

CONTINENTAL CASUALTY COMPANY
(A stock insurance company, hereinafter called the "Company")

Administrative Office:
P.O. Box 6709
Louisville, Kentucky 40206-0709
(502) 897-1876
(800) 637-7319

**REAL ESTATE LICENSEES ERRORS AND OMISSIONS
DECLARATIONS**

THIS IS A CLAIMS-MADE POLICY. PLEASE READ THIS POLICY CAREFULLY.

NOTICE: THIS IS A CLAIMS-MADE POLICY. EXCEPT AS MAY BE OTHERWISE PROVIDED HEREIN THIS COVERAGE IS LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS WHICH ARE FIRST MADE AGAINST THE INSURED AND REPORTED TO THE COMPANY WHILE THE POLICY IS IN FORCE.

Policy Number: 11 EO 0020KY

ITEM 1. POLICYHOLDER: The Kentucky Real Estate Commission on behalf of its **Licensees** who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium 10200 Linn Station Rd., Louisville, KY 40223

ITEM 2. GROUP POLICY PERIOD: From April 1, 2011 to April 1, 2012
(12:01 A.M. Standard Time at the Address stated in Item 1)

ITEM 3. LIMITS OF LIABILITY
(a) \$100,000 per **Licensee** per **Claim**
(b) \$1,000,000 Aggregate per **Licensee**

ITEM 4. DEDUCTIBLES

DAMAGES \$ - 0 - each **Claim**
CLAIM EXPENSES \$ - 0 - each **Claim**

ITEM 5. PREMIUM \$107 per **Licensee** (annual premium) plus taxes and surcharge

ITEM 6. RETROACTIVE DATE As determined for each **Insured** according to the policy

This insurance does not apply to any claim or claims made against the **Insured** based upon, arising out of, or attributable to any negligent act, error, or omission committed or alleged to have been committed prior to the **Retroactive Date** listed above.

ITEM 7. OPTIONAL EXTENDED REPORTING ADDITIONAL PREMIUM: One Year is 100% expiring annual premium (\$107.00 plus any applicable endorsement premium); Two Years is 150% expiring annual premium (\$160.50 plus any applicable endorsement premium); Three Years is 200% expiring annual premium (\$214.00 plus any applicable endorsement premium)

The Declarations and the forms listed and attached hereto, together with the completed and signed application shall constitute the contract between the **Insured** and the Company.



Authorized Representative

4/1/2011

Date

REAL ESTATE LICENSEES ERRORS AND OMISSIONS POLICY

NOTICE

THIS INSURANCE IS WRITTEN ON A CLAIMS-MADE AND REPORTED BASIS. EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, COVERAGE UNDER THIS MASTER POLICY IS LIMITED TO LIABILITY ONLY FOR THOSE **CLAIMS** THAT ARE FIRST MADE AGAINST THE **INSURED** AND REPORTED TO THE COMPANY DURING THE **INDIVIDUAL POLICY PERIOD** OR ANY APPLICABLE EXTENDED REPORTING PERIOD. NO COVERAGE EXISTS FOR **CLAIMS** FIRST MADE AGAINST THE **INSURED** BEFORE THE BEGINNING OR AFTER THE END OF THE **INDIVIDUAL POLICY PERIOD**. PLEASE REVIEW THIS MASTER POLICY CAREFULLY AND DISCUSS THIS COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

INSURING AGREEMENT

I. COVERAGE

The Company will pay on behalf of the **Insured Damages** for those sums in excess of the Deductible which the **Insured** shall become legally obligated to pay by reason of any negligent act, error or omission arising out of **Professional Services**, so long as the **Claim** is first made against the **Insured** during the **Individual Policy Period** and reported to the Company in writing during the **Individual Policy Period**, unless an Extended Reporting Period applies provided that:

- A. such negligent act, error or omission was committed or alleged to have been committed, in whole or in part, subsequent to the **Retroactive Date**; and
- B. prior to the date an Insured first becomes an Insured under this policy or became an Insured under the first policy issued by the Company (or its subsidiary or affiliated insurers) to the Kentucky Real Estate Commission on behalf of its licensees, whichever is earlier, of which this Policy is a renewal or replacement, no **Insured** had a basis to believe that any such negligent act, error or omission, or **Related Negligent Act, Error or Omission** might reasonably be expected to be the basis of a **Claim** against the **Insured**.

The Company has the right and duty to defend the **Insured** against any **Claim** seeking **Damages** covered by this policy. The Company has the right to select counsel, to make investigation of the circumstances of the **Claim** and to make payments of judgments or settlements and **Claim Expenses** as the Company deems necessary. In the event a **Claim** is subject to arbitration or mediation, the Company is entitled to exercise all of the rights of the **Insured** in the choice of arbitrators or mediators and in the conduct of any arbitration or mediation proceeding. The Company has no duty to defend any **Claim** not covered by this policy.

The Company will not settle any **Claim** without the consent of the **Insured**, which consent shall not be unreasonably withheld. If the Company recommends a settlement to the **Insured** which is agreeable to the claimant and the **Insured** does not agree to settle, the Company's Limits of Liability are reduced to the total amount for which the **Claim** could have been settled. The maximum amount the Company will pay in the event of any later settlement or judgment is the amount for which the **Claim** could have been settled plus the amount of **Claim Expenses** incurred up to the time the Company made the recommendation.

