

**MONTEREY BAY AREA SELF INSURANCE AUTHORITY (MBASIA)  
LIABILITY PROGRAM  
MEMORANDUM OF COVERAGE**

This Memorandum of Coverage (MOC) sets forth the terms, conditions, and limitations of coverage provided under the Pooled Liability Program. The terms of this MOC may not be changed or waived except by amendment made a part of this MOC.

Throughout this MOC, words and phrases that appear in **bold** have special meaning. They are defined in Section II, “Definitions” or in the Master Program Document.

In consideration of the payment of the deposit premium, the **Authority** agrees with the **covered parties** as follows:

**SECTION I - COVERAGE**

The **Authority** will pay up to the **limit of coverage** those sums on behalf of the **covered parties** for the **ultimate net loss**, less the **retained limit**, that the **covered parties** become legally obligated to pay as **damages** because of **bodily injury**, **property damage** and **personal injury**, as those terms are defined, caused by an **occurrence** during the coverage period **and public officials errors and omissions**, and **employment practices liability**, as those terms are herein defined and to which this MOC applies, caused by a wrongful act during the coverage period, except as otherwise excluded.

This MOC does not provide insurance, but instead provides for pooled risk sharing. This MOC is a negotiated agreement amongst the members of the **Authority** and none of the parties to the MOC are entitled to rely on any contract interpretation principles which require interpretation of ambiguous language against the drafter of such agreement. This MOC shall be applied according to the principles of contract law, giving full effect to the intent of the members of the **Authority**, acting through the **Board** in adopting this MOC. As the **Authority** is not an insurer, it has no obligation to issue reservation of rights letters, nor does it have an obligation to provide “Cumis” counsel to a **covered party** in disputed coverage situations under Civil Code §2860. Finally, failure to provide such notice to a **covered party** of any coverage dispute shall not operate to waive any of the provisions of this MOC.

**SECTION II - DEFINITIONS**

1. **Aircraft** means a vehicle designed for the transport of persons or property principally in the air. Aircraft does not mean **Unmanned Aerial Vehicle (UAV)**.
2. **Authority** means the Monterey Bay Area Self Insurance **Authority**.
3. **Automobile** means a land motor vehicle, trailer, or semi-trailer.
4. **Bodily injury** means **bodily injury**, sickness, disease, or emotional distress sustained by a person, including death resulting from any of these at any time. **Bodily injury** includes

**damages** claimed by any person or organization for care, loss of services, or death resulting at any time from the **bodily injury**.

5. **Covered Indemnity Contract** means that part of any contract or agreement pertaining to the **covered party's** routine governmental operations under which the **covered party** assumes the tort liability of another party to pay for **bodily injury** or **property damage** to a third person or organization. This definition applies only to tort liability arising out of an **occurrence** to which this MOC applies. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.
6. **Covered party** means:
  - (a) The **Member**, including any and all councils, commissions, agencies, districts, authorities, boards, including the governing board or similar entities coming under such **Member's** direction or control or for which such **Member's** board members sit as the governing body. **Covered party** includes departments and constituent agencies of the **Member**, except an airport or hospital board or commission, regardless of how such body is denominated.
  - (b) Persons who are past or present elected or appointed officials, employees, or volunteers of the **covered party**, whether or not compensated, while acting for or on behalf of the **covered party**, including while acting on outside boards at the direction of the **covered party**, except any airport or hospital board or commission, regardless of how such body is denominated, or any other joint powers **Authority**, or any separate agency or entity, created by a joint powers agreement.
  - (c) Any person or entity identified as a **covered party**, holding a certificate of coverage duly issued by the **Authority**, for **occurrences** during the coverage period identified in the certificate of coverage; if a particular activity is identified in the certificate of coverage, the person or entity is a **covered party** only for **occurrences** arising out of the described activity.
  - (d) Any officer or director of the **Authority** while in the course and scope of their duties for the **Authority**, with respect to **public officials errors and omissions** coverage.
  - (e) With respect to any **automobile** owned by the **covered party** or leased or hired for use by or on behalf of the **covered party**, any person while using such **automobile**, and any person or organization legally responsible for the use thereof, provided its actual use is with the permission of the **Member**, except:
    - (i) Any person or organization, or any agent or employee thereof, operating an **automobile** sales agency, repair shop, service station, storage garage, or public parking place, with respect to an **occurrence** arising out of the operation thereof, including road testing and delivery; or
    - (ii) The owner or any lessee, other than the **covered party**, of a leased or hired **automobile**, or any agent or employee of such owner or lessee.

