

LIFE AGENT/BROKER-DEALER PROFESSIONAL LIABILITY POLICY

Declarations

NOTICE:

THIS IS A CLAIMS-MADE AND REPORTED POLICY AND, SUBJECT TO ITS PROVISIONS, APPLIES ONLY TO ANY CLAIM FIRST MADE AGAINST AN INSURED AND REPORTED TO THE INSURER DURING THE POLICY PERIOD (OR REPORTED TO THE INSURER WITHIN 30 DAYS THEREAFTER AS ALLOWED UNDER THE TERMS OF THE POLICY). NO COVERAGE EXISTS FOR CLAIMS FIRST MADE AFTER THE END OF THE POLICY PERIOD UNLESS, AND TO THE EXTENT THAT, THE EXTENDED REPORTING PERIOD APPLIES. DEFENSE COSTS REDUCE THE LIMIT OF LIABILITY AND ARE SUBJECT TO THE RETENTION.

PLEASE REVIEW THE POLICY CAREFULLY AND DISCUSS THE COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

POLICYHOLDER AND ADDRESS		PRODUCER
Item 1.(a)	«CusContactFullName»	«ProContactFullName»
1.(b) Attn:	Insurance companies represented:	
CUSTOMER NUMBER	INSURER	
«CusNumber»	«PolUWCompany»	
POLICY NUMBER		

Item 2. **Broker/Dealer** Represented:

Item 3. **Policy Period:** to 12:01 a.m. local time at the address stated in Item 1.

Item 4. Notice to Insurer:
 Claims Notices: Life Agent Intake Notice Administrator
 All other notices: CANEWCLAIMS@CNA.COM
 or
 Life Agent Underwriting Unit
 CNA Global Specialty
 40 Wall Street, 8th Floor
 New York, New York 10005

Item 5. Optional Extended Reporting Period:
 a. Period: _____ days
 b. Premium: _____ % of Policy Premium

Item 6. Limits of Liability and Retention:
 a. Policy Aggregate Limit of Liability: \$ _____
 b. Vicarious Liability: Included Y/N
 c. Limits and Retention Schedule

LIFE AGENT/BROKER-DEALER PROFESSIONAL LIABILITY POLICY

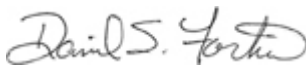
Declarations

② SCHEDULED LIMITS OF LIABILITY	③ RETENTIONS
<p>Agents or General Agents <i>(who are not also covered as a Registered Representative)</i> Each Claim \$ In the Aggregate: \$</p>	<p>Insurance products sponsored by Companies identified in Item 1a. or 1b.: Each Claim \$</p> <p>Index Annuities: Each Claim: \$</p> <p>All Outside Business: Each Claim \$</p>
<p>Registered Representatives Each Claim \$ In the Aggregate: \$</p>	<p>Mutual Funds/Variable Annuities sold through any Broker/Dealer: Each Claim: \$</p> <p>Securities approved by the Broker/Dealer identified in Item 2: Each Claim \$</p> <p>Cost of Corrections Demand Retention: Each Demand: \$</p>
<p>Broker/ Dealer - Corporate Registered Investment Adviser Each Claim: \$ In the Aggregate: \$</p> <p><i>(The Limits of Liability shall apply separately to each Insured and shall be the maximum Limit of Liability for such Insured regardless of whether such Insured is duly registered or not.)</i></p>	<p>Entity Retention: Each Claim: \$</p> <p>Cost of Corrections Demand Retention: Each Demand: \$</p> <p><i>(The Retention shall apply separately to each Insured. If more than one Retention is applicable to a single Claim, the maximum aggregate Retention for such Claim shall be the largest of such Retentions.)</i></p>

ITEM 7. Entity Prior Acts Date:

ITEM 8. Endorsements forming a part of this Policy at issuance:

These Declarations, along with the completed and signed Application, the Policy, and any written endorsements attached thereto shall constitute the contract between the Insureds and the Insurer.

Authorized Representative: 

Date: _____



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PLEASE REVIEW THE POLICY CAREFULLY AND DISCUSS THE COVERAGE WITH YOUR INSURANCE AGENT OR BROKER.

The Insurer and the **Policyholder** agree as follows, in consideration of the payment of the premium and in reliance upon all statements made in the **Application** furnished to the Insurer designated in the Declarations, a stock insurance corporation, hereafter called the "Insurer".

