MACo/JPIA

MANUSCRIPT LIABILITY POLICY
REVISED

2715 SKYWAY DRIVE
HELENA, MONTANA

406-444-4370

MACo JPIA MANUSCRIPT LIABILITY POLICY
July 1, 2007 through June 30, 2008

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SECTION II
COMPREHENSIVE GENERAL, LAW ENFORCEMENT, HOST/LIQUOR, WEED/MOSQUITO SPRAYING, AUTOMOBILE, ERRORS AND OMISSIONS, EMPLOYEE BENEFIT, AND PROFESSIONAL LIABILITY

COMPREHENSIVE INSURING AGREEMENT

This policy applies only to injury or property damage which occurs during the policy period and arises out of an occurrence which takes place within the territorial scope of the policy.

A. COMPREHENSIVE GENERAL LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured sums, including expenses, which the Insured is obligated to pay by reason of the liability imposed upon the Insured by law or assumed by the Insured under contract or agreement for direct or consequential damages, as more fully defined by the term "ultimate net loss," on account of bodily injury, personal injury, or death alleged to have been suffered by any person and/or damage, destruction, or loss of property, arising out of an occurrence.

B. MEDICAL PAYMENTS: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured expenses incurred by the Insured during the policy period for such immediate medical and surgical relief to others as is necessary at the time of an occurrence on account of personal injury, provided such personal injury arises out of operations with respect to which the Insured is afforded coverage for personal injury liability under this policy.

C. LAW ENFORCEMENT LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured sums which the Insured shall be obligated to pay by reason of errors, omissions, or negligent acts arising out of the performance of the Insured's duties while acting as a law enforcement official or officer in the regular course of public employment as hereinafter defined arising out of personal injury, bodily injury, property damage, violation of civil rights, or first aid occurring during the period of this policy. Public employment means employment of law enforcement officers by the law enforcement agency of the Insured.

D. HOST/LIQUOR LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured sums the Insured becomes liable for in relation to the distribution of alcoholic beverages by others made available under any local, state, or federal liquor control law.

E. WEED/MOSQUITO SPRAYING LIABILITY: The Authority agrees, subject to the limitations, terms and conditions here-under mentioned, to pay on behalf of the Insured sums the Insured becomes liable for in relation to property damage claims arising out of weed spraying and mosquito spraying operations. The total sum insured for weed spraying and mosquito spraying cannot exceed $500,000.00 in the aggregate for each occurrence. All claims arising out of a single spraying operation will be considered to be one occurrence.

F. AUTOMOBILE LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured sums which the Insured shall be obligated to pay by reason of the liability imposed upon the Insured by law or assumed by the Insured under contract or agreement, for damages as more fully defined by the term "ultimate net loss", arising out of any occurrence suffered or alleged to have been suffered by any person (excepting employees of the Insured injured in the course of their employment) arising out of the ownership, maintenance or use of any automobile or contractors equipment. For an automobile not owned by the Insured, coverage under this policy is excess only and secondary to the insurance coverage covering the automobile utilized by the employee of the Insured. Coverage under this policy shall extend only to nonowned automobiles that have current primary standard auto liability coverage. Excess under this policy means an amount above the policy limits covering the nonowned automobile not to exceed $750,000 for each claim and $1,500,000 for each occurrence. The insurer with primary coverage for the automobile shall have the duty under its policy to defend and indemnify against any claim arising out of the ownership, maintenance, or use of the automobile.

G. UNINSURED MOTORIST: Uninsured motorist coverage is provided to employees of the Insured who suffer injury while in the course and scope of their employment with the Insured. Uninsured motor vehicle means a land motor vehicle to which no liability

policy applies at the time of the accident, or a hit and run vehicle whose operator cannot be identified. Such coverage is provided in accordance with the limits set forth in the declaration.