II. LIMITS OF LIABILITY

The Declarations sets forth the Company's Limits of Liability for the **Licensee**. The Limits of Liability are excess of the Deductible. All other persons or organizations included under the definition of **Insured** share such Limits of Liability with the **Licensee**. The Limits of Liability apply regardless of the number of **Claims** made or the number of persons or organizations making **Claims** against the **Insured**. If **Related Claims** are subsequently made against the **Insured** and reported to the Company during this group policy or any renewal of this group policy, all such **Related Claims**, whenever made shall be considered a single **Claim** first made and reported to the Company within the **Individual Policy**

Period in which the earliest of the **Related Claims** was first made and reported to the Company.

- A. Subject to paragraph B and C below, the Company's Limits of Liability for **Damages** for each **Claim** shall not exceed the amount stated in Item 3 (a) of the Declarations.
- B. If a **Claim** involves coverage issued to two or more **Licensees**, the amount paid by the Company on behalf of all **Insureds** under each **Licensees'** coverage, shall be prorated in relationship to the amount awarded against each such **Insured**, but in no event shall that amount paid by the Company for all **Insureds** under each **Licensees'** coverage exceed the per **Licensee** Limits of Liability shown on the Declarations.
- C. The Aggregate Limit under Item 3(b) of the Declarations is the maximum the Company will pay for all **Claims** made during the **Individual Policy Period** and any Extended Reporting Period.
- D. Limits of Liability are not renewed or increased by virtue of the operation of the Automatic or Optional Extended Reporting Period.
- E. In addition to the Limits of Liability, the Company will pay **Claim Expenses** in connection with covered **Claims**. **Claim Expenses** are in addition to the Limits of Liability. The Company's payment of the Limits of Liability ends the Company's duties to defend, pay **Damages** and pay **Claim Expenses**.

III. DEDUCTIBLE

The **Insured** shall pay the **Damages** Deductible and the **Claim Expenses** Deductible, as stated in Item 4 of the Declarations for each **Claim**. The **Damages** Deductible shall apply to the payment of **Damages**. The Company's obligation to pay **Damages** begins only after the **Insured** has paid the **Damages** Deductible. The **Claim Expenses** Deductible shall apply to the payment of **Claim Expenses**. The Company is obligated for **Claim Expenses** in excess of the **Claim Expenses** Deductible. The Company may pay any part or all of the **Damages** Deductible or **Claim Expenses** Deductible to settle, defend or investigate a **Claim**. The **Insured** must promptly reimburse the Company any amount of the **Damages** Deductible or **Claim Expenses** Deductible paid by the Company. In the event the **Insured** does not reimburse the Company within sixty (60) days, the Company will be entitled to recover reasonable costs and attorney fees incurred in collecting such reimbursement.

If a **Claim** involves two or more **Insureds** who are affiliated with the same **Real Estate Firm**, only one **Damages** Deductible and one **Claim Expenses** Deductible will apply. The **Damages** Deductible and the **Claim Expenses** Deductible are the joint and several liability of all **Insureds** who are affiliated with the same **Real Estate Firm** involved in such **Claim**, but collection and payment of the **Damages** Deductible and the **Claim Expenses** Deductible will be the responsibility of the principal broker of the **Real Estate Firm**.

IV. SUPPLEMENTARY PAYMENTS

In addition to the Limits of Liability, the Company will pay the following:

- A. Premiums on appeal bonds and bonds to release attachments. Premiums are limited to bonds no larger than the Company's remaining Limits of Liability. Obtaining the bond is not the Company's obligation.
- B. \$250 for each day the **Insured** attends a trial or hearing in a civil lawsuit covered under this policy; however, attendance must be at the Company's request. In no event shall the amount payable under this provision exceed \$5,000 Aggregate Limit during the **Individual Policy Period**. In addition, the \$5,000 limit is the maximum the Company will pay even if such trial or hearing spans more than one **Individual Policy Period**.
- C. Postjudgment interest on that portion of any judgment to which this insurance applies and which accrues after entry of the judgment and before the Company has paid, offered to pay or deposited,

whether in court or otherwise, that part of the judgment for which the Company is responsible.

- D. Notwithstanding the provisions of Exclusion F, the Company will pay up to \$5,000 for property damage, or loss of use of property resulting from property damage, arising out of the **Professional Services** of the **Insured** in the distribution, operation or use of a lock box on property not owned, occupied by or leased to the **Insured**. The Company has no duty to defend the **Insured** for **Lock Box Liability**. The amount payable under this provision shall be subject to a \$10,000 Aggregate Limit during the **Individual Policy Period**. In addition, the \$10,000 limit is the maximum the Company will pay even if such property damage or loss of use of property spans more than one **Individual Policy Period**.

