MICHIGAN SEXUAL ABUSE OR SEXUAL MOLESTATION  
LIABILITY COVERAGE

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This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by the endorsement.

This endorsement changes the Policy effective on the inception date of the Policy unless another date is indicated below.

|  |  |  |
| --- | --- | --- |
| **Named Insured:** |  | |
| **Endorsement Effective Date:** | |  |

SCHEDULE

|  |  |  |
| --- | --- | --- |
| **Description Of Premise(s), Project(s), Contract(s) Or Agreement(s):**  (Enter below any limitations on the application of this endorsement. If no limitation is entered, Paragraph **C.1.b.(2)**  of this endorsement does not apply.) | | |
|  | | |
| **Limits Of Insurance** | | |
| **Sexual Abuse Or Sexual Molestation Liability Aggregate Limit:** | **$** |  |
| **Sexual Abuse Or Sexual Molestation Liability Each Act Limit:** | **$** |  |
| **Sexual Abuse Or Sexual Molestation Liability Each Act Deductible:** | **$** |  |
| **Sexual Abuse Or Sexual Molestation Liability Premium:** | **$** |  |
| Information required to complete this Schedule, if not shown above, will be shown in the Declarations. | | |

A. The following exclusion is added to Paragraph 2. Exclusions of Paragraph A. Bodily Injury And Property Damage Liability and Paragraph B. Personal And Advertising Injury Liability of Section II – General Liability Coverages:

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This insurance does not apply to any of the following:

Sexual Abuse Or Sexual Molestation

Damages arising out of:

(1) The actual, alleged or threatened sexual abuse or sexual molestation of any person committed by anyone; or

(2) The negligent:

(a) Employment;

(b) Investigation;

(c) Supervision;

(d) Reporting to the proper authorities, or failure to so report; or

(e) Retention;

of a person for whom any "insured" is or ever was legally responsible and whose conduct would be excluded by Paragraph **A.(1)** above.

B. The following exclusion is added to Paragraph B. Exclusions of Section III – Acts, Errors Or Omissions Liability Coverages:

This insurance does not apply to any of the following:

Sexual Abuse Or Sexual Molestation

Damages arising out of:

(1) The actual, alleged or threatened sexual abuse or sexual molestation of any person committed by anyone; or

(2) The negligent:

(a) Employment;

(b) Investigation;

(c) Supervision;

(d) Reporting to the proper authorities, or failure to so report; or

(e) Retention;

of a person for whom any "insured" is or ever was legally responsible and whose conduct would be excluded by Paragraph **B.(1)** above.

C. Sexual Abuse Or Sexual Molestation Liability

1. Coverage

a. We will pay those sums that the "insured" becomes legally obligated to pay as damages because of "injury" to which this insurance applies, resulting from your "auto dealer operations". We will have the right and duty to defend the "insured" against any "suit" seeking those damages. However, we will have no duty to defend the "insured" against any "suit" seeking damages for "injury" to which this insurance does not apply. We may, at our discretion, investigate any report or allegation of an "act of sexual abuse or sexual molestation" or "interrelated acts" and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in Paragraph F. Limits Of Insurance of this endorsement; and

(2) Our right to defend or settle ends when:

(a) We have used up the applicable Limit Of Insurance shown in the Schedule of this endorsement in the payment of judgments or settlements; or

(b) The "insured":

(i) Admits to perpetrating or taking part in an "act of sexual abuse or sexual molestation" or "interrelated acts" which caused the "injury"; or

(ii) Is found guilty of, or pleads guilty or no contest to, in a legal proceeding, an "act of sexual abuse or sexual molestation" which caused the "injury".

However, with respect to this Paragraph **(b),** our right and duty to defend ends only for the "insured" that admits to perpetrating or taking part in an "act of sexual abuse or sexual molestation" or "interrelated acts", or is found guilty of, or pleads guilty or no contest to, in a legal proceeding, an "act of sexual abuse or sexual molestation" which caused the "injury".

For the purposes of this Paragraph **(b),** a legal proceeding includes, but is not limited to, a proceeding that results in a criminal conviction, a judgment, decree, ruling or order pronounced or entered by any court of competent jurisdiction or an order or ruling pronounced or entered by any administrative agency.