- (iii) This MOC does not provide uninsured or underinsured motorist coverage.
- (f) Notwithstanding sections (b) and (f) above, the defense and indemnity coverage afforded by this MOC to a past or present official, employee, or volunteer of a **Member** (including a **Member** of a member joint powers **Authority**) is not broader than the **Member's** duty to defend and indemnify its official, employee, or volunteer pursuant to California Government Code Section §815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof. If the **Member** which employs the official, employee, or volunteer is not obligated under the California Government Code to provide a defense, or to provide indemnity for a claim, or if said **Member** refuses to provide such defense and/or indemnity to said official, employee, or volunteer, then this MOC shall not provide any such defense or indemnity coverage to said official, employee, or volunteer. All immunities, defenses, rights and privileges afforded to a **Member** under California Government Code Section §815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof, shall be afforded to the **Authority** to bar any defense or indemnity coverage under this MOC to that **Member's** official, employee, or volunteer.

7. **Cyber Liability** means any liability arising out of or related to the acquisition, storage, security, use, misuse, disclosure, or transmission of electronic data of any kind, including, but not limited to, technology errors and omissions, information security and privacy, privacy notification cost, penalties for regulatory defense or penalties, website media content, disclosure or misuse of confidential information, failure to prevent unauthorized disclosure or misuse of confidential information, improper or inadequate storage or security or personal or confidential information, unauthorized access to computer systems containing confidential information, or transmission or failure to prevent transmission of a computer virus or other damaging material.

8. **Dam** means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream, channel, or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not in excess of 6 feet in height, regardless of storage capacity, or which has a storage capacity not in excess of 15 acre-feet, regardless of height, shall not be considered a **dam**.

No obstruction in a canal used to raise or lower water therein or divert water there from, no levee, including but not limited to a levee on the bed of a natural lake the primary purpose of which levee is to control floodwaters, no railroad fill or structure, no road or highway fill or structure, no circular tank constructed of steel or concrete or of a combination thereof, no tank elevated above the ground, no water or waste water treatment facility, and no barrier which is not across a stream channel, watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use or storm water detention or

water recharging or use as a sewage sludge drying facility shall be considered a **dam**. In addition, no obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a **dam**. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a **dam**. Nor shall any waste water treatment or storage pond exempted from state regulation and supervision by Water Code Section §6025.5 be considered a **dam**.

9. **Damages** means compensation in money recovered by a party for loss or detriment it has suffered through the acts of a **covered party**, or for liability assumed by the **covered party** under a **covered indemnity contract**. **Damages** include (1) attorney fees not based on contract awarded against the **covered party**, (2) interest awarded on money **damages**, or (3) costs for which the **covered party** is liable either by adjudication or by compromise with the written consent of the **Authority**, if the fees, interest, or costs arise from an **occurrence** to which this MOC applies.
10. **Defense costs** means all fees and expenses incurred by any **covered party** caused by and relating to the defense or litigation of a claim including attorney's fees, litigation costs, court costs, and interest on judgments accruing after entry of judgment. **Defense costs** shall also include reasonable attorney fees and necessary litigation expenses incurred by or for a party other than the **covered party**, which are assumed by the **covered party** in a **covered indemnity contract** where such attorney fees or costs are attributable to a claim for **damages** covered by this MOC. **Defense costs** shall not include the office expenses of the **Authority** or the **covered party**, the salaries of employees, contract or elected city attorneys for the **covered party**, or officials of the **Authority** or any **covered party**, or attorney fees or costs awarded to a prevailing plaintiff against the **covered party**, but shall include fees and expenses relating to coverage issues or disputes which arise after a written denial of coverage, between any **Member** and the **Authority**, if the **Member** prevails in such dispute.
11. **Employment Practices Liability** means liability of an **Authority** arising out of an actual or alleged wrongful act in connection with discrimination, sexual harassment, and/or wrongful termination claimed by an employee, former employee or applicant for employment or a person providing services pursuant to a contract as defined in California Government Code section 12940.
12. **Limit of coverage** means the amount of coverage stated in the Declarations or certificate of coverage, or sublimits as stated therein for each **covered party** per **occurrence**, subject to any lower sublimit stated in this MOC. In the event that a structured settlement, whether purchased from or through a third-party, or paid directly by the **covered party** in installments, is utilized in the resolution of a claim or suit, the **Authority** will pay only up to the amount stated in the Declarations or certificate of coverage, in present value of the claim as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount stated in the Declarations or certificate of coverage.
13. **Medical malpractice** means the rendering of or failure to render, during the policy period, any of the following services:

- (a) Medical, surgical, dental, psychiatric, psychological counseling, X-ray or nursing service or treatment or the furnishing of food or beverages in connection therewith, or any services provided by a health care provider as defined in Section §6146 (c), (2) (3) of the California Business and Professions Code.
- (b) Furnishing or dispensing of drugs or medical, dental, or surgical supplies or appliances.

**Medical malpractice** does not include emergency medical services or first aid administered by employees of a **covered party**, nor does it include advice or services rendered by a 911 emergency dispatcher.