V. TERRITORY

- A. Coverage applies to a **Licensee** domiciled in Kentucky performing **Professional Services** in Kentucky.
- B. If the **Licensee** is domiciled in the State of Kentucky, then this policy applies to **Professional Services** performed anywhere in the world, provided that:
1. the **Licensee** will be covered for **Professional Services** performed outside the State of Kentucky only if the **Licensee** is duly licensed in such state or jurisdiction and the services performed would require a license pursuant to the laws of Kentucky had the acts been performed in Kentucky; and
 2. the **Claim** arising out of the rendering of such **Professional Services** is brought within the United States of America, its territories or possessions, Puerto Rico or Canada.
- C. If the **Licensee** is not domiciled in the State of Kentucky, then this policy applies only to **Professional Services** performed in Kentucky. The **Claim** arising out of the rendering of such **Professional Services** must be brought within the United States of America, its territories or possessions, Puerto Rico or Canada.
- D. For purposes of this section, a **Licensee** who is not domiciled in the State of Kentucky shall be treated as domiciled in the State of Kentucky if the **Licensee's Principal Real Estate License** is affiliated with a real estate office located in the State of Kentucky and the **Licensee** resides within fifty (50) miles of the Kentucky State line.

VI. EXCLUSIONS

This insurance does not apply to any **Claim** alleging, arising from or related to:

- A. fraudulent, dishonest, criminal, malicious, or willful acts committed by the **Insured**, at the **Insured's** direction or with the **Insured's** knowledge, or by anyone for whose acts the **Insured** is legally responsible;
- B. the insolvency of the **Insured**;
- C. the failure to pay, collect or return insurance premiums, escrow monies, earnest money deposits, security deposits, tax money or commissions;
- D. the wrongful termination of employment, breach of an employment contract, or other employment disputes;
- E. bodily injury, sickness, disease, mental anguish, pain or suffering, emotional distress or death of any person;
- F. physical injury to, destruction or loss of use of tangible property;
- G. unfair competition, piracy, advertising injury or theft or wrongful taking of concepts or other intellectual property;

- H. libel, slander, defamation of character, disparagement, detention, humiliation, sexual harassment, false arrest or imprisonment, wrongful entry or eviction, violation of the right to privacy or malicious prosecution, personal injury or other invasion of rights to private occupancy;
- I. discrimination on the basis of race, color, creed, national origin, sex, religion, age, sexual preference, marital status, any mental or physical handicap or disease or any other unlawful discrimination category;

J. **Professional Services** relating to property:

1. in which any **Insured** or **Insured's spouse** has more than a twenty five percent (25%) financial or ownership interest, or
2. in which any entity, corporation, partnership, or trust which the **Insured** or **Insured's spouse** has more than a twenty five percent (25%) financial or ownership interest, or
3. that is constructed or developed by the **Insured** or **Insured's spouse** or any entity, corporation, partnership or trust in which the **Insured** or **Insured's spouse** has more than a ten (10%) financial or ownership interest;

provided, however, that this exclusion shall not apply to:

- (a) any **Claim** arising from the sale of property acquired by the **Insured** pursuant to a guaranteed sale listing contract. The guaranteed sale listing contract must be a written agreement between the **Insured** and the seller of a property in which the **Insured** agrees to purchase the property if it is not sold under the listing agreement in a specified time. For coverage to apply, the **Insured** must hold title to the property for less than one (1) year and must continually offer it for sale; or
 - (b) the sale of an **Insured's** real property provided that:
 - (i) the property is listed by an **Insured** who is not the property owner, builder or developer, and
 - (ii) the property is advertised, marketed, and promoted by an **Insured** who is not the property owner, builder or developer, and
 - (iii) all **Professional Services** related to the transaction, including the sale or closing on the property, are conducted by an **Insured** who is not the property owner, builder or developer, and
 - (iv) the transaction would otherwise be covered by this policy.
- K. violation of the Employee Retirement Income Security Act of 1974, the Securities Act of 1933, the Securities Exchange Act of 1934 or any state Blue Sky or securities laws, or amendments thereto;
 - L. failure by an **Insured** to provide or maintain insurance;
 - M. the **Insured's** activities as a lawyer, title agent, mortgage banker, mortgage broker or correspondent, escrow agent, construction manager, property developer or insurance agent;
 - N. activities involving property syndication, limited partnership or real estate investment trusts in which any **Insured** has, or had, a direct or indirect interest in the profits or losses;
 - O. liability assumed by any **Insured** under any contract, indemnity agreement, purchase agreement, hold harmless clause or other similar agreement, unless such liability would have attached to the **Insured** in the absence of such contract;
 - P. whether suddenly or over a long period of time:
 1. the actual, alleged or threatened emission, discharge, dispersal, seepage, release or escape of pollutants, asbestos, radon or lead;
 2. the actual or alleged failure to detect, disclose, report, test for, monitor, clean up, remove, contain, dispose of, treat, detoxify or neutralize, or in any way respond to, assess the effects of or advise of the existence of pollutants; or
 3. any nuclear reaction, nuclear radiation or radioactive contamination, or any act, condition or pollution incidental to the foregoing.

As used in this Exclusion, pollution includes the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants. Pollutants include any solid liquid, gaseous, thermal, biological or radioactive substance, material or matter, toxin, irritant or contaminant, including but not limited to radon, asbestos, smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This exclusion applies regardless of any other cause or event that contributes concurrently or in any sequence to the **Damages** claimed.

- Q. whether suddenly or over a long period of time:
1. the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, growth or presence of; or
 2. the actual or alleged failure to detect, report, test for, monitor, clean-up, remove, contain, dispose of, treat, detoxify or neutralize, or in any way respond to, assess the effects of or advise of the existence of;

any **Fungi** or **Microbes**, or of any spores, mycotoxins, odors, or any other substances, products or byproducts produced by, released by, or arising out of the current or past presence of **Fungi** or **Microbes**.