H. ERRORS AND OMISSIONS FOR WRONGFUL ACT: If during the policy period any claim is first made against an Insured for a wrongful act, the Authority agrees, subject to the limitations, terms, and conditions hereunder, to pay on behalf of the Insured for any error or misstatement, omission, act of neglect, or breach of duty including misfeasance, malfeasance, and nonfeasance by the Insured. Wrongful act includes actual or alleged violations of the United States Constitution or any state constitution, or any law affording protection for civil rights, provided coverage is otherwise afforded hereunder for such wrongful act. Wrongful act coverage does not include claims for bodily injury or property damage.

The loss for a wrongful act includes damages, judgments, settlements, cost, charges and expenses incurred in the defense of claims, and costs, charges and expenses incurred in connection with any governmental investigation provided that a claim is brought against the Insured for a wrongful act that is or was a subject of such governmental investigation, and such claim is otherwise covered by this policy. In regard to employment related claims, loss does not include that portion of any settlement or award that is paid for wage or fringe benefits for which the Insured received a benefit through the work activity of the claimant, and does not include claims against an Insured by an Insured's officer or employee claiming damages based on allegations of political discrimination or retaliation. In regard to an employment action as defined below, coverage is limited as follows:

"Employment action" means action by an insured that could result in claims for alleged or asserted wrongful discharge, improper hiring, discrimination, federal or state civil rights claims, and claims under the Americans with Disabilities Act or the Family and Medical Leave Act. Such claims are covered by this policy only under the following circumstances:

1. The Insured shall make reasonable efforts to notify and seek the advice and counsel of the MACo/JPIA personnel services administrator, or in the absence of the administrator, other designated Authority personnel prior to taking an employment action, and comply with the administrator's direction in attempting to resolve the action prior to a claim being filed with a federal or state court or administrative agency. This provision applies only in those cases in which the Insured had sufficient notice of a potential personnel action in order to take measures to resolve the matter prior to the filing of the claim as referenced above:

2. After a claim has been filed with a federal or state court or administrative agency, the Insured must comply with the Authority and its agents and attorneys in resolving the action;

3. If it is determined by the board of trustees that an Insured has not taken reasonable efforts to comply with subsections 1 and 2 above, coverage under this policy extends only to the cost of defense of a claim and not to any other claimed damages, including but not limited to, claimed past-due or future wages, fringe benefits, compensatory damages, judgments, plaintiff's attorney fees and costs, and penalties; and

4. If an Insured disagrees with a determination of the board of trustees under subsection 3 above, the Insured may appeal the determination in accordance with subsection M of the General Conditions, entitled Coverage Dispute Procedure.

I. EMPLOYEE BENEFIT LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay on behalf of the Insured such sums the Insured may become legally obligated to pay on account of any occurrence during the policy period arising from any negligent act, error or omission of the Insured or any other person for whose acts the Insured is legally liable in the administration of the Insured's employee benefit plan as defined herein. This coverage does not include any amounts an Insured would have been obligated to pay had the Insured properly acted in regard to an employee benefit plan, including employer or employee contributions or payments of premium amounts.

The term "employee benefit plan" means group life insurance, group accident or health insurance.

The term "administration" means: 1. giving counsel to employees with respect to an employee benefit plan; 2. interpreting an employee benefit plan; 3. handling of records in connection with an employee benefit plan; or 4. effecting enrollment, termination, or

cancellation of employee benefit programs.

The coverage afforded herein does not apply to: 1. any dishonest, fraudulent, criminal, or malicious act, libel, slander, discrimination or humiliation;

2. any claim for failure of performance of contract by any insurer;

3. any claim based upon the failure to comply with any law concerning workers' compensation, unemployment insurance, social security, disability benefits, retirement benefits, or any similar law; or

4. claims based upon the Employee Retirement Income Security Act of 1974, Public Law 93-406 commonly referred to as the Pension Reform Act of 1974, and amendments thereto, or similar provisions of any federal, state, or local statutory or common law.

