the "Members Only" section of UE's website.


Authorized Representative

TERRORISM RISK INSURANCE ACT OF 2002—DISCLOSURE STATEMENT AND LIMITED TERRORISM EXCLUSION

In consideration of the premium charged, we agree with the **Educational Organization** that

1. The following disclosure statements apply to this Policy:
 - Effective November 26, 2002, the Terrorism Risk Insurance Act of 2002 allows for any covered losses caused by certified "acts of terrorism" to be partially reimbursed by the United States government under a formula established by federal law. Under this formula, the United States government pays 90% of covered terrorism losses exceeding a statutorily established deductible paid by the Company.
 - Certified "acts of terrorism" as defined in Section 102(1) of the Act mean any acts 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; i.e. to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States mission; and to have been 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.
2. However, because the **Educational Organization** has elected not to pay a \$34,015 additional premium charge for domestic terrorism coverage, the following exclusion shall apply to this Policy:

This Policy shall not apply to any liability related to or arising out of the use or threat of force, violence, or other acts by any person or group committed for political, religious, ideological or similar purposes directed against any event related to an **Educational Organization's** participation in NCAA 1A football.

All other Policy provisions remain the same.


Authorized Representative

Duke University
GLX200600044000

Effective: 1/1/2006

ADDITIONAL INSURED

In consideration of the premium charged, **we** agree with the **Educational Organization** that, subject always to all other provisions of this Policy,

Carol Marsh Krzyzewski

is an additional **Insured** but only with respect to **Occurrences** arising out of operations and functions for on or behalf of an **Included Entity**.

All other Policy provisions remain the same.


Authorized Representative

GLX0081 - 1

7/1/2004

United Educators Insurance, a Reciprocal Risk Retention Group

ADDITIONAL INSURED

In consideration of the premium charged, we agree with the **Educational Organization** that, subject always to all other provisions of this Policy,

Deblin, Inc.

is an additional **Insured** but only with respect to **Occurrences** arising out of operations and functions for on or behalf of an **Included Entity**.

All other Policy provisions remain the same.


Authorized Representative

Duke University
GLX200600044000

Effective: 1/1/2006

ADDITIONAL INSURED

In consideration of the premium charged, we agree with the **Educational Organization** that, subject always to all other provisions of this Policy,

Michael W. Krzyzewski

is an additional **Insured** but only with respect to **Occurrences** arising out of operations and functions for on or behalf of an **Included Entity**.

All other Policy provisions remain the same.


Authorized Representative

GLX008I - 3

7/1/2004

United Educators Insurance, a Reciprocal Risk Retention Group

ADDITIONAL INSURED

In consideration of the premium charged, **we** agree with the **Educational Organization** that, subject always to all other provisions of this Policy,

Duke University Alumni Association

is an additional **Insured** but only with respect to **Occurrences** arising out of operations and functions for on or behalf of an **Included Entity**.

All other Policy provisions remain the same.


Authorized Representative

ADDITIONAL INSURED ENTITY

In consideration of the premium charged, we agree with the **Educational Organization** that subject to all other provisions of this Policy:

1. Duke - GMC, LLC (Granville Medical Center) is an additional **Insured** entity to which this Policy applies; however, no individual person is an **Insured** with respect to that entity or organization other than a person who qualifies as such under subparagraphs b. and c. of the definition of **Insured**.
2. This extension of coverage does not apply to any **Claim** by or on behalf of that entity or organization or by any entity or organization that is a participating member of, joint venturer with, or participant or partner in, that entity or organization.

All other Policy provisions remain the same.


Authorized Representative

**AGGREGATE LIMIT EXHAUSTION ENDORSEMENT
(Primary Self-Insurance)**

In consideration of the premium charged, we agree with the Educational Organization that:

- a. Notwithstanding the definition of **Underlying Limit Retention** of this Policy, and subject always to all other provisions of this Policy, in the event that the Aggregate Limit of Underlying Primary Self-Insurance listed below in Item b. of this endorsement is reduced below the **Underlying Limit Retention** amount applicable to each **Occurrence** as specified in Item 2(c) of the Declarations of this Policy solely by reason of payment of **Damages**, we will pay that portion of **Ultimate Net Loss** in excess of the greater of:

(1) the reduced Annual Aggregate Limit of such Underlying Primary Self-Insurance or

(2) \$50,000 each **Occurrence**

and then up to the **Limit of Liability** of this Policy for **Damages** resulting from an **Occurrence** during the **Policy Period**.

