

PARTICIPATION NUMBER: 71A7000001-071

RENEWAL OF: 71A7000001-061

MASTER POLICY NUMBER: 71P2000004-071

71P2000004-061

**ITEM 1.
Participating
Named
Insured**
Address
(Street, Town,
State)

**Authority for California Cities
Excess Liability (ACCEL)**

c/o Driver Alliant Insurance Services
1010 Second Avenue, # 300
San Diego, CA 92101

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

Managing Underwriter:
C.V. Starr & Company

**PARTICIPATION ENDORSEMENT
ALLIANT NATIONAL MUNICIPAL LIABILITY PROGRAM (ANIMAL)**

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

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| ITEM 2. | <p>POLICY PERIOD FROM: July 1, 2007 TO: July 1, 2008 AT 12:01 A.M. STANDARD TIME AT THE ADDRESS OF THE "PARTICIPATING NAMED INSURED" SHOWN ABOVE.</p> |
| 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> <p>1. Aggregate Limits Limits of Liability</p> <p style="padding-left: 40px;"><u>\$10,000,000</u> "Completed Operations Hazard" Aggregate</p> <p>2. Per Occurrence</p> <p style="padding-left: 40px;"><u>\$10,000,000</u> Any one "Occurrence" for "Bodily Injury", "Property Damage", "Public Officials Errors And Omissions", "Unfair Employment Practices", Or "Personal Injury" Or Any Combination Thereof</p> <p>B. Retained Limit</p> <p style="padding-left: 40px;"><u>\$5,000,000</u> Any One "Occurrence" For "Bodily Injury", "Property Damage", "Public Officials Errors And Omissions", "Unfair Employment Practices", Or "Personal Injury" Or Any Combination Thereof</p> |

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|------------------------|---|------------------|
| ITEM 4. | ENDORSEMENTS APPLICABLE TO THIS POLICY ON THE ORIGINAL DATE OF ISSUE: | |
| | <u>Title</u> | <u>Number</u> |
| | Cap On Losses From Certified Acts of Terrorism | CU 21 30 11 02 |
| | Conditional Exclusion of Terrorism (Relating to Federal Disposition of Terrorism) | EUM 21 796 01 07 |
| | Policy Changes – Named Insured Schedule | CU 22 40 12 04 |
| | Policy Changes – Amendatory Endorsement | CU 22 40 12 04 |
| | Policy Changes – Limits of Liability | CU 22 40 12 04 |
| | Policy Changes – 2006 Amendatory Endorsement | CU 22 40 12 04 |
| Company Signature Page | EIL 00 515 03 07 | |

| | | | |
|---|--|------------------------|-------------------------------|
| ITEM 5. | PREMIUM, MINIMUM PREMIUM AND MINIMUM EARNED PREMIUM | | |
| | <u>POLICY PREMIUM</u> | <u>MINIMUM PREMIUM</u> | <u>MINIMUM EARNED PREMIUM</u> |
| | \$1,237,770 | \$1,237,770 | \$309,443 |
| Total Premium Including Terrorism Coverage Premium: \$1,237,770 | | | |
| Premium for Terrorism Coverage: \$24,270 | | | |

| | | | | |
|----------------|---|---|---|-------------------|
| ITEM 6. | A. NOTICE OF CLAIM OR SUIT REPORTING LOCATION: | | B. RETAINED LIMIT CLAIMS SERVICING ORGANIZATION: | |
| | Name: | Everest National Insurance Company 477 Martinsville Road | Name: | Self Administered |
| | Address: | P.O. Box 830 Liberty Corner, NJ 07938-0830 | Address: | |
| | Phone Number: | 1-800-438-4375 | Phone Number: | |

This "Participation Endorsement" and any endorsement(s) or attached Schedule (if applicable), in conjunction the Declarations and Policy form issued for the **ALLIANT NATIONAL MUNICIPAL LIABILITY PROGRAM (ANIMAL)** 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)