J. PROFESSIONAL LIABILITY: The Authority agrees, subject to the limitations, terms and conditions hereunder mentioned, to pay sums the Insured becomes liable for:

1. Incidental Malpractice. Claims in relation to emergency professional medical services rendered or what should have been rendered to any person (other than employees of the insured injured during the course of their employment) by any duly qualified medical practitioner, nurse, ambulance crew member, e.m.t., paramedic, or technician employed by or acting on behalf of the insured.

2. Nurses. Claims arising out of actions of county nurses while performing their responsibilities, as licensed and certified, on behalf of the Insured.

3. Social Workers/Nutritionists. Claims arising out of the actions of social workers and nutritionists (dieticians) while perform-ing their duties and responsibilities, as licensed and certified, on behalf of the Insured. The coverage does not extend to social workers employed by a state-assumed welfare department.

4. Public health officer. Claims arising out of the actions of the public health officer while performing medical activities as county health officer pursuant to Section 50-2-118, MCA, when a) those medical activities are within the prescribed duties and responsibilities of a public officer; and b) the absence of personal medical malpractice insurance or when personal medical malpractice coverage will not extend coverage to those prescribed medical duties and responsibilities of the public health officer.

DEFINITIONS

A. "AUTOMOBILE" means a land motor vehicle, trailer or semi-trailer, licensed for road use.

B. "BODILY INJURY" means physical injury to any person (including death) and any mental anguish or mental suffering associated with or arising from such physical injury.

C. "CLAIM FIRST MADE" shall be understood to have happened when: 1. The Insured or the adjusters for the Insured receive notice of suit or written request for services or damages; or 2. The Insured and the adjusters for the Insured receive knowledge of an incident likely to give rise to a claim; or 3. The adjusters for the Insured establish an incident file, whichever occurs first.

D. "COMPLETED OPERATIONS", as covered by Section II, Subsection A - *Comprehensive General Liability*, means bodily injury or property damage arising out of operations or reliance upon a representation or warranty made at any time with respect thereto, but only if the bodily injury or property damage occurs after such operations have been completed or abandoned and occurs away from the premises owned by or rented to the Insured. "Operations" include materials, parts or equipment furnished in connection therewith. Operations are considered completed at the earliest of the following times:

1. When all operations to be performed by or on behalf of the Insured under the contract have been completed, or

2. When all operations to be performed by or on behalf of the Insured at the site of the operations have been completed, or

3. When the portion of the work out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operation of a principal as a part of the same project.

Operations which may require further service or maintenance work, or correction, repair or replacement because of any defect or deficiency, but which are otherwise complete, are considered completed.

E. "CONTRACTORS EQUIPMENT" means equipment not licensed for road use and used in off-road work.

F. "INSURED" means the named Insured and any elected official, trustee, director, officer, volunteer, appointed board or employee of the named Insured while acting within the scope of their duties; and with the prior approval of the Authority regarding indemnification language, any organization or public entity to whom the named Insured is obligated by virtue of written contract or agreement to provide insurance such as is offered by this policy but only in respect of operations by or on behalf of the named Insured. Insured includes any person while using an owned automobile or a hired or non-owned automobile, and any person or organization legally responsible for the use thereof, provided the actual use of the automobile is by the named Insured or with its permission, and any official of the named Insured with respect to the use of non-owned automobiles in the business of the named Insured. This policy with respect to any person or organization other than the named Insured does not apply:

1. To any person or organization, or to any agent or employee thereof, operating an automobile sales agency, repair shop, service station, storage garage or public parking place, with respect to any accident arising out of the operation thereof;

2. To any employee with respect to injury to or sickness, disease or death of another employee of the same employer injured in the course of such employment in an accident arising out of the maintenance or use of the automobile in the business of such employer;

3. With respect to any hired automobile, to the owner or a lessee thereof, other than the named Insured, nor to any agent or employee or such owner or lessee;

4. With respect to any non-owned automobile, to any official or employee if such automobile is owned by the official or employee or a member of the same household.

