

EVEREST NATIONAL INSURANCE COMPANY

EMPLOYMENT PRACTICES LIABILITY INSURING AGREEMENT

Policy Number: [POLICYNBR]

In consideration of the premium paid and in reliance upon all statements made and information contained in the Declarations and **Application**, the **Insurer** and the **Insured** agree that coverage will be provided subject to all of the terms, conditions and limitations of this Insuring Agreement, as follows:

1. The attached **Policy** is amended by adding an additional Insuring Agreement as follows:

EMPLOYMENT PRACTICES LIABILITY INSURING AGREEMENT

The **Insurer** will pay on behalf of the **Insured**, **Loss** resulting from **Claims** first made during the **Policy Period** or Extended Reporting Period against the **Insured** for which the **Insured** is legally obligated to pay for **Wrongful Employment Acts**.

2. For the purpose of the coverage afforded by this Insuring Agreement, all of the terms and conditions set forth in the **Policy** and any amendments thereto shall apply except:

- A. Section II (B), entitled "Not-for-Profit Directorships", is deleted.

- B. The definitions of **Interrelated Wrongful Acts** and **Wrongful Act** and all references used throughout the **Policy** are deleted and replaced as follows:

Interrelated Wrongful Employment Acts means **Wrongful Employment Acts** which have as a common nexus any fact, circumstance, situation, event, transaction or series of related facts, circumstances, situations, events or transactions.

Wrongful Employment Act, either in singular or plural, means any actual or alleged act, error or omission by the **Insured** that constitutes or causes:

- (1) **Wrongful Termination, Discrimination or Harassment;**
- (2) employment-related misrepresentation or retaliation; employment-related libel, slander, humiliation, defamation, or invasion of privacy; wrongful failure to employ or promote; wrongful deprivation of career opportunity; wrongful demotion; negligent evaluation; negligent hiring; negligent retention; wrongful discipline; or
- (3) any violation of any statutory or common law relating to employment other than those statutes or regulations set forth in the Violation of Employment Law Exclusion.

- C. Section IV, entitled "Definitions", is further amended to add the following sentence to the end of the definition of **Claim**:

Claim shall not include a labor or grievance arbitration pursuant to a collective bargaining agreement.

D. Section IV, entitled "Definitions", is further amended to delete and replace the definition of **Loss** as follows:

Loss means **Defense Costs** and any amount which the **Insured** is legally obligated to pay resulting from a **Claim**, including damages, judgments, settlements, pre- and post-judgment interest, punitive or exemplary damages and the multiple portion of any multiplied damage award where insurable by law. **Loss** shall not include:

- (1) criminal or civil fines or penalties imposed by law, and liquidated damages under the Age Discrimination in Employment Act;
- (2) the payment of insurance plan benefits the claimant may have been entitled to as an **Insured Person**, including but not limited to benefits payable pursuant to **ERISA** or Consolidated Omnibus Budget Reconciliation Act of 1985 (**COBRA**), as amended;
- (3) costs to comply with any non-monetary or injunctive relief of any kind or any agreement to provide such relief, including but not limited to any damages, costs or expenses incurred in making an accommodation for any disabled person pursuant to the Americans with Disabilities Act or any similar federal, state or local rules or laws, or in complying with any other federal, state or local rules or laws of any kind;
- (4) other than **Defense Costs**, front pay, future damages or other future economic relief or the equivalent thereof which compensates the claimant for damages beyond the date of settlement or adjudication, where the **Company** has the option pursuant to a settlement or adjudication to reinstate the claimant, but fails to reinstate the claimant;
- (5) other than **Defense Costs**, compensation earned by the claimant while employed by the **Company** but not paid by the **Company** for reasons other than **Wrongful Employment Acts**, or damages determined to be owed under an express written contract of employment or an express written obligation to make payments in the event of termination of employment; or
- (6) any matters which are uninsurable under the law pursuant to which this Insuring Agreement shall be construed.

E. Section IV, entitled "Definitions", is further amended to add the following:

Discrimination means the termination of employment, the failure or refusal to hire or promote, the demotion of, or the employment-related defamation of any individual because of race, color, creed, national origin, sex, sexual orientation or preference, religion, age, gender, disability or handicap, pregnancy, or any other legally protected status.

Harassment means:

- (1) unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when:
 - (a) submission to such conduct is made either explicitly or implicitly a term and condition of an individual's employment;
 - (b) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual;
 - (c) such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment;

- (d) the allegation of harassment is brought by any customer(s), client(s), or other individual(s), class of individuals or group, and whether direct, indirect, intentional or unintentional; or
- (2) workplace harassment of a non-sexual nature as a consequence of race, color, creed, national origin, sex, sexual orientation or preference, religion, age, gender, disability or handicap, pregnancy, or any other legally protected status, which has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive work environment.

Wrongful Termination means termination of an employment relationship in a manner which is against the law or in breach of an oral and/or implied agreement to continue employment, including constructive and retaliatory discharge.

- F. Section V, entitled "Exclusions Applicable to all Insuring Agreements", is amended to delete all Exclusions and add the following:

Bodily/Personal Injury and Property Damage Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** for actual or alleged bodily injury, sickness (other than emotional distress or mental anguish), disease, or death of any person, damage to or destruction of any tangible or intangible property including loss of use and diminution thereof, wrongful entry, slander of title, eviction, false arrest, false imprisonment, malicious prosecution, abuse of process, assault, battery, loss of consortium, invasion of privacy, defamation, false light, libel, or slander.

Foreclosed Property Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** arising out of or in any way involving the ownership, sale, operation, management or control of any entity or property acquired by the **Company** as security or collateral for any loan, lease or extension of credit.

