

# Interior Designers Professional Liability



## LIBERTY INSURANCE UNDERWRITERS INC.

(A Stock Insurance Company, hereinafter the "Company")

### INTERIOR DESIGNERS PROFESSIONAL LIABILITY CLAIMS-MADE INSURANCE POLICY

**THIS IS A CLAIMS-MADE AND REPORTED POLICY. PLEASE READ IT CAREFULLY.**

#### I. COVERAGE

The Company will pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay as **Damages** for **Claims** first made against the **Insured** and reported to the Company during the **Policy Period** or Extended Reporting Period, if applicable, and arising out of any negligent act, error, or omission in the rendering of or failure to render **Professional Services** by an **Insured** covered under this policy. Provided always that such negligent act, error or omission happens:

- A. during the **Policy Period**; or
- B. prior to the **Policy Period** provided that:
  - 1. such negligent act, error, or omission happened on or after the Prior Acts Date as indicated on the Declarations Page; and
  - 2. the **Insured** had no reasonable basis to believe that any **Insured** had breached a professional duty or to foresee that a **Claim** would be made against an **Insured** prior to the effective date of this policy.

The Company shall have the right and duty to defend any suit against the **Insured** seeking **Damages** to which this insurance applies even if any of the allegations of the suit are groundless, false or fraudulent. However, the Company shall have no duty to defend the **Insured** against any **Claim** seeking loss to which this insurance does not apply.

Further:

- A. The amount the Company will pay for **Damages** is limited as described in Section III. of this policy; and
- B. The Company's right and duty to defend ends when the Company has used up the applicable Limit of Liability in the payment of any settlement(s) or judgment(s).

The Company shall select and assign defense counsel; however, the **Insured** may engage additional counsel, solely at their expense to associate in the defense of any **Claim** covered hereunder. The Company shall also have the right to investigate any **Claim** and/or negotiate the settlement thereof, as it deems expedient, but the Company shall not commit the **Insured** to any settlement without their consent. If the **Insured** refuses to consent to any settlement recommended by the Company and elects to contest the **Claim** or continue any legal proceedings in connection with such **Claim**, then the Company shall be relieved of any further duty to defend the **Claim**, and the liability of the Company for **Damages** shall not exceed the amount for which the **Claim** could have been settled as well as the **Claim Expenses** incurred by the Company or with the Company's consent up to the date of such refusal. Furthermore, the **Insured** shall not assume any obligations, incur any costs, charges, or expenses or enter into any settlement without the Company's consent. **Claim Expenses** are part of, and not in addition to, the Limits of Liability.

#### II. ENTITY & PERSONS INSURED

Each of the following is an **Insured** under this policy to the extent set forth below:

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- A. If the **Named Insured** is a sole proprietorship, the **Named Insured** designated in the Declarations and any current or former employee of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as such;
- B. If the **Named Insured** is a partnership, the partnership so designated and any partner thereof and any current or former employee of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as such;
- C. If the **Named Insured** designated in the Declarations is other than a sole proprietorship or partnership, the organization so designated and any current or former executive officer, director, stockholder or employee of the **Named Insured**, but only while acting on behalf of the **Named Insured** and within the scope of their duties as a executive officer, director, stockholder or employee thereof.

## III. LIMIT OF LIABILITY

Regardless of the number of **Insureds** under this insurance or the number of **Claims** made, the Company's liability is limited as follows:

The Limit of Liability stated in the Declarations as applicable to "each **Claim**" is the limit of the Company's liability for all **Damages** because of each **Claim** covered hereby. All **Claims** arising from the same or related negligent act, error or omission shall be considered a single **Claim** for the purpose of this insurance and shall be subject to the same Limit of Liability.

The Limit of Liability stated in the Declarations as "Aggregate" is, subject to the above provision respecting "each **Claim**", the total limit of the Company's liability under this policy for all **Damages**.

The Company's liability for **Damages** resulting from each **Claim** is in excess of the Deductible amount stated in the Declarations.

The purchase of any Extended Reporting Period option shall not increase the Limit of Liability stated in the Declarations.