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No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Paragraph **E.** Supplementary Payments of this endorsement.

b. This insurance applies to "injury" only if:

(1) The "injury" is caused by an "act of sexual abuse or sexual molestation" or "interrelated acts" that was committed in the coverage territory during the policy period; and

(2) The "injury" is caused by an "act of sexual abuse or sexual molestation" or "interrelated acts" that was committed on the premise(s) or arises out of the project(s), contract(s) or agreement(s) shown in the Schedule of this endorsement.

However, this Paragraph b.(2) applies only if a description of premise(s), project(s), contract(s) or agreement(s) is shown in the Schedule of this endorsement.

c. "Injury" caused by an "act of sexual abuse or sexual molestation" or "interrelated acts" includes any continuation, change or resumption of that "injury" after the end of the policy period.

d. Damages because of "injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "injury".

2. Exclusions

This insurance does not apply to any of the following:

a. Expected Or Intended Injury

"Injury" expected or intended from the standpoint of the "insured".

b. Perpetrated By The Insured

Damages attributable to the "insured" who admits to perpetrating or taking part in an "act of sexual abuse or sexual molestation" or "interrelated acts", or is found guilty of, or pleads guilty or no contest to, in a legal proceeding, an "act of sexual abuse or sexual molestation" or "interrelated acts" which caused the "injury".

For the purposes of this exclusion, a legal proceeding includes, but is not limited to, a proceeding that results in a criminal conviction, a judgment, decree, ruling or order pronounced or entered by any court of competent jurisdiction or an order or ruling pronounced or entered by any administrative agency.

c. Injury Or Damage Under Section II Or Section III

"Injury" or damage, including but not limited to "bodily injury", "property damage", "acts errors or omissions" or "personal and advertising injury" to which Section **II** – General Liability Coverages orSection **III** – Acts, Errors Or Omissions Liability Coverages applies.

d. Contractual Liability

"Injury" for which the "insured" is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply:

(1) To liability for damages that the "insured" would have in the absence of the contract or agreement; or

(2) To assumption of tort liability in any contract or agreement shown in the Schedule of this endorsement, to the extent the assumption of tort liability is permitted by law.

e. Workers' Compensation And Similar Laws

Any obligation of the "insured" under a workers' compensation, disability benefits or unemployment compensation law or any similar law.

f. Employee Indemnification And Employer's Liability

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"Injury" to:

(1) An "employee" of the "insured" arising out of and in the course of:

(a) Employment by the "insured"; or

(b) Performing duties related to the conduct of the "insured's" business; or

(2) The spouse, child, parent, brother or sister of that "employee" as a consequence of Paragraph (1) above.

(3) A person arising out of any:

(a) Refusal to employ that person;

(b) Termination of that person's employment; or

(c) Employment-related practices, policies, acts or omissions, such as coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or malicious prosecution directed at that person; or

(4) The spouse, child, parent, brother or sister of the person addressed in Paragraph (3) as a consequence of "injury" to that person at whom any of the employment-related practices described in Paragraph (3)(a), (b) or (c) above are directed.

This exclusion applies:

(a) Whether the "injury"-causing event described in Paragraph (3)(a), (b) or (c) above occurs before employment, during employment or after employment of that person;

(b) Whether the "insured" may be liable as an employer or in any other capacity; and

(c) To any obligation to share damages with or repay someone else who must pay damages because of the "injury".

D. Who Is An Insured

The following are "insureds" for Sexual Abuse Or Sexual Molestation Liability Coverage:

1. You.

2. Your partners and their spouses, if you are a partnership, but only with respect to the conduct of your "auto dealer operations".

3. Your members, if you are a limited liability company, but only with respect to the conduct of your "auto dealer operations". Your managers are also "insureds", but only with respect to their duties as your managers.

4. Your "executive officers" and directors, if you are an organization other than a partnership or limited liability company, but only with respect to their duties as your officers or directors. Your stockholders are also "insureds", but only with respect to their liability as stockholders.

5. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of employment by you or while performing duties related to the conduct of your "auto dealer operations".

6. Any "auto" dealership that is acquired or formed by you, other than a partnership or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that "auto" dealership. However, coverage under this provision is afforded only until the 90th day after you acquire or form the "auto" dealership or the end of the policy period, whichever is earlier.