This exclusion applies regardless of any other cause or event that contributes concurrently or in any sequence to the **Damages** claimed.

- R. injury or damage expected or intended by the **Insured**;
- S. disputes over commissions between real estate brokers and/or salespersons or disputes over commissions involving lawsuits initiated by the **Insured**. This exclusion does not apply to disputes over commissions involving counterclaims filed with the approval of the Company.
- T. negligent acts, errors or omissions committed or alleged to have been committed either (1) prior to the date the **Insured** received an active real estate license or (2) subsequent to the effective date of suspension, revocation or inactive status of the **Insured's** real estate license;
- U. any fines, penalties, assessments, punitive damages, exemplary damages or multiplied damages, or matters deemed uninsurable under applicable law;
- V. conversion, misappropriation or commingling of funds or other property; or
- W. the Insured's activities as an appraiser, if the appraisal activity performed requires licensing or certification, other than a real estate license.

VII. EXTENDED REPORTING PERIODS

As used herein, "**extended reporting period**" means the period of time after the end of the **policy period** for reporting **claims** that are made against the **Insured** during the applicable **extended reporting period** by reason of a negligent act or omission arising out of **Professional Services** that occurred prior to the end of the **policy period** and after the Retroactive Date, and is otherwise covered by this Policy.

A. Automatic Extended Reporting Period

If this policy is cancelled or non-renewed for any reason (other than cancellation for non-payment of premium), the Company will provide the **Licensee** with an automatic, non-cancelable **extended reporting period** starting at the termination of the policy period if the Licensee has not obtained another Real Estate Licensee Errors and Omissions policy within (90) days of the termination of this Policy. This automatic extended reporting period will termination after (90) days.

B. Optional Extended Reporting Period

1. If this policy is cancelled or non-renewed for any reason (other than cancellation for non-payment of premium), the Licensee shall have the option to purchase, for an additional premium, an optional extended reporting period (the "Additional Extended Reporting Period"). Such right must be exercised by the Named Insured within sixty (90) days of the termination of the Individual policy period by providing:
 - a. written notice to the Company;
 - b. with the written notice, the amount of additional premium described below.
2. The additional premium for the Optional Extended Reporting Period shall be based upon the rates for such coverage in effect on the date this Policy was issued or last renewed and shall be for one (1) year at 100% of such premium two (2) years at 150% of such premium; or three (3) year at 200% of such premium.
3. The premium for the optional extended reporting period is due within ninety (90) days of the termination of the individual policy period. This optional extended reporting period is non-cancelable and the entire premium shall be deemed fully earned at its commencement without any obligation by the Company to return any portion thereof.
4. During the Additional Extended Reporting Period, coverage under this policy applies as excess over any valid and collectible insurance available under policies in force after such Extended Reporting Period starts.
5. The Additional Extended Reporting Period may not be renewed upon its expiration.

C. EXTENDED REPORTING PERIOD LIMITS OF LIABILITY

The **Company's** liability for all **claims** reported during the automatic and optional **extended reporting periods** shall be part of and not in addition to the limits of liability for the **policy period** as set forth in the Declarations and Section II, Limits of Liability of this Policy.

D. ELIMINATION OF RIGHT TO ANY EXTENDED REPORTING PERIOD

There is no right to any extended reporting period if the Company shall cancel or refuse to renew this Policy due to non-payment of premiums.

E. EXTENDED REPORTING PERIOD NOT A NEW POLICY

It is understood and agreed that the extended reporting period shall not be construed to be a new policy and any claim submitted during such period shall otherwise be governed by this Policy.

VIII. DEFINITIONS

A. **Claim** means:

1. a written demand for money or services received by the **Insured**, or
2. service of a lawsuit or institution of arbitration or mediation proceedings against the **Insured**;

seeking **Damages** and alleging a negligent act, error or omission in the performance or failure to perform **Professional Services**. Complaints or disputes brought before a real estate regulatory board or commission are not **Claims**.

B. **Claim Expenses** means:

1. fees, costs and expenses resulting from the investigation, adjustment, defense and appeal of a

Claim if incurred by the Company or by the **Insured** with the Company's written consent,
2. fees charged by attorneys designated by the Company,

Costs, fees or expenses of employees or officials of the Company are not **Claim Expenses**. Nor shall **Claim Expenses** include salaries, loss of earnings or other remuneration by or to any **Insured**.

- C. **Damages** means compensatory damages. **Damages** do not include fines; penalties; punitive, exemplary or multiplied damages; or matters deemed uninsurable under applicable law. **Damages** also do not include the return or restitution of fees, commissions, expenses or costs or any amounts awarded by a Real Estate Regulatory Board or Commission.
- D. **Fungi** means any form of fungus including but not limited to yeast, mold, mildew, rust, smut or mushroom.
- E. **Group Policy Period** means April 1, 2011 to April 1, 2012. The **Group Policy Period** may be shortened by cancellation.
- F. **Individual Policy Period** means the period set forth in the Certificate of Coverage commencing with the date the **Licensee** obtained coverage under the current group policy by paying the appropriate premium and ending with the cancellation or expiration of the **Licensee's** coverage under the current group policy. The **Individual Policy Period** must be within the dates of the **Group Policy Period** shown on the Declarations.
- G. **Insured** means the following:
1. the **Licensee**;
 2. **Unlicensed Employees** of and under the direct supervision of the **Licensee** while acting in the course and scope of their employment; provided always that the **Claim** arises out of a negligent act, error or omission relating to the rendering of or failure to render **Professional Services** on behalf of the **Licensee**.
 3. the heirs, executors, administrators or assigns of the **Licensee** in the event of the **Licensee's** death, incapacity, or bankruptcy but only to the extent that such **Licensee** would have been provided coverage under this policy;