The Foreclosed Property Exclusion shall not apply to **Claims** resulting from **Wrongful Acts** in connection with the ownership, sale, operation, management or control of any one to four family residential property.

Non-Subsidiary Wrongful Acts Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** against any **Subsidiary**, or any **Employee, Director or Officer, or Executive Officer** of such **Subsidiary**, for any **Wrongful Act or Interrelated Wrongful Acts** actually or allegedly committed in whole or in part during any time when the entity was not a **Subsidiary**.

Prior and Pending Litigation Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** arising out of or in any way involving any litigation against any **Insured** initiated prior to the respective date set forth in Item 13 of the Declarations, or arising out of or in any way involving the same or substantially the same fact, circumstance or situation underlying or alleged in such prior litigation.

Prior Notice Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** in connection with any **Claim** arising out of or in any way involving any **Wrongful Employment Act** or any **Wrongful Employment Act** which is part of any **Interrelated Wrongful Employment Acts**, or any fact, circumstance or situation, which has been the subject of any notice given to any carrier other than the **Insurer** under any similar insurance policy providing protection for any **Insured**.

Violation of Employment Law Exclusion - The **Insurer** shall not be liable to make any payment for **Loss** for any **Claim** arising out of or in any way involving an actual or alleged violation of the responsibilities, obligations or duties imposed by:

- (1) ERISA, Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), as amended, any Worker's Compensation, Unemployment Insurance, or disability benefits law, the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Occupational Safety and Health Act, or any rules or regulations promulgated under any of the above statutes, or similar provisions of any federal, state or local statutory, administrative or common law; or
- (2) the Fair Labor Standards Act (except the Equal Pay Act) or any similar law, the Wage Payment and Collection Act or any other federal, state or local law, rule or regulation concerning wage and hour practices, off-the-clock work, overtime compensation on-call time compensation, compensation for waiting tie and dressing time, minimum wage compensation, timely payment of wages, reimbursement of expenses, classification of employees for the purposes of determining eligibility for overtime, on-call, and minimum wage compensation, meal and rest periods, maintenance of accurate records, conversions, unjust enrichment or unfair business practices;

provided, however, this exclusion shall not apply to **Loss** in connection with that portion of a **Claim** alleging retaliation for the exercise of any rights under such laws.

G. Subsection (2) of Section VIII (A) of the **Policy**, entitled "No Duty To Defend", is deleted and replaced as follows:

- (2) The **Insured** shall not incur **Defense Costs**, admit liability for, settle, or offer to settle any **Claim** without the **Insurer's** prior written consent, which shall not be unreasonably withheld. The **Insurer** shall be entitled to full information and all particulars it may request in order to reach a decision as to such consent. If the **Insured** receives a settlement offer that the **Insurer** deems reasonable and the **Insured** withholds consent to such settlement, the **Insurer's** liability for all **Loss** on account of such **Claim** shall not exceed:
 - (a) the amount for which the **Claim** could have been settled for; plus
 - (b) **Defense Costs** accrued as of the date such settlement was proposed; plus
 - (c) fifty percent (50%) of the covered **Loss**, including **Defense Costs** incurred after the date such settlement was proposed, in excess of the amount for which the **Claim** could have been settled.

Notwithstanding the foregoing, if the proposed settlement amount does not exceed the applicable Retention set forth in the Declarations, Subpart (c) above shall not apply and the **Insurer's** liability for all **Loss** arising from such **Claim** shall not exceed the amount for which the **Claim** could have been settled plus **Defense Costs** incurred as of the date such settlement was proposed.

Any amounts paid by the **Insurer** under Subparts (a), (b), or (c) above shall be part of and not in addition to the applicable Limit of Liability set forth in Item 9 of the Declarations.

- H. Section XI, entitled "Mergers, Acquisitions and Changes in Business Activities", is deleted and replaced as follows:

SECTION XI - MERGERS AND ACQUISITIONS

- A. Except as provided by Subsection (B) below, if during the **Policy Period**, the **Company** adds additional **Employees** through acquisition, merger with another entity or through the creation or acquisition of a **Subsidiary**, then no coverage shall be afforded under this **Policy** for any **Loss** incurred by the **Company**, such entity, **Subsidiary**, or its **Insured Persons** resulting from any **Claim** first made, prior to:

- (1) the **Company** providing written notice of such transaction, including any requested information regarding the transaction, to the **Insurer** as soon as practicable;
- (2) the **Insurer**, at its sole discretion, agreeing in writing to provide such coverage; and
- (3) the **Company** accepting any special terms, conditions and/or Exclusions and paying any additional premium required by the **Insurer**.

However, this provision shall not apply until ninety (90) days after the acquisition, merger or creation.

- B. If during the **Policy Period**, the **Company** creates or acquires a bank or bank **Subsidiary** whose assets are less than twenty-five percent (25%) of the **Company's** total assets at the time of the transaction, the **Insurer** agrees to provide automatic coverage for such bank, bank **Subsidiary** and its **Insured Persons** for the remainder of the **Policy Period**.

- C. Any coverage afforded under this **Policy** for a **Loss** in any way involving the **Company**, **Subsidiary**, or any acquired, merged or created entity or its **Insured Persons** shall not apply to any **Claim** arising out of or directly or indirectly resulting from:

- (1) any **Wrongful Employment Act** or any fact, circumstance or situation committed or allegedly committed prior to the effective date of such acquisition, merger or creation; or
- (2) any other **Wrongful Employment Act**, which, together with **Wrongful Employment Acts** committed or allegedly committed prior to effective date of such acquisition, merger or creation constitute **Interrelated Wrongful Employment Acts**.

3. This Insuring Agreement shall be effective as of [ENDORSEMENTEFFDT].

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the **Policy** other than as above stated.