7. Any person or organization added to this coverage form as an additional "insured" under Section II – General Liability Coverages will automatically be an "insured" under the insurance provided by this endorsement, but only if the insurance provided by this endorsement is required by:

a. The described contract(s) or agreement(s) shown in the Schedule of this endorsement; or

b. A written contract or agreement, if no described contract(s) or agreement(s) are shown in the Schedule of this endorsement;

to be provided to such additional "insured".

However, the insurance afforded to such additional "insured":

(1) Only applies to the extent permitted by law; and

(2) Will not be broader than that which you are required by the contract or agreement to provide for such additional "insured".

No person or organization is an "insured" with respect to the conduct of any current or past partnership or limited liability company that is not shown as a Named Insured in the Declarations.

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E. Supplementary Payments

With respect to the coverage provided by this endorsement, we will pay for the "insured":

1. All expenses we incur.

2. The cost of bonds to release attachments in any "suit" against the "insured" we defend, but only for bond amounts within the applicable Limit Of Insurance shown in the Schedule of this endorsement. We do not have to furnish these bonds.

3. All reasonable expenses incurred by the "insured" at our request, including actual loss of earnings up to $250 a day because of time off from work.

4. All court costs taxed against the "insured" in any "suit" against the "insured" we defend. However, these payments do not include attorneys' fees or attorneys' expenses taxed against the "insured".

5. Prejudgment interest awarded against the "insured" on that part of the judgment we pay.

6. All interest on the full amount of the judgment that accrues after entry of the judgment in any "suit" against the "insured" we defend; but our duty to pay interest ends when we have paid, offered to pay or deposited in court the part of the judgment that is within the applicable Limit Of Insurance shown in the Schedule of this endorsement.

These payments will not reduce the limits of insurance.

F. Limits Of Insurance

1. With respect to the coverage provided by this endorsement, the Sexual Abuse Or Sexual Molestation Liability Aggregate Limit shown in the Schedule of this endorsement is the most we will pay for the sum of all damages because of all "injury" arising out of all "acts of sexual abuse or sexual molestation" or "interrelated acts", including any continuation, change or resumption of such "injury" after the end of the policy period.

2. Subject to Paragraph F.1. above, the Sexual Abuse Or Sexual Molestation Liability Each Act Limit shown in the Schedule of this endorsement is the most we will pay for the sum of all damages because of all "injury" arising out of any one "act of sexual abuse or sexual molestation" or "interrelated acts", including any continuation, change or resumption of such "injury" after the end of the policy period.

With respect to "interrelated acts" that occur over more than one policy period under any policy issued by us, only the Sexual Abuse Or Sexual Molestation Liability Each Act Limit applicable to the first policy period:

a. That provides the coverage provided by this endorsement; and

b. In which the "interrelated acts" were committed;

will apply to all damages because of all "injury" for such "interrelated acts".

3. With respect to the insurance afforded to additional "insureds" described in Paragraph D. of this endorsement, the most we will pay on behalf of the additional "insured" is the amount of insurance:

a. Required by the contract or agreement you have entered into with the additional "insured"; or

b. Available under the applicable Limits Of Insurance shown in the Schedule of this endorsement;

whichever is less.

4. Deductible

If a Sexual Abuse Or Sexual Molestation Liability Each Act Deductible is shown in the Schedule of this endorsement, the following provision applies:

a. Our obligation under this endorsement to pay damages on behalf of the "insured" applies only to the amount of damages in excess of the deductible amount shown in the Schedule of this endorsement as Sexual Abuse Or Sexual Molestation Liability Each Act Deductible. The limits of insurance shall not be reduced by the amount of this deductible.

b. The terms of this insurance, including those with respect to:

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(1) Our right and duty to defend any "suits" seeking those damages; and

(2) Your duties, and the duties of any other involved "insured", in the event of an "act of sexual abuse or sexual molestation", "interrelated acts", claim or "suit";

apply irrespective of the application of the deductible amount.

c. We may pay any part or all of the deductible amount to effect settlement of any claim or "suit" and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as we have paid.