When this policy provides coverage for a **Claim** made against any of its **Insureds** listed in 1, 2 or 3 above, **Insured** will also mean:

4. any **Real Estate Firm** and its principal broker that the **Licensee** represents but only for its vicarious liability for the negligent acts, errors or omissions arising out of **Professional Services** by the **Licensee**.
- H. **Licensee** means the person who holds an active real estate license issued by the **Policyholder** under the Kentucky Real Estate License Law, KRS Chapter 324 and who has paid the required premium.
- I. **Lock Box Liability** means liability for **Damages** arising from an **Insured's** use of a lock or key box. A lock or key box is a device to allow authorized persons without a key to enter a locked door.
- J. **Microbes** mean any non-fungal microorganism or non-fungal colony-form organism that causes infection or disease.
- K. **Policyholder** means the Kentucky Real Estate Commission.
- L. **Principal Real Estate License** means the state license under which the majority of the licensee's real estate transactions are conducted.
- M. **Professional Services** means services performed by the **Licensee** as a real estate broker, or

sales associate as defined in Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:011 of the Kentucky Administrative Regulations of the Kentucky Real Estate Commission and for which the **Licensee** is required to have a real estate license.

- N. **Real Estate Firm** means a legal entity with which real estate brokers or sales associates as defined in Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:011 of the Kentucky Administrative Regulations of the Kentucky Real Estate Commission are affiliated and which employs the **Licensee**.
- O. **Related Claims** means all **Claims** arising out of a single negligent act, error or omission or arising out of **Related Negligent Acts, Errors or Omissions** in the rendering of **Professional Services**.
- P. **Related Negligent Acts, Errors or Omissions** mean all negligent acts, errors or omissions in the rendering of **Professional Services** that are temporally, logically or causally connected by any common fact, circumstance, situation, transaction, event, advice or decision.
- Q. **Retroactive Date** is the date when the first real estate errors and omissions coverage was effective insuring the **Licensee** on a claims-made basis and since which time the **Licensee** has been continuously insured by coverage similar to that provided by this agreement. The **Retroactive Date** is established separately for each **Licensee**.
- R. **Unlicensed Employee** means the support staff under the real estate licensee's supervision and control who is assisting the licensee in the performance of the Licensee's Professional Services, including the personal assistant, clerk, secretary, messenger and intern ; but shall not include an owner, officer, director, or any other staff member who is not under the direct supervision of the licensee or assisting the licensee in the performance of the Licensee's Professional Services.

IX. PREMIUM

This coverage shall not be effective until and unless the application for coverage has been approved by the Company and the premium has been paid.

X. AUDIT

The Company may audit the **Insured's** records to determine the accuracy of pertinent information provided by the **Insured**. The Company will give reasonable notice to the **Insured** of such an audit. The audit will take place during the **Insured's** regular business hours.

XI. THE INSURED'S DUTIES IF THERE IS A CLAIM

- A. The **Insured** shall give written notice by submitting a completed Notice of **Claim** Form to the Company as soon as possible after the **Claim** is first made but in no event more than ninety (90) days after the **Insured** becomes aware of such **Claim**. Such written notice shall include the name of the **Licensee** and shall include the time, place and details of the **Claim**. Notice shall be delivered to:

<u>U.S. Mail Delivery:</u>	<u>Overnight Delivery:</u>	<u>Phone</u>
Claims Department	Claims Department	(502) 897-1876
P. O. Box 6709	4211 Norbourne Boulevard	Toll-Free (800) 637-7319
Louisville KY 40206-0709	Louisville KY 40207-4048	Fax: (502) 897-7174

- B. The **Insured** shall not admit any liability, make any settlement, pay any **Damages** or assume any duty or obligation for any **Claim** without the prior written consent of the Company. The **Insured** shall not incur any **Claim Expenses** for any **Claim** without the prior written consent of the Company.
- C. The **Insured** shall immediately forward to the Company every demand, notice, summons or other process received by the **Insured** or the **Insured's** representatives about any **Claim**.
- D. The **Insured** shall cooperate with the Company and, at the Company's request, the **Insured** shall

assist the Company in responding to the **Claim** and making settlements. The **Insured** shall attend hearings and trials and help in securing and giving evidence at the Company's request.

XII. DUTIES IN THE EVENT OF A REGULATORY COMPLAINT OR DISPUTE

If, during the **Individual Policy Period**, the **Insured** becomes aware that they are the subject of a complaint or dispute brought before a real estate regulatory board or commission, the **Insured** must give written notice to the Company prior to the expiration of the **policy period**. Such notice must state:

1. the specific acts that are the subject of the complaint or dispute;
2. the dates and persons involved;
3. the circumstances by which the **insured** first became aware of the complaint or dispute.

If such notice is given, then any **claim** that is subsequently made against the **insured** and reported to us shall be deemed to have been made at the time such written notice was received by the Company.