The inclusion hereunder of more than one Insured shall not operate to increase the authority's limits of liability.

G. "MEDICAL PAYMENTS" means expenses for necessary medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, and funeral services.

H. "OCCURRENCE" means an accident or a happening or event or a continuous or repeated exposure to conditions which result in personal injury or property damage during the policy period. All personal injuries to one or more persons and/or property damage arising out of an accident or a happening or event or a continuous or repeated exposure to conditions are considered one occurrence.

I. "PERSONAL INJURY", as covered by Section II, Subsection A - *Comprehensive General Liability* and Subsection F - *Automobile Liability*, means bodily injury, mental anguish, shock, sickness, disease, disability, wrongful eviction, detention, malicious prosecution, discrimination, humiliation, invasion of rights of privacy, libel, slander, defamation, infringement of copyright or property, erroneous service of civil papers, and disparagement of property. Regarding insuring agreement C only, "personal injury" means false arrest, false imprisonment, detention and violation of civil rights arising out of law enforcement activities.

J. "PRODUCTS LIABILITY", as covered by Section II, Subsection A - *Comprehensive General Liability*, means bodily injury or property damage arising out of the Insured's products or reliance upon a representation or warranty made at any time with respect thereto, but only if the bodily injury or property damage occurs away from premises owned by or rented to the Insured and after physical possession of such products has been relinquished to others.

K. "PROPERTY DAMAGE" means damage to or destruction or loss of use of property.

L. "ULTIMATE NET LOSS" means the total sum which the Insured becomes obligated to pay by reason of personal injury or property damage claims, either through adjudication or compromise, after making proper deductions for all recoveries and salvages; medical costs, lost income, and other payments which are paid as a consequence of any occurrence covered hereunder. The salaries, expenses or administrative costs of the Authority or third party administrators, and the cost of litigation and defense of a claim, are not to be included within the meaning of ultimate net loss and are to be paid by the Authority.

EXCLUSIONS APPLICABLE TO SECTION II

THIS POLICY DOES NOT INSURE AGAINST:

1. Any claim for damages, whether direct or consequential, or for any cause of action which is covered under any other section of this policy.
2. Personal injury or property damage which the Insured intended or expected or reasonably could have expected, but this exclusion does not apply to personal injury resulting from the use of reasonable force to protect persons or property.

3. Damage or destruction of property owned by the Insured, rented to or occupied by the Insured, or damage to property in the care, custody, and control of the Insured.

4. Loss, cost or expense incurred for the withdrawal, inspection, repair, replacement, or loss of use of the Insured's products or work completed by or on behalf of the Insured or of any property of which such products or work form a part, if such products, work or property are withdrawn from the market or from use because of any known or suspected defect or deficiency therein.

5. Any claim for liability arising out of the ownership, maintenance, loading or unloading, use or operation of any aircraft, airfields, runways, hangers, buildings or other properties in connection with aviation activities, other than premises liability in buildings to which the general public is admitted.

6. Any obligation for which the Insured may be held liable under any workers' compensation law, unemployment compensation law, disability benefits law, retirement benefit law, employers liability or under any similar law, or to bodily injuries to any employee or to any liability for indemnity or contribution brought by any party for bodily injuries or personal injuries to any employee.

7. Any claim arising out of or in any way connected with the operation of the principles of eminent domain, condemnation proceedings, land use planning or regulation of any type and zoning, or inverse condemnation by whatever name called whether such liability accrues directly against the Insured or by virtue of any agreement entered into by or on behalf of the Insured. "Land use planning or regulation" means decisions regarding the administration and application of subdivision, zoning, and flood plain laws and regulations. However, in regard to claims or appeals concerning the Insured's approval or denial of subdivisions, the Authority will provide for the cost of defense only for such claims or appeals as follows: regarding such cost of defense, the Insured shall pay the Insured's designated deductible amount, or the first $10,000.00 of such costs, whichever is greater; and the Authority will pay amounts of such cost of defense in excess of such amounts.