- 14. **Member** shall mean any organization that is a party to the Agreement creating the Monterey Bay Area Self Insurance **Authority**.
- 15. **Notice** of a claim, as respects late reporting, shall mean the formal filing of a government Tort claim, lawsuit, or an administrative action; whichever is known first.
- 16. **Nuclear material** means source material, special nuclear material, or byproduct material. "Source material," "special nuclear material," and "byproduct material" have the meanings given to them by the Atomic Energy Act of 1954 or in any law amendatory thereof.
- 17. **Occurrence** means:
  - (a) With respect to **bodily injury, property damage**, or personal injury: an accident, including continuous or repeated exposure to substantially the same generally harmful conditions, which results in **bodily injury, property damage** or personal injury neither expected nor intended from the standpoint of the **covered party**. **Property damage** that is the loss of use of tangible property not physically injured shall be deemed to occur at the time of the **occurrence** that caused it.
  - (b) With respect to **personal injury, public official errors and omissions liability and employment practices liability** respectively: an offense described in the definitions of those terms in this coverage agreement.
- 18. **Personal injury** means injury, other than **bodily injury**, arising out of one or more of the following offenses:
  - (a) False arrest, detention or imprisonment, abuse of process, or malicious prosecution;
  - (b) Wrongful entry into, or eviction of a person from, a room, dwelling, or premises that the person occupies;
  - (c) Publication or utterance of material that slanders or libels a person or organization or disparages a person's or organization's goods, products, or services, or oral or written publication of material that violates a person's right of privacy;

- (d) Discrimination or violation of civil rights; and
  - (e) Injury resulting from the use of reasonable force for the purpose of protecting persons or property.
19. **Pollutants** means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, airborne particles or fibers, molds and/or fungus, and waste. Waste includes materials to be discarded or to be recycled, reconditioned, or reclaimed. The term **pollutants**, as used herein, does not mean potable water, agricultural water, water furnished to commercial users, or water used for fire suppression.
20. **Property damage** means:
- (a) Physical injury to tangible property, including all resulting loss of use of that property; or
  - (b) Loss of use of tangible property that is not physically injured or destroyed.
21. **Public officials errors and omissions** means any, actual or alleged misstatement or misleading statement or act or omission by any **covered party**, individually or collectively, arising in the course and scope of their duties with the **covered party** or claimed against them solely by reason of their being or having been public officials or employees, and which results in damage neither expected nor intended from the standpoint of the **covered party**. All claims involving the same misstatement or misleading statement or act or omission or a series of continuous or repeated misstatements or misleading statements or acts or omissions will be considered as arising out of one **occurrence**.
22. **Retained limit** means the amount stated on the applicable Declarations or certificate of coverage, which will be paid by the **covered party** before the **Authority** is obligated to make any payment from the pooled funds. **Retained limit** includes all **defense costs**. **Retained limit** shall be subject to the following:
- (a) For each **occurrence**, there shall be only one **retained limit** regardless of the number of claimants or **covered parties** against whom a claim is made. If the **covered parties** have different **retained limits**, the lowest **retained limit** of any party found liable will apply. Payment of the **retained limit** shall be apportioned amongst the **covered parties** in accordance with their proportionate shares of liability.
  - (b) If the payment is for a settlement, the **retained limit** shall be apportioned amongst the **covered parties**, in accordance with the respective parties' agreed upon or court-determined share of liability. In the event that the apportionment requires court determination, the **covered parties** will pay all costs of the **Authority** in seeking such determination, including its attorney's fees in proportion to the court's determination of liability.

23. **Sudden and accidental pollution** means the sudden and accidental discharge, dispersal, release, or escape of **pollutants**, resulting in **property damage** or **bodily injury** neither expected nor intended from the standpoint of the **covered party**, onto or upon the land, into the atmosphere, into or under the ground, or into any watercourse, whether natural or man-made, or body of water or aquifer, but does not include any discharge, dispersal, release, or escape of **pollutants**, whether sudden or accidental or gradual or intentional from any fixed or stationary container, vessel, or tank of any description whatever, whether located above ground or underground.
24. **Unmanned Aerial Vehicle (UAV)** means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft as regulated by the Federal Aviation Authority (FAA) and operated within the Small Unmanned Aircraft Regulations (Part 107).
25. **Ultimate net loss** means the total of all defense costs incurred by the **covered parties** and all damages for which the **covered parties** are liable either by adjudication or by compromise with the written consent of the **Authority** arising from an occurrence to which this coverage applies. However, **ultimate net loss** does not include defense expenses incurred by the **Authority** after the **Authority** assumes control of the negotiation, investigation, defense, appeal or settlement of any claim or proceeding. **Ultimate net loss** also does not include attorneys' fees or costs awarded to the prevailing party in a suit except where such attorney's fees or costs are attributable to a claim for compensatory damages covered by this Memorandum.
26. **Wrongful act** means any actual or alleged negligent act, error or omission arising out of conduct or performance of the **covered party** in the performance of his or her or their duties or any actual or alleged act in connection with any person's prospective employment, actual employment or termination of employment by a **covered party**. All **damages** arising out of a single act, error or omission or a series of related acts, errors or omissions shall be treated as arising from a single **wrongful act**. As respects coverages C and D, **wrongful act** shall apply separately to each Member of the **Authority** named in this Memorandum.