XIII. DUTIES IN THE EVENT OF A CIRCUMSTANCE

If during the Individual Policy Period, the Insured becomes aware of any negligent act, error or omission that may reasonably be expected to be the basis of a claim against the Insured and gives written notice to the Company of such negligent act, error or omission and the reason for anticipating a claim, with full particulars, including but not limited to:

- a. the specific negligent act, error or omission;
- b. the dates and persons involved;
- c. the identity of the anticipated or possible claimants;
- c. the circumstances by which the Insured first became aware of the potential Claim,

then any such Claim that arises out of such reported negligent act, error or omission and that is subsequently made against the Insured and reported to the Company shall be deemed to have been made at the time such written notice was given to the Company.

XIV. SUBROGATION

If the Company makes any payment under this policy, the Company shall receive all of the **Insured's** rights of recovery against any persons or organizations. The **Insured** shall assist the Company in whatever way is necessary to secure such rights. When a **Claim** is made, the **Insured** shall do nothing to thwart the Company's recovery of amounts paid to other parties who might be responsible for the **Claims**.

XV. CHANGES

The terms of this policy may not be waived or changed unless the Company issues an Endorsement. All Endorsements become a part of this policy. The **Policyholder** and the Company may make changes in the terms of the policy upon mutual consent.

XVI. ACTION AGAINST THE COMPANY

The **Insured** may not bring a lawsuit against the Company unless the **Insured** has complied with all the terms and conditions of this policy. Nor shall an action lie against the Company until judgment or trial determines the **Insured's** responsibility to pay.

XVII. BANKRUPTCY

Bankruptcy or insolvency of the **Insured** or the **Insured's** estate will not relieve the Company of its obligations under this policy.

XVIII. CANCELLATION

- A. The **Policyholder** may cancel this policy by giving, mailing or delivering the Company advance written notice of cancellation or surrendering the policy to the Company at least ninety (90) days before the effective date of cancellation. If the **Policyholder** cancels the policy, it is responsible for notifying each **Licensee** of the effective date of cancellation.
- B. This policy may be canceled by the Company by notice in writing which shall be delivered to the Policyholder or mailed to the Policyholder at the last known address of the Policyholder, which shall state the effective date of the cancellation, and shall be accompanied by a written explanation of the specific reason or reasons for the cancellations, at least:
- (1) Fourteen (14) days from the effective date of cancellation if the Company cancels for nonpayment of premium; or
- (1) One Hundred Twenty (120) days prior to the effective date of cancellation if the Company cancels for any other reason. The notice of cancellation section shall be mailed or delivered by the Company to the **Policyholder** at least one hundred twenty (120) days prior to the effective date of the cancellation.
- C. If the **Policyholder** or the Company cancels, earned premium shall be computed on a pro rata basis.

XIXI. NONRENEWAL

If the Company elects not to renew this policy, it will give, mail or deliver to the **Policyholder** written notice of nonrenewal at least:

- (1) Fourteen (14) days from the effective date of cancellation if the Company cancels for nonpayment of premium; or
- (2) One hundred twenty (120) days before the expiration date of the policy if the Company nonrenews for any other reason.

XX. CONFORMITY TO STATUTES

If applicable law is in conflict with this policy, the policy is amended to conform to that law.

XXI. OTHER INSURANCE

This insurance is excess over any other insurance, whether primary, excess, contingent or on any other basis, except when purchased specifically to apply in excess of this insurance. When both this insurance and other insurance apply to any **Claim**, whether primary, excess or contingent, the Company shall not be liable under this policy for a greater proportion of the **Damages** or **Claim Expenses** than the applicable Limits of Liability under this policy for such **Damages** bears to the total applicable Limits of Liability of all valid and collectible insurance against such **Claims**.

XXII LICENSE INACTIVE

In the event an **Insured's** license is placed on inactive status during a period in which the **Insured** has paid the applicable premium, the policy will remain in effect for the remainder of the **Individual Policy Period** as if the license had not been placed in inactive status, regardless of whether the license is re-activated, except that coverage will not be provided for acts, errors or omissions of the **Insured** which occur during the period when the license was in an inactive status.

XXIII. AUTHORIZATION CLAUSE

By accepting this policy, the **Insured** agrees that the statements in the application are the **Insured's** agreements and representations. The **Insured** agrees that these statements are true and correct as of the inception of this policy. This policy has been issued relying upon those statements and

representations. The **Insured** agrees that the policy and application are the total agreement between the **Insured** and the Company or its agents.

XIV. TRANSFER

This policy is not transferable.

XV. NO IMMUNITY BECAUSE INSURED IS A GOVERNMENT AGENCY

It is understood and agreed that in any claim or suit for damages covered by the policy, the Company will not, except upon written request of the Insured by its duly authorized officer, deny liability of the Insured through the use of the defense of immunity because the Insured is a governmental agency.

XVI. HEADINGS

The descriptions in the headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage.

IN WITNESS WHEREOF, we have caused this Policy to be executed by our Chairperson and Secretary, but this Policy shall not be binding upon us unless completed by the attachment of the Certificate of Coverage and executed by our duly authorized representative.

Chairperson Thomas F. Motawed

Secretary John M. White

ENDORSEMENT

The following spaces preceded by an asterisk(*) need not be completed if this endorsement and the policy have the same inception date.