8. Any claim for any ailment caused by asbestos, mesothelioma, emphysema, pneumoconiosis, pulmonary fibrosis, pleurisies, and endothelium or any lung disease or any ailment caused by or aggravated by exposure to or inhalation, consumption, or absorption of asbestos in any form.

9. Any claim resulting from the sexual or physical abuse or molestation of any person by the Insured or any volunteer worker or employee of the Insured.

10. Personal injury to: (a) an employee of any Insured arising out of and in the course of employment by the Insured except first aid, medical or paramedical services administered to the Insured's employees, as authorized by the Insured by any employee other than a doctor or dentist; or (b) the spouse, child, parent, brother, or sister of that employee as a consequence of (a) above.

11. Any claim for liability of an Insured arising out of the rendering of or failure to render services as an officer or director or other

official of any organization other than the named Insured. This exclusion does not apply if the Insured is serving at the direction of or on behalf of a named Insured, and acting within the scope of their duties.

12. Any claim arising out of a claimed breach of contract or for breach of contract against the Insured.

13. Any claim for financial obligations of an Insured as required by statute or case law not involving specific coverages provided for under *Comprehensive Insuring Agreements* A through J of this Policy.

14. Any claim or cause seeking injunctive or similar relief.

15. Any claim seeking relief or redress in any form other than money damages only.

16. Except as provided by Section II, Subsection I – *Employee Benefit Liability,* any claim for liability involving claims for wages, overtime, fringe benefits, employee benefit plans, or any claim arising out of or in any way connected with collective bargaining negotiations, agreements, strikes, or lockouts.

17. Any claim for liability for fines, penalties, assessments, or punitive or exemplary damages.

18. Any claim relating to the adoption, amendment, or repeal of a legislative act.

19. Personal property of the Insured or property held by the Insured in trust or on commission or consignment for which the Insured may be held legally liable while in due course of transit.

20. Any claim based upon or attributable to any Insured gaining in fact any personal profit or advantage to which they were not legally entitled including remuneration paid or not paid in violation of law as determined by the courts.

21. Any claim brought about or contributed to by fraud, dishonesty or criminal act of any Insured.

22. Any claim based upon or attributable to the rendering or failure to render any opinion, treatment, consultation or service if such opinion, treatment, consultation or service was rendered or failed to have been rendered while the Insured was engaged in any activity for which they received compensation from any source other than as a public entity or an employee of a public entity.

23. Any claim arising out of estimates of probable costs or cost estimates being exceeded; or for faulty preparation of bid specifications or plans; or to injury to, destruction to, or disappearance of any tangible property (including money) or the loss of use thereof.

24. Any claim arising out of the failure to supply a specific amount of electrical power or fuel arising out of the interruption of the electrical power or fuel supply.

25. Any claim for which the Insured is entitled to indemnity and/or payment by reason of having given notice of any circumstances, which might give rise to a claim under any policy or policies, the term of which has commenced prior to the inception date of this policy.

26. Any claim for liability arising out of the rendering of or failure to render medical, surgical, dental, x-ray, or nursing service or treatment in connection therewith; and the furnishing or dispensing of drugs or medical, dental or surgical supplies or appliances.

27. Any claim for loss, damage, costs, fines, penalties, or expenses directly or indirectly caused by seepage, pollution, or contamination from any cause.

GENERAL EXCLUSIONS

A. WAR CLAUSE: Coverage does not apply under this policy for loss or damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, any weapon of war employing atomic fission or radioactive force whether in time of peace or war, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power, confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any

government or public or local authority unless such acts of destruction by order of civil authority are at the time of and for the purpose of preventing spread of fire; or claims or liability arising directly or indirectly from nuclear fission, nuclear fusion or radioactive contamination.