## IV. POLICY PERIOD, TERRITORY

The insurance afforded by this policy applies to **Claims** which are first made and reported to the Company during the **Policy Period** or Extended Reporting Period, if applicable, provided the **Claim** is made or suit, if any, is brought within the United States of America, its territories or possessions.

## V. WHEN CLAIM IS TO BE CONSIDERED AS FIRST MADE

A **Claim** shall be considered as being first made at the earlier of the following times:

- A. When the **Named Insured** first receives written notice from the claimant or its representative that a **Claim** has been made; or
- B. When the Company first receives written notice from the **Insured** of specific circumstances involving a particular person or entity which may result in a **Claim**.

All **Claims** arising out of the same or related act shall be considered as having been made at the time the first such **Claim** is made, and shall be subject to the same Limit of Liability and only a single Deductible, if any, shall apply.

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## VI. SUPPLEMENTARY PAYMENTS

The Company will pay, in addition to the applicable Limit of Liability:

- A. With regard to any covered **Claim**, up to \$250 for loss of earnings to each individual **Insured** for each day or part of a day of such **Insured's** attendance at the Company's request at a trial, hearing or arbitration proceeding involving a civil suit against such **Insured** for covered **Damages**, but the amount so payable for any one or series of trials, hearings or arbitration proceedings arising out of the same negligent act, error or omission shall in no event exceed \$5,000; and
- B. Up to \$2,500 per **Policy Period** per **Insured** for attorney fees and other costs, expenses or fees resulting from the investigation or defense of a proceeding before a state licensing board or governmental regulatory body incurred as the result of a notice of a proceeding first received by the **Insured** and reported to the Company during the **Policy Period**, arising out of any negligent act, error or omission in the rendering of or failure to render **Professional Services** by an **Insured** covered under this policy.

## VII. EXCLUSIONS

This insurance does not apply to any **Claim**:

- A. Based on or arising out of a dishonest, fraudulent, criminal or malicious act or omission or deliberate misrepresentation committed by, at the direction of, or with the knowledge of the **Insured**;
- B. Based on or arising from the rendering of or failure to render **Professional Services** by an **Insured** as an employee, owner, partner, stockholder, director or officer of any joint venture, sole proprietorship, partnership or corporation or any other business enterprise, that is not designated in the Declarations as a **Named Insured**;
- C. Based on or arising out of any obligation under any workers' compensation, unemployment compensation, disability or pension benefits law, or any similar law, including but not limited to, the Employee Retirement Security Act of 1974 and any amendments thereto;
- D. Based on or arising out of liability assumed by the **Insured** under any contract or agreement, except that this exclusion shall not apply to liability the **Insured** would have in the absence of such contract or agreement;
- E. Based on or arising out of the actual or alleged insolvency or bankruptcy of the **Insured**;
- F. Based on or arising out of any actual or alleged infringement of a copyright, trademark, or patent;
- G. Based on or arising out of advising, requiring, obtaining, or failing to obtain any form of insurance, suretyship, or bond;
- H. Based on or arising out of the actual or alleged failure of the **Insured** to complete any drawing, specification or other instrument of service, or to process any shop drawing on time or within a defined period of time. This exclusion shall not apply if the failure is the result of a negligent act, error or omission in the preparation of any drawing, specification, or other instrument of service, or in the processing of any shop drawing;
- I. Based on or arising out of any **Insured**, actually or allegedly, providing, failing to provide, or revising any estimate or statement of probable construction cost, or any cost estimate;