I. INSURING AGREEMENTS

A. PROFESSIONAL LIABILITY

Subject always to paragraph C. below, How this Coverage Applies, the Insurer shall pay on behalf of the **Insureds** that **Loss** which the **Insureds** become legally obligated to pay resulting from a **Claim** for a **Wrongful Act** solely in rendering or failing to render **Professional Services**.

B. VICARIOUS LIABILITY

If purchased, and subject always to paragraph C. below, How this Coverage Applies, if the entity (other than a **Broker-Dealer**) named in Item 1.a. or b. of the Declarations is named as a co-defendant with an **Agent or General Agent** in a **Claim** otherwise covered under Insuring Agreement A. above, the Insurer shall pay on behalf of such entity that **Loss** which such entity becomes legally obligated to pay resulting from a **Claim** for a **Wrongful Act** by an **Agent or General Agent** provided that such **Claim** contains no allegations of negligence or bad faith against such entity, whether such allegations involve negligent hiring, training, management, supervision or otherwise.

C. HOW THIS COVERAGE APPLIES

Coverage for a **Claim** for a **Wrongful Act** as specified under paragraphs A. or B. above applies only if:

1. the **Wrongful Act** giving rise to such **Claim** occurred on or after the **Prior Acts Date**; and,
2. the **Claim** is first made against any **Insured** during the **Policy Period**, or any Extended Reporting Period, if applicable, and reported to the Insurer in accordance with Section VIII, NOTICE; and
3. prior to the date of the **Insured's** initial enrollment under this Policy, or under any other policy issued by the Insurer (or its affiliated insurers) of which this Policy is a renewal (whether successive or not) or replacement, whichever is earlier, no **Insured** knew of, or could have reasonably foreseen that any such **Wrongful Act** could result in a **Claim**; and



4. no **Insured** gave notice under any Prior Policy of any such **Wrongful Act** or any **Interrelated Wrongful Acts**.

II. COST OF CORRECTIONS SUPPLEMENTAL BENEFIT FOR INSURED BROKER/DEALER

1. Solely with respect to **Professional Services** as set forth in Item B.1. and B.3., provided such **Professional Services** are provided by or through an **Insured Broker/Dealer**, the Insurer shall reimburse the **Insured** for a **Cost of Corrections Demand**, up to the Limits of Liability specified on the Declarations for the **Broker/Dealer** and subject to the **Insured's Cost of Corrections Demand Retention**, provided that such **Cost of Corrections Demand** involves one or more of the following acts, errors or omissions:
 - a. The failure of the **Insured** to follow directions from a **Client** in connection with a non-discretionary investment;
 - b. Mechanical or computer error in processing transactions that were implemented to follow directions from a **Client** in connection with a non-discretionary investment;
 - c. Human error related to discretionary transactions implemented by the **Insured**, to the extent such transactions are otherwise covered by this Policy;
 - d. Mechanical or computer error in processing discretionary transactions implemented by the **Insured**, to the extent such transactions are otherwise covered by this Policy, including when performed by a back office employee of the **Insured Broker/Dealer**; However, there shall be no Supplemental Benefit for **Cost of Corrections Demands** arising from such errors unless:
 - i. the **Insured** has the ability to correct the error or prevent it from increasing; and
 - ii. if not immediately corrected, the error will continue to increase in monetary value or impact; and
 - iii. the **Insured** incurs a measurable monetary cost in correcting the error; and
 - iv. the **Insured** notifies the Insurer of the correction as soon as practicable, and provides the Insurer proper documentation of the error, the resulting damages and the correction thereof.
2. This Supplemental Benefit is granted under the strict reservation by the Insurer to reimburse the **Insured** for the mutually agreed upon portion of such cost that is attributable to such acts, errors or omissions of the **Insured**, or any employee of the **Insured Broker/Dealer** as are described in 1.c.i through iv. above. The Insurer shall not be responsible for any portion attributable to the conduct of any other party, including the claimant or the **Policyholder** or **Insured Broker/Dealer**.
3. The individual **Insured** and the **Insured Broker/Dealer** shall be jointly and severally liable for the payment of any Retention for a **Cost of Corrections Demand**.
4. For the purposes of the application of the Limits of Liability and Exclusions Sections only, a **Cost of Corrections Demand** will be deemed to be a **Claim**.

III. DEFENSE

A. Defense of **Claims**

1. If a **Claim** is made against the **Insured** within the United States of America, its territories or possessions or Canada, the Insurer shall have the right and duty to defend such **Claim**, even if any of the allegations of the **Claim** are groundless, false or fraudulent. The Insurer may make such investigation and negotiate settlement of any **Claim** it deems expedient, but the Insurer shall not be obligated to pay any



Loss to defend or continue to defend any **Claim** after the applicable limit of the Insurer's liability has been exhausted by payment of **Loss**.