ATTACHED TO AND FORMING PART OF POLICY NUMBER 11 EO 0020KY	*EFFECTIVE DATE OF ENDORSEMENT April 1, 2011 – April 1, 2012	ISSUED TO The Kentucky Real Estate Commission on behalf of its Licenseses who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium.
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This Endorsement Changes The Policy. Please Read It Carefully.

ENVIRONMENTAL ENDORSEMENT

In consideration of the additional premium paid to the Company, it is understood and agreed that the following amendments are made to the policy:

1. Section VI, Exclusion P is amended by the addition of the following new paragraph:

Notwithstanding the foregoing, the Company will pay **Damages and Claims Expenses** up to, but not exceeding, \$5,000 for any one **Claim** alleging the **Insured's** failure to detect, report or assess the effects of or advise of the existence of pollutants. The maximum amount payable pursuant to this Endorsement for **Damages and Claim Expenses** by reason of all **Claims** first made against the **Insured** and reported to the Company during the **Individual Policy Period** shall not exceed \$10,000.

2. Section VI, Exclusion Q is amended by the addition of the following new paragraph:

Notwithstanding the foregoing, the Company will pay **Damages and Claims Expenses** up to, but not exceeding, \$5,000 for any one **Claim** alleging the **Insured's** failure to detect, report or assess the effects of or advise of the existence of **Fungi** or **Microbes**. The maximum amount payable pursuant to this Endorsement for **Damages and Claim Expenses** by reason of all **Claims** first made against the **Insured** and reported to the Company during the **Individual Policy Period** shall not exceed \$10,000.

All other provisions of the policy remain unchanged.

ENDORSEMENT

The following spaces preceded by an asterisk(*) need not be completed if this endorsement and the policy have the same inception date.

ATTACHED TO AND FORMING PART OF POLICY NUMBER 11 EO 0020KY	*EFFECTIVE DATE OF ENDORSEMENT April 1, 2011 – April 1, 2012	ISSUED TO The Kentucky Real Estate Commission on behalf of its Licensees who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium.
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This Endorsement Changes The Policy. Please Read It Carefully.

FAIR HOUSING ENDORSEMENT

In consideration of the premium paid to the Company, it is understood and agreed that the following new paragraph is added to Section VI., Exclusion I:

However, the Company will pay **Damages** and **Claim Expenses** up to, but not exceeding, \$10,000 for any one **Claim** alleging the **Insured** violated Title VII of the Civil Rights Act of 1968 or the Fair Housing Amendments Act of 1988. The maximum amount payable pursuant to this Endorsement for **Damages** and **Claim Expenses** by reason of all **Claims** first made against the **Insured** and reported to the Company during the **Individual Policy Period** shall not exceed \$10,000.

All other provisions of the policy remain unchanged.

ENDORSEMENT

The following spaces preceded by an asterisk(*) need not be completed if this endorsement and the policy have the same inception date.

ATTACHED TO AND FORMING PART OF POLICY NUMBER 11 EO 0020 KY	*EFFECTIVE DATE OF ENDORSEMENT April 1, 2011 To April 1, 2012	ISSUED TO The Kentucky Real Estate Commission on behalf of its Licenses who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium.
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This Endorsement Changes The Policy. Please Read It Carefully.

LIMITED CLAIM EXPENSES COVERAGE REAL ESTATE REGULATORY COMPLAINTS ENDORSEMENT

In consideration of the additional premium paid to the Company, it is understood and agreed that Section IV., Supplementary Payments is amended by the addition of the following new paragraph:

The Company will pay a maximum of \$2,500 with respect to all **Claim Expenses** incurred in the handling of a complaint to a real estate regulatory board or commission as long as the complaint arises from an act, error or omission that would otherwise be covered by the policy. The Company, however, shall not pay any **Damages** arising from such complaints. The maximum amount payable during the **Individual Policy Period** for **Claim Expenses** pursuant to this Endorsement shall not exceed \$5,000 even if such complaint spans more than one **Individual Policy Period**.

All other provisions of the policy remain unchanged.

EARNEST MONEY DISPUTE ENDORSEMENT

The following spaces preceded by an asterisk(*) need not be completed if this endorsement and the policy have the same inception date.

ATTACHED TO AND FORMING PART OF POLICY NUMBER 11 EO 0020KY	*EFFECTIVE DATE OF ENDORSEMENT April 1, 2011 – April 1, 2012	ISSUED TO The Kentucky Real Estate Commission on behalf of its Licensees who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium.
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This Endorsement Changes The Policy. Please Read It Carefully.

LIMITED CLAIM EXPENSES COVERAGE EARNEST MONEY DISPUTE ENDORSEMENT

In consideration of the additional premium paid to the Company, it is understood and agreed that Section VI., Exclusions, exclusions C. and M. are amended by the addition of the following new paragraph:

Notwithstanding the foregoing, and solely as respects a **Claim** alleging, arising from or related to the **Insured's** failure to pay, collect or return escrow monies or earnest money deposits, the Company will pay up to a maximum of \$2,500 per **Claim** for **Claim Expenses** only, provided that:

- (i) such **Insured** has met the requirements of the Kentucky Real Estate License Law governing client funds; and
- (ii) no fraudulent, dishonest, criminal or malicious act was committed by the **Insured**.

The maximum amount payable during the **Annual Policy Term** for **Claim Expenses** shall not exceed \$5,000 under this Endorsement, regardless of the number of **Insureds** or the number of such **Claims**.