B. NUCLEAR INCIDENT EXCLUSION:

1. Property. This policy does not cover any loss or damage arising directly or indirectly from nuclear reaction, nuclear radiation, or radioactive contamination; however such nuclear reaction, nuclear radiation, or radioactive contamination may have been caused. Nevertheless if fire is an insured peril and a fire arises directly or indirectly from nuclear reaction, nuclear radiation, or radioactive contamination, any loss or damage arising directly from that fire shall (subject to the provisions of this policy) be covered excluding however all loss or damage caused by nuclear reaction, nuclear radiation, or radioactive contamination arising directly or indirectly from that fire.

2. Casualty. This policy does not apply:

a. Under any Liability Coverage, to injury, sickness, disease, death or destruction:(1) with respect to which an Insured under the policy is also an Insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability the Authority or Nuclear Insurance Association of Canada, or would be an Insured under any such policy but for its termination upon exhaustion of its limit of liability; or (2) resulting from the hazardous properties of nuclear material and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the Insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

b. Under any Medical Payments Coverage or under any Supplementary Payments Provision relating to immediate medical or surgical relief, to expenses incurred with respect to bodily injury, sickness, disease or death resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.

c. Under any Liability Coverage, to injury, sickness, disease, death or destruction resulting from the hazardous properties of nuclear material if: (1) the nuclear material (a) is at any nuclear facility owned by, or operated by or on behalf of, an Insured, or (b) has been discharged or dispersed there from; (2) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an Insured; or (3) the injury, sickness, disease, death or destruction arises out of the furnishing by an Insured or services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to injury to or destruction of property at such nuclear facility.

d. As used in this exclusion: "hazardous properties" include radioactive, toxic or explosive properties; "nuclear material" means source material, special nuclear material or byproduct material; "source material", "special nuclear material", and "byproduct material" have the meanings given them in the Atomic Energy Act 1954 or in any law amendatory thereof; "spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor, "waste" means any waste material (1) containing byproduct material and (2) resulting from the operation by any person or organization of any nuclear facility included within the definition of nuclear facility under paragraph (a) or (b) thereof; "nuclear facility" means: a) any nuclear reactor, b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste; c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235; d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste, and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises, used for such operations; "nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material. With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

C. POLLUTION HAZARD: The Authority shall have no obligation under this policy to investigate, settle or defend any claim or suit against any Insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or

would not have occurred but for the pollution hazard; or to pay any damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any such injury or damage, or in complying with any action authorized by law and relating to such injury or damage. As used in this exclusion, "pollution hazard" means an actual exposure or threat of exposure to the corrosive, toxic or other harmful properties of any solid, liquid, gaseous or thermal pollutants, contaminants, metals, irritants or toxic substances, including smoke, vapors, soot, fumes, acids or alkalis, and waste materials consisting of or containing any of the foregoing. Waste materials also include materials to be recycled, reconditioned or reclaimed. This exclusion however does not apply to loss or damage arising out of heat, smoke, or fumes from a hostile fire. As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

D. PRIOR INSURANCE: Coverage shall not apply to any claim made against the Insured for which the Insured is entitled to indemnity and/or payment by reason of having given notice of any circumstances which might give rise to a claim under any policy or policies the term of which has commenced prior to the inception date of this policy.

GENERAL CONDITIONS

A. SALVAGE AND RECOVERY CLAUSE: When, in connection with any loss hereunder, any salvage or recovery is received subsequent to the payment of such loss, the loss shall be figured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the loss was originally determined. Any amount thus found to be due either party from the other shall be paid promptly. The expense of all proceedings necessary to such recoveries shall be apportioned between the interests concerned in the ratio of their respective recoveries as finally settled. If there should be no recovery and proceedings are conducted solely by the Authority, the expense thereof shall be borne by the Authority.