2. If a **Claim** is made against the **Insured** outside of the United States of America, its territories or possessions or Canada, the Insurer shall indemnify the **Insured** pursuant to the terms, conditions, provisions and exclusions of the Policy, but shall not have the duty to defend the **Insured**. The Insurer shall instead reimburse **Defense Costs** incurred by the **Insured** in defending such **Claims**. In connection with such **Claims**, the **Insured** shall obtain the Insurer's consent to the selection of counsel, including counsel rates, and ensure that counsel complies with CNA's *Defense Counsel Guidelines*. CNA shall have the right, but not the duty, to associate with the **Insured** in the defense of any such **Claim**.

B. Insurer's Consent

The **Insured** shall not admit liability, consent to any judgment, agree to any settlement, make any settlement offer, assume any obligation or incur any default judgment or award without the Insurer's prior consent, which consent shall not be unreasonably withheld. The Insurer shall not be liable for any **Loss** incurred by the **Insured** to the extent the **Loss** results from such **Insured** admitting liability, consenting to any judgment, agreeing to any settlement, making any settlement offer or incurring expenses without the Insurer's prior consent. The **Insureds** agree that they shall not knowingly take any action which increases the Insurer's exposure for **Loss** under this Policy resulting from any **Claim**.

C. Arbitration

The **Insured** shall not demand or agree to arbitration of any **Claim** made against the **Insured** without the written consent of the Insurer, except with respect to arbitration between an **Insured** and a **Client**. In the event any **Claim** is submitted to arbitration, the Insurer, as soon as practicable, shall notify the **Insured** of the date of the arbitration hearing. The Insurer shall be entitled to exercise all of the **Insureds'** rights in the choice of arbitrators and in the conduct of any arbitration proceeding involving a **Claim** covered by this Policy.

IV. DEFINITIONS

Wherever appearing in bold print in this Policy:

Accredited Investor shall mean the most recent definition provided by the Securities and Exchange Commission at the time the **Wrongful Act** giving rise to a **Claim** occurred.

Administration of Employee Benefit Plans means consultation with participants in an employee benefit plan in order to explain the provisions of such plan and handling day-to-day ministerial functions required by such plan, including without limitation enrollment, record keeping and filing reports with government agencies. **Administration of Employee Benefit Plans** does not include third party claims administration.

Agent or General Agent, whether used separately or together, means a natural person:

- A. who has or had maintained a life agent contract with the **Policyholder** (if a life insurance company), or with a life insurance company subsidiary of the **Policyholder**; and
- B. who has or had elected to enroll for coverage under this Policy or any Policy issued by the Insurer of which this Policy is a renewal; and



C. whose enrollment is or was on file with the **Policyholder**.

Agent or General Agent also includes:

- i. any corporation, partnership, or other business entity owned or controlled by such natural person referred to in A. B. or C. of this definition, but solely with respect to the liability of such entity as it arises out of the rendering of or failing to render **Professional Services** by an **Insured Agent or General Agent**, as defined in A. B. or C. of this definition.
- ii. any natural person who is a life insurance producer for any insurance company provided such natural person also qualifies under paragraph A. B. or C. of this definition or qualifies for coverage as a **Registered Representative** under this Policy; or
- iii. any **Retired or Disabled Agent or General Agent**.

Application means all signed applications for this Policy and for any policy in an uninterrupted series of policies issued by the Insurer or any affiliate of the Insurer of which this Policy is a renewal or replacement. An "affiliate of the Insurer" means an insurer controlling, controlled by or under common control with the Insurer.

Broker/Dealer means any securities broker or dealer as those terms are defined in the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, or the Investment Advisers Act of 1940, as amended.

Claim means:

- A. a written demand for monetary damages; or
- B. a civil adjudicatory or arbitration proceeding for monetary damages,

against an **Insured** for a **Wrongful Act**, including any appeal thereof, brought by or on behalf of or for the benefit of any **Client**.

Client means a natural person for whom, or entity for which, **Professional Services** are rendered by an **Insured**.

Corporate Registered Investment Adviser means a corporation registered as an investment adviser under the Investment Advisers Act of 1940.