### **SECTION III - DEFENSE AND SETTLEMENT**

The **Authority** shall have no duty to assume charge of investigation or defense of any claim. However, the **Authority**, at its own expense, shall have the right to assume control of the negotiation, investigation, defense, appeal, or settlement of any claim, which the **Authority** determines, in its sole discretion, to have a reasonable probability of resulting in an **ultimate net loss** in excess of the **covered party's retained limit**. No claim shall be settled for an amount in excess of the **covered party's retained limit** without the prior written consent of the **Authority** or its designated representative.

If the **Authority** assumes control of the handling of a claim, the **covered party** shall be obligated to pay at the direction of the **Authority** any sum necessary for the settlement of the claim, or to satisfy liability imposed by law, up to its applicable **retained limit**.

The **covered party** shall fully cooperate in all matters pertaining to the investigation, settlement, or adjudication of such claim. The **Authority** shall not be obligated to pay any award, judgment, or settlement in excess of the **limit of coverage** afforded to the **covered party**.

#### **SECTION IV - THE AUTHORITY'S LIMIT OF COVERAGE**

Regardless of the number of (1) persons or entities covered under this MOC, (2) persons or organizations making claims or bringing suits, or (3) claims made or suits brought, the **limit of coverage** stated on the Declarations, less the **retained limit**, or any sub-limit contained in this MOC, is the most the **Authority** will pay for an **ultimate net loss** arising out of any one **occurrence**. In the event that a structured settlement, whether purchased from or through a third party or paid directly by the **covered party** in installments, is utilized in the resolution of a claim or suit, only the present value of the agreed-upon payments (the present value “cost” of the structured settlement) shall be considered in satisfaction of the **covered party's retained limit**. The **limit of coverage** for an additional **covered party**, including its officials, employees, and volunteers, shall be the limit stated in its additional **covered party** certificate, regardless of the limit which applies to the **Member**.

In the event that a structured settlement, whether purchased from or through a third-party, or paid directly by the **covered party** in installments, is utilized in the resolution of a claim or suit, the **Authority** will pay only up to the amount stated in the Declarations or certificate of coverage, in present value of the claim as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount stated in the Declarations or certificate of coverage.

#### **SECTION V - COVERAGE PERIOD AND TERRITORY**

This MOC applies to **bodily injury, personal injury, property damage, public official's errors and omissions, or employment practices liability** which occur anywhere in the world during the coverage period identified in the applicable Declaration or certificate of coverage.

#### **SECTION VI - EXCLUSIONS**

This MOC does not apply to:

- (1) Claims which would not have occurred in whole or in part but for the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **pollutants** at any time.
  - a. This exclusion does not apply to fire fighting activities, including training burns, or intentional demolition or burns for the purpose of limiting a fire, or the discharge of **pollutants** for the purpose of controlling a fire; or to police use of mace, oleoresin capsicum (O.C.), pepper gas or tear gas; or to weed abatement or tree spraying.

- b. This exclusion does not apply to claims arising from sudden and accidental sewer backups.
- c. This exclusion does not apply to claims arising from the sudden and accidental discharge, dispersal, release, or escape & chlorine and other chemicals (gas, liquid or solid) which are being used or being prepared for use in fresh or wastewater treatment or in water used in swimming pools, wading pools or decorative fountains.
- d. This exclusion does not apply to claims arising from materials being collected as part of any drop-off or curbside recycling program implemented and operated by the **covered party**; if the materials have not been stored by the **covered party** for a continuous period exceeding ninety (90) days.
- e. This exclusion does not apply to sudden and accidental discharges of **pollutants** occurring during the transportation or deposit of materials as part of garbage collection activities. However, the exclusion does apply after **pollutants** have been deposited at a landfill or garbage dump.
- f. This exclusion does not apply to bodily injury or property damage arising from activities of the **covered party** to test for, monitor, dean up, remove, contain, treat, detoxify or neutralize **pollutants**, but this exception will not apply to bodily injury or property damage caused by **pollutants** on or arising from premises, equipment or locations under the control of the **covered party**.

As used in paragraphs (b) (c) and (e) above, “sudden” means abrupt or immediate, and occurring within a period not exceeding twenty-four (24) hours; “accidental” means causing harm neither expected nor intended by a **Authority**.