B. INSPECTIONS, AUDIT, VERIFICATION OF VALUES, AND COOPERATION WITH THE AUTHORITY: The Authority or their duly authorized representative shall be permitted at all reasonable times to inspect the premises used by the Insured and to examine the Insured's books or records so far as they relate to coverage afforded by this policy. The Insured will undertake reduction and prevention procedures, including those adopted and provided by the authority. An Insured, and the agents and employees of an Insured, must cooperate with the Authority, its agents and attorneys in all efforts to investigate claims and losses, and in the defense of any claim or loss. This requirement includes the attendance at hearings, discovery proceedings, and trials and assisting in securing and giving evidence and obtaining the attendance of witnesses.

C. CANCELLATION: This insurance can be cancelled only at the expiration date. Either of the parties may cancel by giving written notice to the other party, provided the notice is issued at least sixty (60) days prior to the expiration date. In the event of nonpayment of premium, ten (10) days' written notice of cancellation will be given and the loss fund will be deemed fully earned, not subject to any reduction.

D. OTHER INSURANCE: If other valid and collectable insurance is available to the Insured for a loss covered under this policy, the Authority's obligations are limited as follows: 1. Primary Insurance. This insurance is primary except when other insurance is available which protects the Insured as an additional Insured or additional protected person or when excess insurance below applies.

2. Excess Insurance. If other insurance is available that covers a loss that is also covered by this policy, (except for insurance purchased to apply specifically in excess of this policy) then coverage provided by this policy will apply in excess of the other valid and collectable insurance. When this insurance is excess, the Authority has no duty to defend any claim or "suit" that any other insurer has a duty to defend. When this insurance is excess over other insurance, the Authority will pay only its share of the amount of the loss, if any, that exceeds the sum of the total amount that all such other insurance would pay for the loss in the absence of this insurance; and the total of all deductible and self-insured amounts under all the other insurance. The Authority will share the remaining loss, if any, with any other insurance that is not described in this excess insurance provision and was not bought specifically to apply in excess of the limits of insurance shown in the declarations of this policy.

3. Method of Sharing. If all of the other insurance requires contribution by equal shares, the Authority will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first. If any of the other does not permit contribution by equal shares, the Authority will contribute by limits.

Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

E. MORTGAGE CLAUSE: The interest of any creditor, lien holder or mortgagor on property covered hereunder is included as if a separate endorsement were attached hereto to the extent of the amount of mortgage as of the date of loss subject to the limits of liability set forth in this policy.

F. CLAIMS: The Insured shall immediately notify the Authority of any occurrence, the cost of which is likely to result in payment by the Authority under this policy, or whenever the Insured has information from which the Insured may reasonably conclude that an occurrence covered under this policy involves injury or damage. The Authority has the final determination as to the adjustment decision regarding litigation and settlement of any claim.

G. LOSS PAYMENTS: When it has been determined that the Authority is liable under this policy, the Authority shall thereafter promptly reimburse the Insured for all payments made in excess of the maintenance deductible stated in the table of limits of liability. All adjusted claims shall be paid or made good to the Insured within a reasonable time after the presentation to the Authority, and acceptance by the Authority of satisfactory proof of interest and loss.

H. SUBROGATION: The Authority shall be subrogated to all rights which the Insured has against any person or other entity in respect to any claim or payment made under this policy, and the Insured shall execute all papers required by the Authority and shall cooperate with the Authority to secure the Authority's rights.

I. CHANGES: By acceptance of this policy the Insured agrees that it embodies all agreements existing between the Insured and the Authority or any of its agents relating to this policy. None of the provisions, conditions or other terms of this policy shall be waived or altered except by endorsement; nor shall notice to any agent or knowledge possessed by any agent or by any other person be held to effect a waiver or change in any part of this policy.

J. FRAUDULENT CLAIMS: If the Insured makes any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this policy shall become void and all claims hereunder shall be forfeited.