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|--|
| AmWins Insurance Brokerage of CA 19867 Prairie Street, Suite 250 Chatsworth, CA 91311-6530 |
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Date of Issue: October 9, 2007 **Countersigned By:** _____
Authorized Representative

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 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: July 1, 2007 | |
| Change Endorsement No.: N/A | |
| Participating Named Insured: Authority for California Cities Excess Liability (ACCEL) | |
| The following item(s): | |
| <input checked="" 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 |
| \$ | \$ |
| Endorsement Effective: July 1, 2007 Named Insured: Authority for California Cities Excess Liability (ACCEL) | Countersigned By:  (Authorized Representative) |

| |
|---|
| POLICY CHANGES ENDORSEMENT DESCRIPTION |
|---|

NAMED INSURED SCHEDULE

Item 1. Participating Named Insured, as shown on the Participation Endorsement , is completed to read as follows:

Authority for California Cities (Excess Liability) ACCEL and the following member cities:


1. Anaheim
2. Bakersfield
3. Burbank
4. Modesto
5. Monterey
6. Mountain View
7. Ontario
8. Palo Alto
9. Santa Barbara
10. Santa Cruz
11. Santa Monica
12. Visalia

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

POLICY CHANGES

This endorsement modifies insurance provided under the following:

PUBLIC ENTITIES EXCESS LIABILITY

| | |
|---|--|
| Effective Date of Change: July 1, 2007 | |
| Change Endorsement No.: N/A | |
| Named Insured: Authority for California Cities Excess Liability (ACCEL) | |
| 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 checked="" 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 |
| \$ | \$ |
| Endorsement Effective: July 1, 2007 | Countersigned By: |
| Named Insured: Authority for California Cities Excess Liability (ACCEL) |  |
| | (Authorized Representative) |

POLICY CHANGES ENDORSEMENT DESCRIPTION

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided under the following:

SPECIAL EXCESS LIABILITY POLICY FORM FOR PARTICIPANTS OF THE ALLIANT NATIONAL MUNICIPAL LIABILITY PROGRAM

A. Exclusion **9.** in Paragraph **D. EXCLUSIONS** of **SECTION I. COVERAGES** is replaced by the following:

- 9. a.** For “bodily injury” or “property damage” due to an “occurrence” which would not have occurred in whole or in part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of “pollutants” at any time,
- b.** For any loss, cost, or expense arising out of any:
- 1)** Request, demand or order 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 arising from any spill, release, or other hazardous condition at or from the premises, equipment, or location(s) which the “insured” does not own, rent, control or occupy.

However, this exclusion shall not apply to the following:

- i.** Any liability arising out of “bodily injury” or “property damage” due to an “occurrence” by the “insured” arising out of heat, smoke, or fumes from a “hostile fire”;
- 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 out of weed abatement or spraying; or
- v.** Any liability arising out of the “completed operations hazard”.

All “bodily injury” or “property damage” due to an “occurrence” arising from **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”. 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 one hundred sixty-eight (168) hour period.

POLICY CHANGES ENDORSEMENT DESCRIPTION

Regardless of whether any "suit" or "claim" against the "insured" has been made, the "insured" shall give written notice to the company or any of the company's authorized brokers within forty (40) calendar days of the risk manager's or designated department head's recorded entry or such discharge, dispersal, release or escape of "pollutants" which may result in liability for "bodily injury" or "property damage" due to an "occurrence" as described in **i., ii., iii., iv., or v.** above.

B. Exclusion **12.** of Paragraph **D. EXCLUSIONS** of **SECTION I. COVERAGES** is replaced by the following:

- 12.** To liability arising out of any transit authority, transit system or public transportation system owned or operated by any "insured". This exclusion shall not apply to:
- a. Transit or public transportation systems operating over non-fixed routes such as dial-a-ride, senior citizen transportation, or handicapped persons transportation;
 - b. Contingent liability coverage where such services are contracted; or
 - c. The Santa Monica Big Blue Bus Line.