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- J. Based on or arising out of any actual or alleged plagiarism, industrial piracy, unfair business practice, or unauthorized activity in connection with any client trade secret;
- K. Based on or arising out of any actual or alleged express warranty or guarantee;
- L. Based on or arising out of any **Claim** brought by or on behalf of any **Insured** against any:
  - 1. other **Insured**; or
  - 2. any business enterprise that owns the **Insured**, in whole or in part;
- M. Based on, arising out of or resulting from any project for which:
  - 1. the **Professional Services** was performed by the **Insured**; and
  - 2. any construction, erection, fabrication, installation, assembly, manufacture, or supplying of equipment or any material incorporated therein, was, wholly or partly, performed by:
    - a. the **Named Insured** or any subsidiary thereof;
    - b. any business enterprise or joint venture under common ownership, management or control of any **Insured**;
    - c. any business enterprise acting in the capacity of a subcontractor or agent of the **Insured**;
    - d. any business enterprise which, in whole or in part, owns the **Insured**; or
    - e. any business enterprise in which the **Insured**, in whole or in part, owns more than 25% equity interest;
- N. Based on or arising out of the design or manufacture of any good or product that is sold or supplied by the **Insured**;
- O. Based on any claim, action, judgment, liability, settlement, loss, defense, cost or expense in any way arising out of actual, alleged, or threatened pollution, contamination, or any environmental impairment resulting from seepage, discharge, dispersal, release, or escape of any solid, liquid, gaseous, or radioactive matter including, but not limited to smoke, vapors, soots, fumes, acids, alkalis, chemicals, or toxic matter; or waste materials (including materials to be recycled, reconditioned, or reclaimed); or oil or other petroleum substances or derivatives (including any oil refuse or oil mixed with waste); or thermal or vibratory effect including, but not limited to, heat or cold, into or upon land, the atmosphere, or any water course or body of water, underground water or water table supplies, whether such results directly, indirectly, or in concurrence or in any sequence from the **Insured's** activities or the activities of others and whether or not such is sudden, gradual, accidental, intended, foreseeable, expected, fortuitous, or inevitable and wherever or however such occurs.
- P. Based on or arising out of:
  - 1. injury, disease or illness (including death at any time resulting therefrom); or
  - 2. damage to or reduction in the financial value of any property;
- Q. Arising, in whole or in part, out of or in any way related to **Asbestos**; and
- R. Based on or arising out of the practice of the **Insured's Professional Service** unless the **Insured** is properly licensed or certified by the laws of the state(s) in which the **Insured** practices, or is otherwise qualified to practice the **Insured's Professional Service** in the absence of such laws.

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## VIII. DEFINITIONS

When used in this policy (including endorsements forming a part hereof);

**"Asbestos"** shall include but is not limited to, asbestos or other mineral wools, products, fibers, dust, or other mineral wools contained in products or materials;

**"Claim"** means a demand for money, or the filing of suit or institution of arbitration proceedings naming the **Insured** and alleging a negligent act, error or omission in the rendering of or failure to render **Professional Services**. **Claim** does not include any proceeding seeking injunctive or other non-pecuniary relief or any administrative proceeding before any national, state, regional or local regulatory board or any committee or sub-committee thereof, except as provided in Section VI.B of this policy.

**"Claim Expenses"** means that part of **Damages** consisting of reasonable costs, charges, fees (including but not limited to attorney's fees and expert's fees), and expenses (other than regular and overtime wages, salaries or fees of any director, trustee, officer or employee of the **Insured**) incurred in defending and investigating any **Claim** and the premium for appeal, attachment or similar bond.

**"Damages"** means the total amount that the **Insured** is legally obligated to pay on account of each **Claim** and for all **Claims** made against them for any negligent act, error, or omission in the rendering of or failure to render **Professional Services** for which this coverage applies, including, but not limited to, damages, judgments, settlements, costs and **Claim Expenses**. **Damages** do not include:

- A. any fine or penalty imposed by law, including but not limited to punitive or exemplary damages, or the multiple portion of any multiplied damage award;
- B. any amount which may be deemed uninsurable under the law pursuant to which this policy shall be construed; or
- C. any amount which the **Insured** is absolved from paying by reason of any covenant, agreement, or court order.

**"Insured"** means any person or organization qualifying as an **Insured** in the ENTITY & PERSONS INSURED provision of this policy. The insurance afforded applies separately to each **Insured** against whom **Claim** is made or suit is brought, except with respect to the Limit of Liability and Section VIII.L of this policy.

**"Named Insured"** means:

- A. the person or organization named in Item 1 of the Declarations, and
- B. any Predecessor Firm(s) named in Item 7 of the Declarations.