Cost of Corrections Demand means a demand by an **Insured** for reimbursement of the cost incurred by the **Policyholder** or **Insured Broker/Dealer** in indemnifying a **Client** of such **Insured** for **Loss** incurred as a result of a **Wrongful Act**,

Defense Costs means reasonable and necessary fees and expenses incurred by or at the direction of the Insurer in defense of any **Claim**, and costs of appeal, attachment or similar bonds. The Insurer has no obligation to provide such bonds. **Defense Costs** shall not include salaries, wages, fees, overhead or benefit expenses associated with the directors, officers and employees of the **Insured**, or fees and expenses of independent adjusters.

Domestic Partner means any person qualifying as such under any federal, state or local laws or under any **Insured** entity's employee benefit plans.

Due Diligence Services means services in connection with an independent investigation of representations made by an issuer of securities approved by the **Broker/Dealer** specified in Item 2.



of the Declarations, in order to determine (i) the accuracy of such representations in connection with the purchase or sale of such securities; or (ii) the advisability of purchasing such securities.

Insured means:

- A. Under Insuring Agreement A:
1. an **Agent or General Agent**;
 2. a **Registered Representative** of:
 - a. the **Broker/Dealer** or **Corporate Registered Investment Adviser** referenced in Item 2. of the Declarations; however, no coverage is afforded for:
 - i. **Wrongful Acts** occurring at any time when the **Registered Representative** or **Registered Investment Adviser** was not a **Registered Representative** or **Registered Investment Adviser** of the **Insured Broker/Dealer**; or,
 - ii. any products or services not offered or approved by the **Broker/Dealer** referenced in Item 2. of the Declarations at the time of the **Wrongful Act** giving rise to the **Claim**; or
 - b. any **Broker/Dealer** but solely for those **Professional Services** defined under paragraph B.1. of the definition of **Professional Services**.
 3. a natural person who is a former or current secretarial, clerical or administrative employee of the **Agent, General Agent, Registered Representative** or **Registered Investment Adviser** listed in paragraphs 1. and 2. above but solely for services performed within their capacity as such and on behalf of such **Agent, General Agent, Registered Representative** or **Registered Investment Adviser**, provided such natural person did not receive any commission income pursuant to an agent, broker or registered representative contract with any insurance company or broker/dealer as a result of providing **Professional Services** offered by the **Agent, General Agent, Registered Representative** or **Registered Investment Adviser**; or
 4. the **Broker/Dealer** or **Corporate Registered Investment Adviser** referenced in Item 2. of the Declarations.
- B. Under Insuring Agreement B., the **Policyholder** referenced in Item 1a. or 1b. of the Declarations.

Interrelated Wrongful Acts means any **Wrongful Acts** which are logically or causally connected by reason of any common fact, circumstance, situation, transaction or event.

Investment Advisory Services means advisory services provided by a **Registered Investment Adviser** pursuant to the Investment Advisers Act of 1940 with respect to securities approved by the **Insured Broker/Dealer**, provided that, prior to providing such services, the **Registered Investment Adviser** gave written notice of such services to the **Insured Broker/Dealer** and received written approval from such **Broker/Dealer** to conduct such transactions.

Loss means monetary settlements or monetary judgments (including any award of pre-judgment and post-judgment interest) and **Defense Costs** for which the **Insured** is legally obligated to pay on account of a covered **Claim**.

However, **Loss** shall not include:

- A. criminal or civil fines or penalties imposed by law or taxes. However, **Loss** shall include any taxes, fines, and penalties incurred by a third party and included in such third party's **Claims** against the **Insured**;
- B. any amounts for which there is no legal recourse against the **Insureds**;
- C. punitive or exemplary damages or the amount of any multiplied damage award which is in excess of the damage award so multiplied;
- D. costs incurred as a result of any injunctive relief;
- E. the return of commissions, fees or charges for services rendered by an **Insured**; or
- F. matters which are uninsurable under the law pursuant to which this Policy shall be construed.

Outside Business means products placed by an **Insured** with any insurance company not specified in Item 1a. or 1b. of the Declarations.

Personal Injury means injury or damage sustained by any person or organization caused by or arising out of:

- A. false arrest, detention or imprisonment, or malicious prosecution;
- B. libel or slander or other defamatory or disparaging material, or a publication or utterance in violation of an individual's right of privacy; or
- C. wrongful entry or eviction, or other invasion of the right of private occupancy.

Policy Period means the period from the effective date of this Policy to the Policy expiration date specified in Item 3. of the Declarations, or its earlier cancellation date.

Policyholder means the natural person or organization specified in Item 1a. of the Declarations.

Pollutants mean any substance exhibiting hazardous characteristics as or may be defined or identified on any list of hazardous substances issued by the United States Environmental Protection Agency or any state or local or foreign counterpart. **Pollutants** also means, without limitation, any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste (including materials to be recycled, reconditioned or reclaimed), as well as any air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos, or asbestos products or any noise.