C. Exclusion **18.** in Paragraph **D. EXCLUSIONS** of **SECTION I. COVERAGES** is replaced by the following:

- 18.** 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 "dams". However, this exclusion does not apply to liabilities with respect to the Walnut Canyon Dam.

D. The definition of "dam" in **SECTION V. DEFINITIONS** is replaced by the following:

- G.** "Dam" means any artificial barrier, together with appurtenant works, which does or may impound or divert water and which either (A) is twenty five (25) feet or more in height from the natural bed of the stream or watercourse at the downstream tow of the barrier, if it is not across a stream channel or 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 six (6) 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".


E. For the purpose of the endorsement, the following definition is added:

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

**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: July 1, 2007 | |
| Change Endorsement No.: N/A | |
| Participating Named Insured: Authority for California Cities Excess Liability (ACCEL) | |
| 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 checked="" 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 |
| \$ | \$ |
| Endorsement Effective: July 1, 2007 | Countersigned By: |
| Named Insured: Authority for California Cities Excess Liability (ACCEL) |  (Authorized Representative) |

POLICY CHANGES ENDORSEMENT DESCRIPTION

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

SPECIAL EXCESS LIABILITY POLICY FORM FOR PARTICIPANTS OF THE ALLIANT NATIONAL MUNICIPAL LIABILITY PROGRAM

- A. Paragraph 5. of Section III. INSURED’S RETAINED LIMIT(S) – THE COMPANY’S LIMIT OF LIABILITY** is replaced by the following:
- 5.** In the event that there are multiple “municipalities” as “participating named insureds” shown on the respective participation endorsements under this policy, the “company’s” each “occurrence” limit of liability and the “insured’s” “retained limit” under this policy shall apply separately to each “municipality”.
- B. Paragraph 6. is added to Section III. INSURED’S RETAINED LIMIT(S) – THE COMPANY’S LIMIT OF LIABILITY:**
- 6.** In the event that a “joint powers authority(ies)” is a “participating named insured” shown on the respective participation endorsements under this policy, the “company’s” each “occurrence” limit of liability and the “insured’s” “retained limit” under this policy shall apply separately to each member of the “joint power authority(ies)” that is a “municipality”.

POLICY NUMBER: 71A7000001-071

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: July 1, 2007 | |
| Change Endorsement No.: N/A | |
| Participating Named Insured: Authority for California Cities Excess Liability (ACCEL) | |
| 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 checked="" 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 |
| | | \$ | \$ |

Endorsement Effective: July 1, 2007

Countersigned By:

Named Insured: Authority for California Cities Excess Liability (ACCEL)



(Authorized Representative)

POLICY CHANGES ENDORSEMENT DESCRIPTION

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

SPECIAL EXCESS LIABILITY POLICY FORM FOR PARTICIPANTS OF THE ALLIANT NATIONAL MUNICIPAL LIABILITY PROGRAM

A. Paragraphs **7.**, **8.** **9.** and **13.** of **SECTION D. EXCLUSIONS** are replaced by the following:

As respect to the "ultimate net loss", this policy does not apply:

- 7.** To "property damage" to (1) property owned by any "insured", or (2) "aircraft" in the care, custody or control of any "insured" including aircraft of which you are exercising physical control;
- 8.** As respect to liability assumed by the "participating named insured" under any contract:
 - a.** To any "claim", judgment or agreement from any arbitration proceeding wherein the "company" is not entitled to exercise with the "insured", the "insured's" rights in the choice of arbitrators, and in the conduct of such proceedings.
 - b.** For any obligation to defend or indemnify an architect, engineer or surveyor, arising out of:
 - 1)** Preparing, approving, or failing to prepare or approve maps, plans, shop drawings, opinions, reports, tests, surveys, field orders, change orders, or drawings and specifications; or
 - 2)** Giving or the failure to give directions or instructions, if that is the primary cause of "bodily injury" or "property damage";
- 9.** To liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of "pollutants" anywhere in the world;
 - a.** To "ultimate net loss" arising out of any governmental direction or request that any "insured" or any other person or organization test for, monitor, clean-up, remove, contain, treat, detoxify, neutralize, or in any way respond to or assess the effects of "pollutants"; or
 - b.** To "ultimate net loss", including, but not limited to, costs of investigation or attorneys' fees, incurred by a governmental unit or any other person or organization to test for, monitor, clean-up, remove, contain, treat, detoxify, neutralize, or in any way respond to "pollutants".