**"Policy Period"** means, whenever used in this policy, the period from the inception date of this policy to the policy expiration date as set forth in the Declarations or its earlier termination date, if any.

**"Professional Services"** means those services which the **Insured** is qualified to perform for others in their capacity as listed in Item 6 of the Declarations, or as specifically defined by endorsement to the policy. **Professional Services** shall not include any actual or alleged service performed by the **Insured** as an architect or engineer, unless such service is specifically listed on the Declarations. **Professional Services** includes incidental services rendered by any **Insured** as a notary public or as a member of a formal accreditation, standards review or similar board or committee. **Professional Services** also includes any act, error, or omission by an **Insured** in their capacity as an **Insured** if same results in an allegation of:

- A. false arrest, wrongful detention, or imprisonment, or malicious prosecution;
- B. wrongful entry or eviction, or other invasion of the right of private occupancy; or



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- C. libel or slander, including, but not limited to allegation of any publication, dissemination, or utterance constituting the offenses of libel, defamation, disparagement, or utterances in the course of or related to advertising, broadcasting, or telecasting activities conducted by or on behalf of the **Named Insured**.

## IX. CONDITIONS

### A. PREMIUM

All premiums for this policy shall be computed in accordance with the Company's rules, rates, rating plans, premiums and minimum premiums applicable to the insurance afforded herein. The **Named Insured** shall maintain records of the information necessary for premium computation and shall send copies of such records to the Company at such times as the Company may direct.

### B. ASSISTANCE AND COOPERATION OF INSURED IN THE EVENT OF CLAIM OR SUIT

Upon the **Insured** becoming aware of any negligent act, error, or omission that could reasonably be expected to be the basis of a **Claim** covered hereby, written notice shall be given by the **Insured** to the Company together with the fullest information obtainable. If **Claim** is made or suit is brought against the **Insured**, the **Insured** shall immediately forward to the Company every demand, notice, summons or other process received by the **Insured** or the **Insured's** representative. The **Insured** shall cooperate with the Company and, upon the Company's request assist in the making of settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Insured** because of **Damages** with respect to which this insurance applies. The **Insured** shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The **Insured** shall not, except at the **Insured's** own cost, voluntarily make any payments, assume any obligation or incur any expense.

### C. ASSIGNMENT

The interest of any **Named Insured** is not assignable. If any **Insured** shall die or be adjudged incompetent, this insurance shall thereupon terminate for such person but shall cover the **Insured's** legal representative as the **Insured** with respect to liability previously incurred and covered by this insurance. Pro-rata return premium will be computed from the date of termination.

### D. ACTION AGAINST COMPANY

No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this policy, but not until the amount of the **Insured's** obligation to pay shall have been finally determined either by judgment against the **Insured** after actual trial or by written agreement of the **Insured**, the claimant and the Company.

### E. CONFORMITY TO STATUTE

Notwithstanding anything contained herein to the contrary, in the event that any terms or conditions of this contract conflict with any law applicable to the coverage afforded hereunder, the terms of this contract shall, by this statement, be amended to conform to such law or laws.

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## F. OTHER INSURANCE

If there is other valid insurance (whether primary, excess, contingent or self-insurance, including Extended Reporting Period coverage from previous insurance) which may apply against a loss or **Claim** covered by this policy, the insurance provided hereunder shall be deemed excess insurance over and above the applicable limit of all other insurance or self-insurance.

When this insurance is excess, the Company shall have no duty under this policy to defend any **Claim** or suit that any other insurer or self-insurer has a duty to defend. If such other insurer or self-insurer refuses to defend such **Claim** or suit, the Company shall be entitled to the **Insured's** rights against all such other insurers or self-insurers for any defense costs incurred by the Company. When both this insurance and other insurance or self-insurance apply to the loss on the same basis, whether primary, excess or contingent, the Company shall not be liable under this policy for a greater proportion of the loss or defense costs than the applicable Limit of Liability under this policy for such loss bears to the total applicable limit of liability of all valid and collectible insurance against such loss. Subject to the foregoing, if a loss occurs involving two or more policies, each of which provides that its insurance shall be excess, each will contribute pro-rata.