- (2) Any loss, cost or expense, including defense costs, arising out of any:
  - a. request, demand or order that any **covered party** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects & **pollutants**; or
  - b. claim or suit by or on behalf of a governmental **Authority** for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of **pollutants**.
- (3) Claims arising out of radon, asbestos, asbestos fibers, asbestos products or by-products, or any asbestos-containing material, including any supervision, instructions, recommendations, notices, warnings, or advice given or which should have been given in connection therewith or,
  - (a) Any obligation of the **covered party** to indemnify or to contribute with another because of such claims; or,

- (b) Any obligation to defend any suit or claims against the **covered party** because of any such claim.
- (4) **Bodily injury** to:
- (a) An employee of the **covered party** arising out of and in the course of:
    - (i) Employment by the **covered party**; or
    - (ii) Performing duties related to the conduct of the **covered party's** business; or
  - (b) the spouse, child, including unborn child or fetus, parent, brother, or sister of the employee as a consequence of paragraph (a) above.

This exclusion applies:

- (a) Whether the **covered party** may be liable as an employer or in any other capacity; and
- (b) To any obligation to share **damages** with or repay someone else who must pay **damages** because of the injury.

This exclusion does not apply to **employment-related injury** or liability assumed by the **covered party** under any written contract

- (5) Any obligation for which the **covered party** or any insurance company as the **covered party's** insurer may be held liable under any workers' compensation, unemployment compensation, or disability benefits law or any similar law.

This exclusion applies whether the **covered party** may be liable as an employer or in any other capacity.

- (6) Claims arising out of ownership, maintenance, management, supervision, or the condition or operation of any hospital, airport, marina, or community correctional facility, except that liability for a marina will be covered if it is added to this MOC by endorsement upon approval by the **Board**, but only to the extent that the **occurrence** does not apply to any coverage normally afforded by Marina Operators' Protection and Indemnity Coverage or any similar coverage.
- (7) To **bodily injury, property damage** or **personal injury** arising out of the ownership or maintenance or use or operation of any airfield or similar aviation facility.

This exclusion shall not apply, however, to **public officials errors and omissions** or employment practices liability coverage arising from the ownership, maintenance, management, supervision or the condition of any airport.

This exclusion shall not apply, however, to liability arising out of the ownership, operation, rental, or loan of vehicles licensed for highway use while being operated away from the premises of any airfield owned, or operated by the covered party.

- (8) Claims arising out of any air show sponsored or controlled by the **covered party**.
- (9) Claims arising out of any professional **medical malpractice**:
  - (a) committed by a doctor, osteopath, chiropractor, dentist, or veterinarian; or
  - (b) committed by any health care provider, as defined in Business & Professions Code Section 6146(c)(2), working for any hospital or hospital operated outpatient, in-patient, or other clinic at the time of the **occurrence** giving rise to the loss.
- (10) Claims arising out of partial or complete structural failure of a **dam**.
- (11) Fines, assessments, penalties, restitution, disgorgement, exemplary, or punitive **damages**. This exclusion applies whether the fine, assessment, disgorgement, exemplary, or punitive damage is awarded by a court or by an administrative or regulatory agency. "Restitution" and "disgorgement" as used herein refer to the order of a court or administrative agency for the return of a specific item of property or a specific sum of money, because such item of property or sum of money was not lawfully or rightfully acquired by the **covered party**.
- (12) Claims for injury or **damages** caused by intentional conduct done with willful and conscious disregard of the rights or safety of others, or with malice. However, where the **covered party** did not authorize, ratify, participate in, consent to, or have knowledge of such conduct by its past or present employee, elected or appointed official, or volunteer, and the claim against the **covered party** is based solely on its vicarious liability arising from its relationship with such employee, official, or volunteer, this exclusion does not apply to said **covered party**.
- (13) Claims arising out of the hazardous properties of **nuclear material**.
- (14) Claims arising out of or in connection with land use regulation, land use planning, the principles of eminent domain, condemnation proceedings or inverse condemnation by whatever name called, and whether or not liability accrues directly against any **Authority** by virtue of any agreement entered into by or on behalf of any **Authority**.

- (15) **Property damage** to:
- (a) Property owned by the **covered party**.
  - (b) Property rented to or leased to the **covered party** where it has assumed liability for damage to or destruction of such property, unless the **covered party** would have been liable in the absence of such assumption of liability.
  - (c) **Aircraft** or watercraft in the **covered party's** care, custody, or control.

- (16) Claims arising out of ownership, operation, use, maintenance, or entrustment to others of: (a) any **aircraft** or (b) any watercraft being used for commercial purposes. Ownership, operation, use, or maintenance as used herein does not include static displays of **aircraft** or watercraft in a park or museum setting.

This exclusion does not apply to claims arising out of the ownership, operation, use, maintenance or entrustment to others of any **Unmanned Aerial Vehicle (UAV)** that is an unmanned aircraft system owned or operated by or rented to or loaned by or on behalf of any **covered party**.