However, this exclusion does not apply to liability arising out of:

- 1)** Water, whether recycled, reconditioned or reclaimed;
- 2)** Any discharge, dispersal, seepage, migration, release or escape directly or indirectly caused by fire, explosion, lightning, windstorm, vandalism or malicious mischief, riot and civil commotion, flood, collision, or upset of a motor vehicle, railroad vehicle, mobile equipment, automatic sprinkler leakage or "aircraft";

- 3) Any liability arising out of police use of mace, oleoresin capsicum (o.c.), pepper gas or tear gas;
- 4) Any liability arising from weed abatement or spraying;
- 5) The “products hazard” or the “completed operations hazard”; or
- 6) Any discharge, dispersal, seepage, migration, release or escape of “pollutants” that meets all of the following conditions:
 - a) It was accidental and neither expected nor intended by any “insured”. This condition would not serve to deny coverage for a specific incident where such discharge, dispersal, seepage, migration, release or escape of “pollutants” was a result of an attempt by any “insured” to mitigate or avoid a situation where substantial third party “bodily injury”, “property damage” or “personal injury” could occur; and
 - b) It was demonstrated as having commenced on a specific date during the “policy period”; and
 - c) Its commencement became known to any “insured” within seven (7) calendar days and was further reported to the person responsible for risk management at the “participating named insured” within a reasonable time frame; and
 - d) Its commencement was reported in writing to the “company” within forty (40) calendar days of becoming known to the person responsible for risk management at the “participating named insured”; and
 - e) Reasonable effort was expended by the “insured” to terminate the situation as soon as conditions permitted.

However, nothing contained in this provision 6, shall operate to provide any coverage with respect to:

- i) Any site or location principally used by any “insured”, or by others on the “insured’s” behalf, for the handling, storage, disposal, dumping, processing or treatment of waste material;
- ii) Any fines or penalties;
- iii) Any clean up costs ordered by the superfund program, or any federal, state or local governmental authority. However, this paragraph shall not serve to deny coverage for third party clean up costs otherwise covered by this exception to this exclusion simply because of the involvement of a governmental authority;
- iv) Acid rain;
- v) Clean up, removal, containment, treatment, detoxification or neutralization of “pollutants” situated on premises the “insured” owns, rents or occupies at the time of the actual discharge, dispersal, seepage, migration, release or escape of said “pollutants”; or
- vi) Water pollution caused by oil or its derivatives.

13. Liability arising out of the operation of any hospital, clinic, or health care facility, owned or operated by any "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:

- (1) Ambulance operations, occupational physical examinations, non-clinic nursing services or services of the "insured's" employees who are nurses, paramedics, emergency medical technicians, speech therapists, speech pathologists, nutritionists, psychologists, audiologists, or physical therapists;
- (2) "Unfair employment practices" liability;
- (3) First aid to any person;
- (4) Any nursing services clinic that does not perform invasive surgery of any kind; or
- (5) Operations performed by coroners;

B. Exclusion 2. in **SECTION D. EXCLUSIONS** does not apply.

C. SECTION V. DEFINITIONS is revised to replace the following definitions:

H. "Damage"(s) means monetary compensation resulting from:

1. "Bodily injury";
2. "Property damage";
3. "Public officials errors and omissions",
4. "Unfair employment practices"; or
5. "Personal injury".

"Damages" includes third-party attorney fees and costs awarded against an insured in a judgment authorized by law or settlement.

N. "Joint powers authority(ies)" includes an inter-local agency or similar authority within a jurisdiction and 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.