## G. SUBROGATION

In the event of any payment under this policy, the Company shall be subrogated to all the **Insured's** rights of recovery therefore against any person, organization or entity. The **Insured** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insured** shall do nothing after any loss to prejudice such rights.

## H. CHANGES

The terms of this policy shall not be waived or changed except by endorsement issued to form a part of this policy.

## I. BANKRUPTCY OR INSOLVENCY OF INSURED

Neither bankruptcy nor insolvency of the **Insured** or of the **Insured's** estate shall relieve the Company of any of its obligations hereunder.

## J. CANCELLATION

This insurance may be cancelled on the customary short-rate basis by the **Named Insured** at any time by written notice or by surrender of this insurance to the Company or its authorized representative and the Company shall refund the paid premium less the earned portion thereof within thirty (30) days of the latter of the effective date of cancellation or the date of delivery of the **Named Insured's** notice of intent to cancel. This insurance may also be cancelled, with or without the return or tender of the unearned premium, by the Company, or by its authorized representative on its behalf, by sending to the **Named Insured**, by first-class registered or certified mail, at the **Named Insured's** address last known to the Company or its authorized agent, not less than ninety (90) days' written notice stating the specific reason for such cancellation and when the cancellation shall be effective. In such case, the Company shall refund the paid premium less the earned portion thereof within ten (10) business days after the effective date of cancellation, subject always to the retention by the Company of any minimum premium stipulated herein (or proportion thereof previously agreed upon) in the event of cancellation either by the Company or the **Named Insured**. In case of non-payment of premium only thirty (30) days' written notice of cancellation must be given by the Company. Proof of mailing will be sufficient proof of notice.

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Cancellation by the Company shall only be effective if based on one or more of the following reasons:

1. Nonpayment of premium;
2. This policy was obtained through any material misrepresentation;
3. Violation of any term or condition of this policy;
4. The risk originally accepted has measurably increased; or
5. Loss by the Company of reinsurance which provided coverage for all or a substantial part of the risk insured under this policy.

## K. NON-RENEWAL

The Company will renew this policy unless written notice of the Company's intent not to renew, stating the specific reasons for non-renewal, is mailed to the **Named Insured** not less than sixty (60) days before the policy expires.

Any notice of nonrenewal will be mailed by first-class registered or certified mail to the **Named Insured** at the last mailing address known to the Company. Proof of mailing will be sufficient proof of notice.

## L. DEDUCTIBLE

The **Insured's** obligation to pay the Deductible amount as a result of any single **Claim** shall not exceed the amount stated in the Declarations as Deductible for "each **Claim**". The Company's obligation to pay **Damages** and **Claim Expenses** on behalf of the **Insured** resulting from a **Claim** is in excess of the Deductible amount stated in the Declarations. The **Insured** shall pay **Damages** and/or **Claim Expenses** for each **Claim** equal to the amount of the Deductible.

## M. DECLARATIONS AND APPLICATION

By acceptance of this policy, the **Insureds** agree that the statements in the Declarations and Application are the **Insureds'** agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between the **Insureds** and the Company or any of its agents relating to this insurance.

## N. EXTENDED REPORTING PERIOD OPTION

### 1. CANCELLATION/NON-RENEWAL

In the case of cancellation or non-renewal of this policy by the **Named Insured** or the Company for any reason (other than nonpayment of premium):

1. this policy will automatically be extended for a period of sixty (60) days from the date of such cancellation or non-renewal, but only for **Professional Services** committed on or after any applicable retroactive date and prior to the effective date of such cancellation or non-renewal ("Automatic Extended Reporting Period"); and
2. the **Named Insured** shall have the right, upon payment of the respective additional premium set forth below, to an extension of the coverage granted by this policy for the respective period set forth below:
  - a. 90% of the full annual premium for this policy, for a period of twelve (12) months commencing the end of the Automatic Extended Reporting Period;