Prior Acts Date means:

- A. with respect to an **Agent or General Agent**, the date the **Agent or General Agent** became continuously insured without interruption under any claims made professional liability policy (subject to written proof of such coverage at the time the **Insured** gives written notice to the Insurer of a **Claim** under this Policy);
- B. with respect to a **Registered Representative**, the most recent date the **Registered Representative** or **Registered Investment Advisor** contracted with the **Broker/Dealer** specified in Item 2. of the Declarations; or

- C. with respect to the **Broker/Dealer** or **Corporate Registered Investment Adviser** referenced in Item 2. of the Declarations (where included), the date set forth in Item 7. of the Declarations.

Private Placement means a security which is exempt from registration with the Securities and Exchange Commission as promulgated under Regulation D of the Securities Act of 1933, as amended, and meets all rules and conditions set forth under Regulation D;

Professional Services means:

- A. with respect to a natural person **Agent or General Agent**, to the extent they are provided in the course and scope of the **Insured's** business as an **Agent or General Agent** and such **Agent or General Agent** has the appropriate license in both the **Client's** resident state or jurisdiction and the state or jurisdiction in which the business is conducted:
1. the sale, attempted sale or servicing of life insurance, accident and health insurance, managed health care organization contracts, disability income insurance, fixed annuities, and 24 hour care coverage (as defined by statutory law);
 2. the sale, attempted sale or servicing of employee benefit plans, individual retirement plans and KEOGH retirement plans;
 3. **Administration of Employee Benefit Plans;**
 4. financial planning activities in conjunction with services described in paragraphs 1. through 3. of this definition, whether or not a separate fee is charged;
 5. the supervision, management and training of an **Agent** by a **General Agent** with respect to activities otherwise covered by this Policy; or
 6. services as a notary public.
- B. with respect to **Registered Representative** (including a **Registered Investment Adviser**) and only to the extent **Professional Services** are provided in the course and scope of the **Insured's** business as a **Registered Representative** (including a **Registered Investment Adviser**) and such **Registered Representative** (including a **Registered Investment Adviser**) has the appropriate license in both the **Client's** resident state or jurisdiction and the state or jurisdiction in which the business is conducted:
1. the sale, attempted sale or servicing of variable annuities, variable life insurance and mutual funds that are registered with the Securities Exchange Commission, if required, through a **Broker/Dealer** that is a member of the Financial Industry Regulatory Authority;
 2. **Investment Advisory Services;**
 3. the sale or attempted sale or servicing of securities (other than variable annuities, variable life insurance and mutual funds) approved by the **Insured Broker/Dealer;**
 4. financial planning activities in conjunction with services described in paragraphs 1. through 3. of this definition, whether or not a separate fee is charged;

5. Services performed as a Fiduciary Adviser as defined in the Pension Protection Act of 2006, and any amendment thereof; or
 6. the supervision, management and training of a **Registered Representative** by a registered principal who is also an **Insured** under this Policy with respect to activities otherwise covered by this Policy.
- C. with respect to the **Insured Broker/Dealer** and only to the extent **Professional Services** are provided in the course and scope of the **Insured's** business as a **Broker/Dealer** and such **Broker/Dealer** has the appropriate license in both the **Client's** resident state or jurisdiction and the state or jurisdiction in which the business is conducted: (where included):
1. **Investment Advisory Services;**
 2. **Supervisory Services;** or
 3. **Due Diligence Services.**

Registered Investment Adviser means an individual **Registered Representative**, or any corporation, partnership or other business entity owned or controlled by such individual **Registered Representative**, providing **Investment Advisory Services** in its capacity as an Investment Adviser registered as such under the Investment Advisers Act of 1940, as amended.

Registered Representative means:

- A. a natural person who is registered with the Financial Industry Regulatory Authority as a registered representative or registered principal, who has or had maintained a contract with a **Broker/Dealer** who has or had elected to enroll for coverage under this Policy or any Policy issued by the Insurer of which this Policy is a renewal, and whose enrollment is or was on file with the **Policyholder**; or
- B. any corporation, partnership or other business entity that is owned or controlled by such natural person, but solely with respect to the liability of such organization arising out of failing to render **Professional Services** by an **Insured**.

Registered Representative also includes any **Retired or Disabled Registered Representative**.