K. CROSS LIABILITY: In the event of claims being made by reason of bodily injury suffered by any employee of one Insured which does not arise out of the injured employee's employment, for which another Insured is liable, then this policy shall cover the Insured against whom such claim is made in the same manner as if separate policies had been issued to each Insured. In the event of liability being claimed by reason of property damage to property belonging to any Insured for which another Insured is liable, then this policy shall cover such Insured against whom such claim is made in the same manner as if separate policies had been issued to each Insured. Nothing contained in this condition shall operate to increase the Authority's limits of liability, or to include coverage for an Insured who sustains property damage as a consequence of its own employee's acts.

L. EXTENDED REPORTING PERIOD: In the event of cancellation or nonrenewal of this policy or of this section of the policy (other than cancellation for non payment of premium or violation of policy terms and conditions) the Insured shall have the option of:

1. upon payment of an additional premium as determined by the Authority purchasing an "Extended Reporting Period" extending such insurance as is afforded by this section in respect of claims first made within a maximum period of 24 months following immediately upon the effective date of such cancellation or nonrenewal, or

2. if the Insured does not purchase the "extended reporting period" the Authority shall extend such insurance as is afforded by this section to apply to claims first made against the Insured during the 30 days following immediately upon the effective date of such cancellation or nonrenewal but only by reason of a claim for injuries or damages which commences and was sustained subsequent to the retroactive date set out in Declaration 4 and prior to the effective date of such cancellation or nonrenewal, and which is otherwise covered by this policy. The "extended reporting period" for claims made subsequent to termination of the policy period, if purchased, must be endorsed hereto. If however, this policy is immediately succeeded by similar claims made insurance coverage, with any insurer, on which the retroactive date is the same as or earlier than that shown in Declaration 4, the succeeding policy shall be deemed to be a renewal of this policy, and the Insured shall have no right to secure an "extended reporting period" from the Authority. The Insured's right to purchase the "extended reporting period" must be exercised by notice in writing to the Authority not later than thirty (30) days after the cancellation or termination of the date of this policy, and must include tender of the entire premium for the

"extended reporting period". If such notice and tender is not so given the Insured shall not at a later date be able to exercise the right to purchase the "extended reporting period".

M. COVERAGE DISPUTE PROCEDURE. If an Insured is aggrieved by a coverage determination, the Insured shall initially appeal an adverse determination to the Authority's board of trustees. The appeal shall be initiated by sending written notification of the desire to appeal and the basis for the appeal to the Authority's marketing director with a copy to legal counsel.

1. The marketing director shall submit the documents received from Insured to the Authority's board of trustees, and other material the marketing director deems appropriate.

2. The Authority's board of trustees shall meet in person or by telephone conference call to consider the appeal. The Authority's chairperson has the discretion to determine whether the meeting will be in person or by conference call. Representatives of the Insured and the marketing director may participate in the meeting or conference call and shall have an opportunity to be heard.

3. The Authority's board of trustees may accept, reject, or modify in whole or in part the initial coverage determination which is the subject of the appeal.

4. If an Insured is aggrieved by the coverage determination issued by the Authority's board of trustees, the Insured shall first try in good faith to settle the controversy by mediation before resorting to litigation or other dispute resolution procedures. The Authority and Insured shall utilize a mutually agreed upon mediator or, if there is no agreement, a mediator appointed by the American Arbitration Association, who shall conduct the mediation pursuant to the Association's dispute resolution procedures for insurance claims. The mediation proceedings shall be conducted in Helena, Montana or at such other place as may be selected by mutual agreement.

5. As an alternative to mediation, the Insured and the Authority may agree in writing to submit the controversy to final and binding arbitration. The Authority and Insured shall utilize a mutually agreed upon arbitrator or, if there is no agreement, an arbitrator appointed by the American Arbitration Association, who shall conduct the arbitration pursuant to the Association's dispute resolution procedures for insurance claims. The arbitration proceedings shall be conducted in Helena, Montana or at such other place as may be selected by mutual agreement. The proceedings shall comply with the Montana Uniform Arbitration Act, Sections 27-5-112 through 27-5-324, MCA, unless the arbitrator appointed by the American Arbitration Association and the dispute resolution procedures for insurance claims provides a different procedure.