- (17) Claims arising out of the ownership, operation, use, maintenance or entrustment to others of any **Unmanned Aerial Vehicle (UAV)**, however this exclusion will not apply when operated within the FAA Small Unmanned Aircraft Regulations (Part 107).

- (18) Claims arising out of the failure to supply or provide an adequate supply of gas, water, electricity, storm drainage capacity or sewage capacity, when such failure is a result of the inadequacy of the **covered party's** facilities to supply or produce sufficient gas, water, electricity, storm drainage capacity, or sewage capacity to meet the demand.

This exclusion does not apply if the failure to supply results from direct and immediate accidental damage to tangible property owned or used by any **covered party** to procure, produce, process, or transmit the gas, water, electricity, storm drainage or sewage.

- (19) Claims arising out of ownership, operation, maintenance, or use of any trampoline or other rebound tumbling device, other than bounce houses.

- (20) Claims arising out of the private use of a firing range owned, operated or maintained by a **covered party** where such private use is sanctioned by the **Authority**, except where such use is by a **covered party's** employee or a covered individual as defined in definition (6).

This exclusion does not apply to such private use where all of the following conditions are met:

- a. A qualified range master is present at all times while the firing range is being utilized;
  - b. The firing range is only provided for the additional use of law enforcement divisions of other public agencies;
  - c. Any agency using the firing range has provided an indemnification agreement which assumes full responsibility by the user agency for all liability arising out of their activities; and
  - d. The user agency has provided liability coverage in an amount of not less than \$1,000,000 and has also provided a certificate of coverage which names the **covered party** as an additional covered party.
- (21) Refund of, or restitution for, taxes, fees, service charges, or assessments.
- (22) Claims in whole or in part arising out of the **covered party's** obtaining remuneration or financial gain to which the **covered party** was not legally entitled.
- (23) Claims arising in whole or in part out of the violation of a statute, ordinance, order or decree of any court or other judicial or administrative body, or rule of law, committed by or with the knowledge or consent of the **covered party**.
- (24) Claims against a **covered party** for **damages** other than **property damage** arising out of:
- (a) estimates of probable cost or cost estimates being exceeded, or
  - (b) faulty preparation of bid specifications or plans, including architectural plans, unless prepared by a qualified licensed and/or registered engineer or architect who is the appointed City Engineer or an employee of the **covered party**.
- (25) Claims arising out of:
- a. a failure to perform or breach of a contractual obligation; or
  - b. **bodily injury or property damage** for which the **Authority** is obligated to pay **damages** by reason of the assumption of liability in a contract or agreement This exclusion does not apply to liability for **damages**:
    - i. assumed in a contract or agreement that is a covered indemnity contract, provided the bodily injury or property **damage** occurs subsequent to the execution of the contract or agreement; or
    - ii. that the **Authority** would have in the absence of the contract or agreement.

This exclusion applies whether the **covered party** may be liable as an employer or

in any other capacity.

Notwithstanding this exclusion, the **Authority** may, but is not obligated to approve settlements involving promises to indemnify a co-defendant as part of the settlement. Any funds recovered from a co-defendant under such an agreement must be applied to ultimate net loss in addition to the retained limited before MBASIA coverage is triggered.

Exclusions (26)(a) and (26)(b) are not applicable to mutual aid agreements.

- (26) Claims arising out of the Employee Retirement Income Security Act of 1974 or any law amendatory thereof, or any similar law, or arising out of fiduciary activities with respect to employee benefit plans.
- (27) Claims arising out of the ownership, operation, maintenance, or control of any permanent landfill site or facility. Landfill includes any site for permanent storage, accumulation, burial, compost, sludge, or any other process for reducing or disposing of waste.
- (28) **Ultimate net loss** arising out of relief or redress, in any form other than **damages**.
- (29) Claims by any **covered party** against its own past or present elected or appointed officials, employees, volunteers, or additional covered parties where such claim seeks **damages** payable to the **covered party**.
- (30) Claims arising out of oral or written publication of material, if done by or at the direction of the **covered party** with knowledge of its falsity.
- (31) The cost of providing reasonable accommodation pursuant to the Americans with Disabilities Act, Fair Employment and Housing Act, or similar law.
- (32) To liability for **bodily injury** or **property damage** arising out of any transit authority, transit system or public transportation system owned or operated by any **covered party**. This exclusion shall not apply to transit or public transportation systems operating over non-fixed routes such as dial-a-ride, senior citizen transportation, handicapped persons transportation, or parking shuttles.
- (33) Claims arising out of liability imposed on any **Covered Party** under any uninsured/underinsured motorist law or **Automobile** no-fault law.
- (34) Claims arising out of motor vehicle or motorcycle drag racing, speed racing, or similar speed contests sponsored, controlled or participated in by a **covered party**.
- (35) Under **Public Officials Errors and Omissions coverage** to:
  - (1) **Bodily Injury, Personal Injury or Employment Practices Liability;**