Retired or Disabled, whether used either separately or together, means:

- A. retired or disabled in conformance with the written practices and procedures of the **Policyholder or Broker/Dealer** which are in effect at the inception of the **Policy Period**; and
- B. no longer providing **Professional Services** on behalf of the **Broker/Dealer** or any other insurance company or broker/dealer;

Retired or Disabled Agents, General Agents or Registered Representatives, whether used either separately or together, means **Agents, General Agents or Registered Representatives** who are **Retired or Disabled**.

Supervising/Supervise means ensuring compliance with the supervisory procedures established by any governmental authority, regulatory authority or self-regulatory authority; including, but not limited to, the procedures established by the Securities and Exchange Commission (SEC) or the Financial Industry Regulatory Authority or supervisory duties imposed by state or federal statutory or common law.



Supervisory Services means services relating to the **Insured Broker/Dealer Supervising** or failure to **Supervise** the activities of a **Registered Representative** or **Registered Investment Adviser** performing **Professional Services**.

Wrongful Act means any negligent act, error or omission of, or **Personal Injury** caused by, the **Insureds** in rendering or failing to render **Professional Services**.

V. EXTENDED REPORTING PERIOD

- A. If the **Policyholder** cancels or non-renews this Policy, or if the Insurer non-renews this Policy, other than for nonpayment of Premium, the **Policyholder** shall have the right to purchase, upon payment of an additional premium determined as described in Item 5b. of the Declarations, an extension of this Policy for the period described in Item 5a. of the Declarations immediately following the end of the **Policy Period**, but only with respect to covered **Claims** made against the **Policyholder** during such extension arising out of a **Wrongful Act** committed after the **Prior Acts Date** but before the end of the **Policy Period**. This period shall be referred to as the Policyholder Optional Extended Reporting Period.
- B. As a condition precedent to the right to purchase the Policyholder Optional Extended Reporting Period, the total premium for this Policy must have been paid. The right to purchase the Policyholder Optional Extended Reporting Period shall end unless the Insurer receives written notice and full payment of the premium for such period within 10 days after the end of the **Policy Period**.
- C. An **Agent or General Agent, Registered Representative** or **Registered Investment Adviser** shall not be entitled to any Extended Reporting Period, if the **Policyholder** or the **Broker/Dealer** terminated its relationship with such **Agent or General Agent, Registered Representative** or **Registered Investment Adviser** for disciplinary reasons in conformance with the **Policyholder's** or the **Broker/Dealer's** written practices and procedures in effect at the time of the termination of the relationship.
- D. If the Policyholder Optional Extended Reporting Period is purchased, the entire premium shall be deemed earned at its commencement without any obligation by the Insurer to return any portion thereof.
- E. If this Policy is cancelled or nonrenewed by either the **Policyholder** or by Insurer, then all **Agent or General Agents, Registered Representatives** or **Registered Investment Advisers** shall be entitled to an unlimited duration automatic extension of this Policy at no additional charge ("Automatic Extended Reporting Period") but only with respect to a **Claim** made during such Automatic Extended Reporting Period arising out of a **Wrongful Act** committed after the applicable **Prior Acts Date** but before the expiration of the **Policy Period**. An **Agent, General Agent or Registered Representative** shall not be entitled to such Automatic Extended Reporting Period if he or she is currently enrolled in any broker, dealer, life agent, registered representative, registered investment adviser, financial planning or professional liability policy, other than this Policy, whether or not that policy actually affords coverage for the **Claim** in question.

VI. ESTATES, LEGAL REPRESENTATIVES AND SPOUSES

The estates, heirs, legal representatives, assigns spouses or **Domestic Partners of Insureds**, under Insuring Agreement A., shall be considered **Insureds** under this Policy; provided however,



that coverage is afforded to such estates, heirs, legal representatives, assigns, spouses or **Domestic Partners** only for a **Claim** arising solely out of their status as such and, in the case of a spouse or **Domestic Partner**, where such **Claim** seeks damages from marital community property, jointly-held property or property transferred from the **Insured** to the spouse or **Domestic Partner**. No coverage is provided for any **Wrongful Act** of an estate, heir, legal representative, assign spouse or **Domestic Partner**. All terms and conditions of this Policy, including without limitation the retention applicable to **Loss** incurred by the **Insured** shall also apply to **Loss** incurred by such estates, heirs, legal representatives, assigns, spouses or **Domestic Partners**.

VII. LIMIT OF LIABILITY, RETENTION AND ALLOCATION

A. Policy Aggregate:

The amount set forth as the Policy Aggregate Limit of Liability in Item 6a. of the Declarations shall be the maximum aggregate Limit of Liability of the Insurer for all **Loss** under this Policy, regardless of the number of **Insureds**, **Claims** made, or persons or entities bringing such **Claims**. The Scheduled Limits of Liability set forth in the Coverage Schedule in Item 6b. of the Declarations are sub-limits which further limit and do not increase the Insurer's limit of liability under this Policy Aggregate Limit.