- b. Annual Aggregate Limit of Underlying Primary Self-Insurance: \$5,000,000

- c. Nothing in this Endorsement shall be construed to make this Policy subject to any provisions of the Underlying Primary Self-Insurance or to increase the **Limit of Liability** of this Policy.

All other Policy provisions remain the same.


Authorized Representative

AMENDED UNDERLYING LIMIT RETENTION AMOUNT

In consideration of the premium charged, we agree with the **Educational Organization** that, subject always to all other provisions of this Policy, the **Underlying Limit Retention** amount stated in Item 2.(c) of Declarations is amended to read:

- (i) \$51,000,000 for **Occurrences** arising out of or related to activities caused by or on behalf of the following entity:

Wellpath, Inc.
Health Systems Medical Strategies, Inc.

and

- (ii) \$2,000,000 with respect to all other **Occurrences**.

All other Policy provisions remain the same.


Authorized Representative

AMENDED UNDERLYING LIMIT RETENTION AMOUNT

In consideration of the premium charged, we agree with the **Educational Organization** that, subject always to all other provisions of this Policy, the **Underlying Limit Retention** amount stated in Item 2.(c) of Declarations is amended to read:

- (i) \$26,000,000 for **Occurrences** arising out of or related to activities caused by or on behalf of the following entity:

Applied Clinical Concepts, Inc. (ACCI)

and

- (ii) \$2,000,000 with respect to all other **Occurrences**.

All other Policy provisions remain the same.


Authorized Representative

Duke University
GLX200600044000 -

Effective: 1/1/2006

MEDICAL PRODUCTS EXCLUSION

In consideration of the premium charged, we agree with the **Educational Organization** that this Policy does not apply to any liability related to or arising out of **Medical Products**.

For the purpose of this Endorsement, **Medical Products** means any goods or products manufactured, sold, tested, handled, or distributed by an **Included Entity** or others trading under its name or materials that were the subject of complete or abandoned operations of the **Included Entity** which are used in the rendering of **Medical Services**.

All other Policy provisions remain the same.


Authorized Representative

GLX160X

7/1/2004

United Educators Insurance, a Reciprocal Risk Retention Group

FIRE LEGAL LIABILITY

In consideration of the premium charged, we agree with the **Educational Organization** that:

1. Exclusion 11.f. does not apply to **Damages** arising out of **Property Damage** that is caused by fire to **Real Property** and that results from a covered **Occurrence**.
2. **Our liability for Damages** for each **Occurrence** covered by this endorsement is limited to \$5,000,000 which amount is part of and not in addition to the **Limit of Liability**.
3. For the purposes of this endorsement, **Real Property** means only those portions of the buildings (including improvements) that are occupied by the **Educational Organization** and located at the following address:

First Union Tower, 2200 West Main, Durham, N.C.

All other Policy provisions remain the same.


Authorized Representative

FIRE LEGAL LIABILITY

In consideration of the premium charged, we agree with the **Educational Organization** that:

1. Exclusion 11.f. does not apply to **Damages** arising out of **Property Damage** that is caused by fire to **Real Property** and that results from a covered **Occurrence**.
2. Our liability for **Damages** for each **Occurrence** covered by this endorsement is limited to \$5,000,000 which amount is part of and not in addition to the **Limit of Liability**.
3. For the purposes of this endorsement, **Real Property** means only those portions of the buildings (including improvements) that are occupied by the **Educational Organization** and located at the following address:

University Tower, 3101 Petty Road, Durham, N.C.

All other Policy provisions remain the same.


Authorized Representative

PROPERTY DAMAGE TO NON-OWNED AUTOMOBILES

In consideration of the premium charged we agree with the Educational Organization that:

1. Exclusion 11.f. does not apply to **Property Damage to Automobiles** that are not owned by an **Insured** but are left in an **Insured's** custody for attending, parking or storing.
2. Our liability for **Damages** for each **Occurrence** covered by this endorsement is limited to \$1,000,000, which amount is part of and not in addition to the **Limit of Liability** of this Policy.

All other Policy provisions remain the same.


Authorized Representative

Duke University
GLX200600044000

Effective: 1/1/2006

PATIENT EXCLUSION

In consideration of the premium charged, **we** agree with the **Educational Organization** that this Policy does not apply to any liability related to or arising out of **Patients**; however, this exclusion shall not apply to the Exception provided by Paragraph 11.e. of this Policy.

For the purpose of this Endorsement, **Patients** means any person receiving **Medical Services** or related services from any **Insured**, whether before, during or after registration for such services.

All other Policy provisions remain the same.


Authorized Representative

GLX303E

7/1/2004

United Educators Insurance, a Reciprocal Risk Retention Group