All other terms and conditions of the Policy remain unchanged.

This endorsement, which forms a part of and is for attachment to the Policy issued by the designated Insurers, takes effect on the effective date of said Policy at the hour stated in said Policy and expires concurrently with said Policy unless another effective date is shown below.

By Authorized Representative _____
(No signature is required if issued with the Policy or if it is effective on the Policy Effective Date)

PRIMARY RESIDENCE COVERAGE ENDORSEMENT

ATTACHED TO AND FORMING PART OF POLICY NUMBER 11 EO 0020KY	*EFFECTIVE DATE OF ENDORSEMENT April 1, 2011 – April 1, 2012	ISSUED TO The Kentucky Real Estate Commission on behalf of its Licensees who hold an active real estate license issued by the Kentucky Real Estate Commission under the Kentucky Real Estate License Law, KRS Chapter 324 and Chapter 201 KAR 11:220 of the Kentucky Administrative Regulations and who have paid the required premium.
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This Endorsement Changes The Policy. Please Read It Carefully.

In consideration of premium paid, it is agreed that Section VI. Exclusion J. is deleted in its entirety and replaced with the following:

Professional Services relating to property:

1. in which any **Insured** or **Insured's spouse** has more than a twenty five percent (25%) financial or ownership interest, or
2. in which any entity, corporation, partnership, or trust which the **Insured** or **Insured's spouse** has more than a twenty five percent (25%) financial or ownership interest, or
3. that is constructed or developed by the **Insured** or **Insured's spouse** or any entity, corporation, partnership or trust in which the **Insured** or **Insured's spouse** has more than a ten (10%) financial or ownership interest; provided, however, that this exclusion shall not apply to:

- (a) any **Claim** arising from the sale of property acquired by the **Insured** pursuant to a guaranteed sale listing contract. The guaranteed sale listing contract must be a written agreement between the **Insured** and the seller of a property in which the **Insured** agrees to purchase the property if it is not sold under the listing agreement in a specified time. For coverage to apply, the **Insured** must hold title to the property for less than one (1) year and must continually offer it for sale; or
- (b) the sale of an **Insured's** real property provided that:
 - (i) the property is listed by an **Insured** who is not the property owner, builder or developer, and
 - (ii) the property is advertised, marketed, and promoted by an **Insured** who is not the property owner, builder or developer, and
 - (iii) all **Professional Services** related to the transaction, including the sale or closing on the property, are conducted by an **Insured** who is not the property owner, builder or developer, and
 - (iv) the transaction would otherwise be covered by this policy.
- (c) any **Claim** arising from the sale or listing of property which is the **licensee's primary residence**, provided that the following conditions are met in connection with the sale:
 - 1.) A written home inspection was ordered and a copy provided to the buyer prior to closing;
 - 2.) A seller disclosure form was signed by the **licensee** and acknowledged by the buyer prior to closing;
 - 3.) The **licensee's** ownership interest was disclosed and acknowledged by the buyer prior to closing;
 - 4.) A state or local board approved sales contract was used; and
 - 5.) The sale or listing is performed under and subject to the real estate license laws of Kentucky.

It is further agreed that section VIII is amended by the addition of the following new definition:

Primary Residence means a residential property of two or fewer units which serves as the principle residence of the **licensee**.

All other terms and conditions of the Policy remain unchanged.

This endorsement, which forms a part of and is for attachment to the Policy issued by the designated Insurers, takes effect on the effective date of said Policy at the hour stated in said Policy and expires concurrently with said Policy unless another effective date is shown below.

By Authorized Representative _____
(No signature is required if issued with the Policy or if it is effective on the Policy Effective Date)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ECONOMIC AND TRADE SANCTIONS CONDITION

The following condition is added to the Policy:

ECONOMIC AND TRADE SANCTIONS CONDITION

In accordance with laws and regulations of the United States concerning economic and trade embargoes, this policy is void from its inception with respect to any term or condition of this policy that violates any laws or regulations of the United States concerning economic and trade embargoes including, but not limited to the following:

1. Any insured under this Policy, or any person or entity claiming the benefits of such insured, who is or becomes a Specially Designated National or Blocked Person or who is otherwise subject to U.S. economic or trade sanctions;
2. Any claim or suit that is brought in a Sanctioned Country or by a Sanctioned Country Government, where any action in connection with such claim or suit is prohibited by U.S. economic or trade sanctions;
3. Any claim or suit that is brought by any Specially Designated National or Blocked Person or any person or entity who is otherwise subject to U.S. economic or trade sanctions;
4. Property that is located in a Sanctioned Country or that is owned by, rented to or in the care, custody or control of a Sanctioned Country Government, where any activities related to such property are prohibited by U.S. economic or trade sanctions; or
5. Property that is owned by, rented to or in the care, custody or control of a Specially Designated National or Blocked Person, or any person or entity who is otherwise subject to U.S. economic or trade sanctions.

As used in this endorsement a Specially Designated National or Blocked Person is any person or entity that is on the list of Specially Designated Nationals and Blocked Persons issued by the U.S. Treasury Department's Office of Foreign Asset Control (O.F.A.C.) as it may be from time to time amended.

As used in this endorsement a Sanctioned Country is any country that is the subject of trade or economic embargoes imposed by the laws or regulations of the United States of America.