B. Professional Liability Insuring Agreement A.

Subject always to Section VII. paragraph A., Policy Aggregate, if a Limit of Liability is set forth in the Declarations at column ② of Item 6a. of the Coverage Schedule for the applicable **Insured** under the Professional Liability Insuring Agreement A., such Scheduled Limit of Liability shall apply separately to each applicable **Insured** covered under such Insuring Agreement as follows:

1. Each **Claim**

Subject to paragraph 2. below, the Limit of Liability of the Insurer for **Loss** for each **Claim** first made against an **Insured** and reported to the Insurer during the **Policy Period** shall not exceed the amount stated in the Declarations for each **Claim**.

2. Aggregate

The Limit of Liability of the Insurer for **Loss** for all **Claims** first made against an **Insured** and reported to the Insurer during the **Policy Period** shall not exceed the amount stated in the Declarations for all **Claims** in the Aggregate.

If the Scheduled Limits of Liability for Insuring Agreement A., as set forth in the Declarations at column ② of Item 6b. of the Coverage Schedule include more than one option, only one Limit of Liability option shall be available to each **Insured** and such option shall be the option identified in the written records of the **Policyholder**, subject to the maximum aggregate Limit of Liability of the Insurer as set for in this Section VII.

C. Vicarious Liability - Insuring Agreement B. (where included)

If Insuring Agreement B. is included, no additional Limit of Liability is afforded under Insuring Agreement B. Rather, subject always to Section VII. paragraph A., Policy Aggregate, the Limit of Liability applicable to **Claims** under Insuring Agreement A. shall be the Limit of Liability under Insuring Agreement A. applicable to the **Agent or General Agent** named as a co-defendant with the **Insured** entity under Insuring Agreement B.

D. **Multiple Insureds**

Subject always to Section VII. paragraph A., Policy Aggregate, each **Insured's** applicable Limits of Liability, as set forth above, shall be the Insurer's maximum Limit of Liability for such **Insured**. Further, where two or more **Insureds** are involved in a **Claim**, the maximum aggregate Limit of Liability of the Insurer for all such **Insureds** shall be the largest single Limit of Liability applicable to any one of such **Insureds**.

E. **Exhaustion of Limit of Liability**

The Insurer's obligations under this Policy shall be deemed completely fulfilled and extinguished if the applicable Limit of Liability is exhausted by payment of **Loss**.

F. **Retention**

Subject to the applicable Limit of Liability, the Insurer shall pay all covered **Loss** excess of the applicable Retention, if any, set forth in the Coverage Schedule in Column ③ Item 6b. of the Declarations. The scheduled Retentions shall apply separately to each **Insured** as follows:

A single and separate Retention shall apply to all **Loss** resulting from each **Claim**. If more than one Retention is applicable to a single **Claim**, the maximum aggregate Retention for such **Claim** shall be the largest of such Retentions.

If the Insurer, in the exercise of its discretion and without any obligation to do so, pays any amount within the amount of the applicable Retention, the **Insured** shall be liable to the Insurer for any and all such amounts and, upon demand, shall pay such amounts to the Insurer.

G. **Interrelated Wrongful Acts**

More than one **Claim** involving the same **Wrongful Act** or **Interrelated Wrongful Acts** shall be considered as one **Claim** which shall be deemed to have been made on the earlier of:

A. the date on which the earliest such **Claim** was first made; or

B. the first date valid notice was given by an **Insured** and received by the Insurer under this Policy of any **Wrongful Act** or under any prior policy of any **Wrongful Act** or any fact, circumstance, situation, event or transaction which underlies any such **Claim**.

H. **Allocation**

If a **Claim** made against the **Insureds** includes both covered and uncovered matters or if a **Claim** is made against **Insureds** who are extended coverage under this Policy and others who are not extended coverage therefor under this Policy, the **Insureds** agree that there must be an allocation between insured and uninsured **Loss** (other than that part of **Loss** attributable to **Defense Costs**). The **Insureds** and the Insurer shall exert their best efforts to agree upon a fair and proper allocation between such insured and uninsured **Loss** based upon the relative legal exposures of the parties to such matters.