- (2) physical injury to tangible property, including all resulting loss of use of that property; or
  - (3) benefits payable under any employee benefit plan, whether the plan is voluntarily established by the **covered party** or mandated by statute, because of unlawful discrimination.
- (36) Under **Employment Practices Liability** coverage;
- 1. Strikes and lockouts. This Memorandum does not apply to any claim or claims for loss arising out of a lockout, strike, picket line, replacement or similar actions in connection with labor disputes or labor negotiations
  - 2. W.A.R.N. Act. This Memorandum does not apply to any claim or claims for loss arising out of the Workers Adjustment and Retraining Notification Act, Public Law 100-379 (1988), or any amendment thereto, or any similar federal, state or local law
  - 3. Any cost incurred by the **covered party** to modify or purchase building or property in order to make said building or property more accessible or accommodating to any disabled person
  - 4. **Personal injury, property damage, and public officials errors and Omissions**
  - 5. a.) Liability of a **covered party** arising in whole or in part, out of any **covered party** obtaining remuneration or financial gain to which the **covered party** was not legally entitled
  - b.) Liability arising out of the willful violation of a penal statute, code or ordinance committed by or with the knowledge or consent of any **covered party**; except that any act for which a **covered party** is responsible shall not be imputed to any other **covered party** for purposes of this subpart (T)(5)
  - 6. **Damages** with respect to **Employment Practice Liability** shall not include those sums owed by a **Covered Party** as contract **Damages**, prospective salary, wages, or benefits, any salary, wage or benefits resulting from an order that a **Covered Party** hire an applicant or from promotion or reinstatement, or any **Damages** owing under an express contract of employment or an express obligation to make severance payments in the event of termination of employment.
- (37) Claims arising out of **Cyber Liability**.

## SECTION VII - CONDITIONS

- 1. The **covered party's** duties in the event of **occurrence**, claim, or suit reasonably likely to involve the **Authority** are as follows. These provisions are conditions precedent to coverage afforded under this MOC. The **covered party's** failure to comply with any of these provisions shall void coverage herein.

- (a) The **covered party** shall notify the **Authority** within 30 days upon receipt of notice of a claim reasonably likely to exceed fifty percent of the **retained limit** or any **occurrence** involving:
- (i) One or more fatalities;
  - (ii) Loss of limb or amputation;
  - (iii) Loss of use of any sensory organ;
  - (iv) Spinal cord injuries (quadriplegia or paraplegia);
  - (v) Third degree burns involving 10% or more of the body;
  - (vi) Serious facial disfigurement;
  - (vii) Paralysis;
  - (viii) Closed head injuries;
  - (ix) Serious loss of use of any body functions;
  - (x) Long-term hospitalization; or
  - (xi) Title 42 U.S.C. §1983 claims or other claims involving civil rights violations.

Written notice containing particulars sufficient to identify the **covered party** and also reasonably obtainable information with respect to the time, place, and circumstances of the **occurrence**, and the names and addresses of the **covered party** and of available witnesses shall be given to the **Authority** or any of its agents as soon as possible after notice of the claim is given to the **Authority**, if such information is not available prior to giving notice to the **Authority**.

If, as a result of a **covered party**'s failure to provide **notice** of an **occurrence** within 30 days, the **Authority** or **covered party** are subjected to any late reporting penalties, fines or increased retentions from any excess coverage layer, the costs shall be the sole responsibility of the **covered party**, and the **Authority** shall have no obligation to pay said costs or to reimburse the **covered party**.

- (b) If claim is made or suit is brought against the **covered party**, the **covered party** shall be obligated to promptly forward to the **Authority's** designated claims adjustor every demand, notice, summons, or process received by it or its representative.
- (c) The **covered party** shall cooperate with the **Authority** and upon its request assist in making 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 **covered**

**party** because of **bodily injury, personal injury, property damage, public officials errors and omissions, or sudden and accidental pollution** with respect to which coverage is afforded under this MOC; and the **covered party** shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The **covered party** shall not, except at its own cost, voluntarily make any payment, assume any obligation, or incur any expense toward the settlement of any claim for which the **Authority** has accepted responsibility and has so notified the **covered party**.

- (d) Any payments made, or arrangements to make payments, or expenses incurred by the **covered party** in relation to the claim, prior to giving notice of the claim to the **Authority**, shall be the sole responsibility of the **covered party**, and the **Authority** shall have no obligation to pay said costs or to reimburse the **covered party** therefore.
- (e) As to any claim for which the **Authority** has accepted responsibility and has so notified the **covered party**, if the **covered party's** refusal to change its position prevents settlement of the claim for a reasonable amount, defined as the amount the **Authority** is willing to pay and the claimant is willing to accept, and increases the **covered party's** potential liability for **damages** and continued **defense costs**, the **covered party** shall pay or shall reimburse the **Authority** for those **defense costs** incurred after the claim could have been settled, and for any **damages** awarded or settlement agreed upon in excess of the amount for which the claim could have been previously settled.