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- b. 135% of the full annual premium for this policy, for a period of twenty-four (24) months commencing the end of the Automatic Extended Reporting Period;
- c. 150% of the full annual premium for this policy, for a period of thirty-six (36) months commencing the end of the Automatic Extended Reporting Period;
- d. 175% of the full annual premium for this policy, for a period of sixty (60) months commencing the end of the Automatic Extended Reporting Period;
- e. 200% of the full annual premium for this policy, for a period of ninety-six (96) months commencing the end of the Automatic Extended Reporting Period;
- f. 225% of the full annual premium for this policy, for an unlimited period commencing the end of the Automatic Extended Reporting Period, but only for **Professional Services** committed on or after any applicable retroactive date and prior to the effective date of such cancellation or non-renewal ("Supplemental Extended Reporting Period").

This right to purchase a Supplemental Extended Reporting Period shall terminate, however, unless written notice of such election, together with the additional premium, is received by the Company or its authorized agent from the **Insured** within sixty (60) days after the effective date of cancellation or non-renewal.

## 2. RETIREE PROVISION

If the **Named Insured** is designated in the Declarations:

- a. As an independent contractor and shall cancel or fail to renew this policy due to retirement of the **Named Insured** from active business; or
- b. As a sole proprietorship and shall cancel or fail to renew this policy due to retirement of the **Named Insured** from active business; or
- c. As a partnership and shall cancel or fail to renew this policy due to dissolution of the partnership,

the **Named Insured** shall have the right, for an additional premium of 200% of the full annual premium, to have an endorsement issued extending the reporting period for this policy to an unlimited period following the effective date of such cancellation or non-renewal in which to give written notice to the Company of **Claims** first made against the **Insured** during this Extended Reporting Period for any negligent act, error or omission occurring prior to the termination of the final **Policy Period**, subject to its terms, limitations, exclusions and conditions. This right shall terminate, however, unless written notice of election together with the additional premium is received by the Company or its authorized agent from the **Insured** within thirty (30) days after the effective date of cancellation or non-renewal.

## 3. TERMINATION OF EXTENDED REPORTING PERIOD

At the commencement of any Extended Reporting Period option, the entire premium therefore shall be deemed earned, and in the event the **Insured** terminates the Extended Reporting Period before its term for any reason, the Company shall not be liable to return to the **Insured** any portion of the premium for the Extended Reporting Period.

The fact that the period during which **Claims** must be first made against the **Insured** under this policy is extended by virtue of any Extended Reporting Period option shall not in any way increase the Limit of Liability of this policy. The Limit of Liability available under any Extended Reporting Period option shall be part of, and not in addition to, the Limit of Liability available under the last policy or renewal certificate issued to the **Named Insured**.

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### P. REIMBURSEMENT

While the Company has no duty to do so, if the Company pays **Damages** or **Claim Expenses**:

1. Within the amount of the applicable Deductible; or
2. In excess of the applicable Limit of Liability,

all **Insureds** shall be jointly and severally liable to the Company for such amounts. Upon written demand, the **Insured** shall repay such amounts to the Company within thirty (30) days thereof. Failure to pay any amount indicated above may lead to policy cancellation and the **Named Insured** shall not have the right to purchase any Extended Reporting Period option.

### P. PUNITIVE OR EXEMPLARY DAMAGES

Punitive and exemplary damages are excluded by this policy. However, if a covered **Claim** is brought against an **Insured** that seeks both compensatory, and punitive or exemplary damages, then the Company will nevertheless defend such **Claim** and waive its right to reimbursement for those **Claim Expenses** associated with the defense of the punitive or exemplary damages charge.

### Q. COMPANY REIMBURSEMENT

Except with respect to Subsection P., PUNITIVE OR EXEMPLARY DAMAGES, above, with respect any covered **Claim** that contains an allegation for loss to which this policy does not apply, the Company reserves the right to seek reimbursement for any **Claim Expenses** incurred relative to such loss.

IN WITNESS WHEREOF, the Company has caused this policy to be signed by its president and secretary.

President

Secretary