G. Changes In Conditions

With respect to the coverage provided by this endorsement, **Section IV – Conditions** is amended as follows:

1. The Duties In The Event Of Accident, Claim, Offense, Suit, Loss Or Acts, Errors Or Omissions Condition is replaced by the following:

Duties In The Event Of An Act Of Sexual Abuse Or Sexual Molestation, Claim Or Suit

a. You must see to it that we are notified as soon as practicable of an "act of sexual abuse or sexual molestation" or a circumstance which may result in a claim. To the extent possible, notice should include:

(1) How, when and where the "act of sexual abuse or sexual molestation" or "interrelated acts" took place;

(2) The specific circumstances surrounding the "act of sexual abuse or sexual molestation" or "interrelated acts";

(3) The names and addresses of any injured persons and witnesses; and

(4) The nature and location of any "injury" arising out of the "act of sexual abuse or sexual molestation" or "interrelated acts".

b. If a claim is made or "suit" is brought against any "insured", you must:

(1) Immediately record the specifics of the claim or "suit" and the date received; and

(2) Notify us as soon as practicable.

c. You and any other involved "insured" must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the "insured" because of "injury" to which this insurance may also apply.

d. Failure to give any notice required by this condition within the time period specified shall not invalidate any claim made by you if it shall be shown not to have been reasonably possible to give notice within the prescribed time period and that notice was given as soon as was reasonably possible.

e. No "insured" will, except at that "insured's" own cost, voluntarily make a payment, assume any obligation or incur any expense without our consent.

f. Notice given by or on behalf of the "insured" to our authorized agent, with particulars sufficient to identify the "insured", shall be considered notice to us.

2. The Other Insurance Condition is replaced by the following:

Other Insurance

If other valid and collectible insurance is available to the "insured" for a loss we cover under this endorsement, our obligations are limited as follows:

a. Primary Insurance

This insurance is primary except when Paragraph **b.** below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in Paragraph **c.** below.

b. Excess Insurance

(1) This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis that is liability insurance applicable to an "act of sexual abuse or sexual molestation" or "interrelated acts".

(2) When this insurance is excess, we will have no duty to defend the "insured" against any "suit" if any other insurer has a duty to defend the "insured" against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the "insured's" rights against all those other insurers.

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(3) When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(a) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(b) The total of all deductible and self-"insured" amounts under all that other insurance.

(4) We 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 Schedule of this endorsement.

c. Method Of Sharing

If all of the other insurance permits contribution by equal shares, we 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 insurance does not permit contribution by equal shares, we 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.

3. The Policy Period, Coverage Territory Condition is replaced by the following:

Policy Period, Coverage Territory

We cover "injury" caused by an "act of sexual abuse or sexual molestation" or "interrelated acts" that was committed in the coverage territory during the policy period.

(1) The United States of America;

(2) The territories and possessions of the United States of America;

(3) Puerto Rico; and

(4) Canada.

H. Definitions

With respect to the coverage provided by this endorsement, **Section V – Definitions** is amended as follows:

1. The "suit" definition is replaced by the following:

"Suit" means a civil proceeding in which damages because of "injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the "insured" must submit or does submit with our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the "insured" submits with our consent.

2. The following definitions are added:

a. "Act of sexual abuse or sexual molestation" means:

(1) The actual, alleged or threatened sexual abuse or sexual molestation of any person committed by anyone; or

(2) The negligent:

(a) Employment;

(b) Investigation;

(c) Supervision; or

(d) Retention;

of a person for whom any "insured" is or ever was legally responsible and whose conduct would be described by Paragraph **(1)** above.

b. "Injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time. "Injury" includes mental anguish or other mental injury sustained by any person, whether or not resulting from injury to the body, sickness, disease or death of any person.

c. "Interrelated acts" means a series of interrelated, causally connected or continuous acts of actual, alleged or threatened sexual abuse or sexual molestation of any person or persons committed, or allegedly committed, by one person or two or more persons acting together, which are the subject of or the basis for any claim or "suit".

Such series of interrelated, causally connected or continuous acts shall be considered to be one "act of sexual abuse or sexual molestation", deemed to be committed at the time of the first such act regardless of:

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(1) The period of time over which the "acts of sexual abuse or sexual molestation" takes place;

(2) The number of persons injured or who are alleging "acts of sexual abuse or sexual molestation";

(3) The number of persons who committed or allegedly committed "acts of sexual abuse or sexual molestation";

(4) The types of "acts of sexual abuse or sexual molestation" involved or alleged; or

(5) The number of times the "acts of sexual abuse or sexual molestation" took place.