## 2. Subrogation

The **Authority** shall be subrogated to the extent of any payment hereunder to all the **covered parties'** rights of recovery thereof and the **covered parties** shall do nothing after loss to prejudice such right and shall do everything necessary to secure such right. Any amounts so recovered shall be apportioned as follows:

- (a) The highest layer of coverage shall be reimbursed first and if there are sufficient recoveries then the next highest layer until all recoveries are used up.
- (b) The expenses of all such recovery proceedings shall be paid before any reimbursements are made. If there is no recovery in the proceedings conducted by the **Authority**, it shall bear the expenses thereof.

## 3. Bankruptcy or Insolvency

Bankruptcy or insolvency of the **covered party** shall not relieve the **Authority** of any of its obligations hereunder.

## 4. Other Coverage

If collectible insurance or any other coverage with any insurer, joint powers insurance **Authority**, or other source respectively is available to the **covered party** covering a loss also covered hereunder (whether on primary, excess or contingent basis), the coverage hereunder shall be in excess of, and shall not contribute with, such other insurance or coverage, provided that this clause does not apply with respect to insurance purchased or coverage obtained specifically to be in excess of this MOC. If the other collectible insurance or other coverage exceeds the **covered party's retained limit** and the loss is in excess of the amount of other collectible insurance or other coverage, the coverage provided hereunder will apply over the other collectible insurance or other coverage up to the limits of the **Authority's** liability.

This coverage shall be in excess of, and shall not contribute with, any insurance or coverage which names a **covered party** herein as an additional covered party or additional insured party, where coverage is extended to a loss also covered hereunder. In order for the coverage herein to apply, the **covered party** must pay the full amount of its **retained limit**. Payment of the **retained limit** by the **covered party** is required in addition to and regardless of any payments from any other source for or on behalf of that **covered party**, with the exception that commercial coverage purchased directly by a **covered party** for the sole purpose of insuring all or a portion of its **retained limit** may be utilized to pay all, or a portion of, a **covered party's retained limit**.

5. Severability of Interests

The term **covered party** and its sub-terms including entity, covered individual, and additional covered party are used severally and not collectively, but the inclusion herein of more than one **covered party** shall not operate to increase the limits of the **Authority's** liability or the **retained limit** applicable per **occurrence**.

6. Accumulation of Limits

A claim which contains allegations extending to a duration of more than one coverage period shall be treated as a single **occurrence** arising during the first coverage period when the **occurrence** begins.

7. Termination

This MOC may be terminated at any time in accordance with the Bylaws of the **Authority**.

8. Changes

Notice to any agent or knowledge possessed by any agent of the **Authority** or by any other person shall not effect a waiver or a change in any part of this MOC, nor shall the terms of this MOC be waived or changed except by endorsement issued to form a part of this MOC.

9. Arbitration

The Coverage and Claims Committee shall make the initial determination whether to deny coverage on all or part of a claim, or to reserve the **Authority's** right to deny coverage on all or part of a claim if a loss subsequently exceeds the retained limit.

A decision by the Coverage and Claims Committee to deny coverage can be appealed to the Board of Directors. Notice of such appeal shall be submitted in writing within thirty (30) calendar days of the date of the Coverage and Claims Committees written notice of decision.

Following receipt of the written appeal, the appeal will then be considered by the Board of Directors at the next regular or special meeting; if the appeal is received too late for inclusion in the agenda packet, it can be postponed to the next following Board meeting. The Coverage and Claims Committee and the **covered party** will have the right to submit written materials and present oral argument to the Board; subject to reasonable time constraints.

When the Board of Directors considers the appeal of a **covered party**, a majority vote is required for approval of a claim in which the **covered party** failed to give notice within three hundred and sixty five (365) days; for **notice** of a claim received after three hundred and sixty five (365) days, then a two- thirds (2/3) majority of the Board of Directors in attendance is required with the appealing **covered party** abstaining. Within sixty (60) days following any denial of coverage by the Board, the Member or **covered party** may request, in writing, that the **Authority** initiate a declaratory relief action in Superior Court for a determination of the coverage matter. The declaratory relief action shall be initiated in Santa Cruz County, California, unless the **Authority** and **covered party** agree on a different venue.

Any determination by the Executive Committee, and by the Board of Directors if the matter is appealed to the Board of Directors, whether a **covered party** has breached the Conditions concerning notice of a claim, and any determination whether the **Authority** has been prejudiced by that breach, so that this coverage does not apply, comes within the sole discretion of the Board of Directors. Such determinations shall be conclusive, final and binding and shall not be the subject of any further review, whether by declaratory relief action or otherwise.