VIII. NOTICE

- A. If a **Claim** is made against any **Insured**, the **Insured** shall, as soon as practicable, notify the Insurer during the **Policy Period** and forward to the Insurer every demand, notice, summons, or other process received. Notwithstanding the requirement that the **Claim** must be first made and reported to the Insurer during the **Policy Period**, if continuous coverage is in effect pursuant to consecutive policies issued by the Insurer, a **Claim** may be first made against the **Insured** during one **Policy Period** and may be reported to the Insurer in writing during the consecutive, immediately following, **Policy Period** without constituting a violation of this provision. The **Policy Period** in effect on the date the **Claim** is reported to the Insurer shall apply.

In addition, notwithstanding the requirement that the **Claim** must be first made against the **Insured** and reported to the Insurer during the **Policy Period**, the **Policyholder** shall have an extension of this Policy for a period of 30 days immediately following the end of the **Policy Period**, but only with respect to providing notice to the insurer of a **Claim** first made against any **Insured** during the **Policy Period** and prior to the date of termination of the Policy.

In no event, however, shall the Insurer be responsible to pay any **Loss** in connection with any default judgment entered against an **Insured** prior to notice to the Insurer or as a result of untimely notice to the Insurer nor shall the Insurer be responsible to pay any **Loss** in connection with any **Claim** in which the Insurer's interests have been prejudiced because of the **Insured's** failure to supply timely notice to the Insurer.

- B. If, during the **Policy Period** the **Insureds** first become aware of specific **Wrongful Acts** which may reasonably give rise to a future **Claim** and during such period give written notice to the Insurer of:
1. the names of the potential claimants and a description of the specific **Wrongful Act** which forms the basis of their potential **Claim**;
 2. the identity of the specific **Insureds** allegedly responsible for such specific **Wrongful Act**;
 3. the consequences which have resulted or may result from such specific **Wrongful Act**;
 4. the nature of the potential monetary damages or non-monetary relief which may be sought in consequence of such specific **Wrongful Act**; and
 5. the circumstances by which the **Insureds** first became aware of such specific **Wrongful Act**,

then any **Claim** otherwise covered under this Policy which is subsequently made against the **Insureds** and which arises out of such **Wrongful Act** shall be deemed to have been first made at the time such written notice was received by the Insurer. No coverage is provided for a **Claim** resulting from such **Wrongful Act** until such time as such **Claim** is reported to the Insurer in accordance with paragraph A. above.

- C. Except as provided in paragraph B. above, a **Claim** shall be deemed to be made
- A. in the case of a civil proceeding or arbitration, on the earliest of the date of service upon or other receipt by any **Insured** of a complaint or similar document against the **Insured** in such proceeding or arbitration; or
 - B. in the case of a written demand for monetary damages, on the **Insured's** receipt of notice of such demand.



- D. The **Insureds** shall give written notice to the Insurer under this Policy as specified in Item 4. of the Declarations, which shall be effective upon receipt.
- E. The **Insureds** shall furnish the Insurer with copies of reports, investigations, pleadings, and all related papers and such other information, assistance and cooperation as the Insurer may reasonably request. The **Insureds** agree to cooperate with the Insurer, and provide all assistance and information reasonably requested by the Insurer. When requested by the Insurer, the **Insureds** shall submit to examination by a representative of the Insurer, under oath if required, and shall attend hearings, depositions, and trials and shall assist in the conduct of **Claims** including but not limited to effecting settlement, securing and giving evidence, obtaining the attendance of witnesses, giving written statements to the Insurer's representatives and meeting with such representatives for the purpose of investigation or defense, all of the above without charge to the Insurer.

IX. CANCELLATION

- A. The Insurer may cancel this Policy:
 - 1. for non-payment of any premium when due, by providing to the **Policyholder** written notice stating when, not less than 30 days thereafter, such cancellation shall be effective. Failure to pay the initial policy premium will be deemed a rejection of our offer to insure, and no coverage under this Policy shall be effective.
 - 2. for any other reason by providing to **Policyholder** written notice stating when, not less than 60 days thereafter, such cancellation shall be effective.
- B. The **Insureds** grant the exclusive authority to cancel this Policy to the **Policyholder**. This Policy may be canceled by the **Policyholder** by surrender of this Policy to the Insurer or by giving written notice to the Insurer stating when thereafter such cancellation shall be effective. The making of such notice by registered, certified or other first class mail, to the Insurer at the address shown in the Declarations, shall be sufficient proof of notice and this Policy shall terminate at the date and hour specified in such notice.
- C. If the **Policyholder** cancels, earned premium will be computed in accordance with the customary short rate table and procedures. If the Insurer cancels, earned premium shall be computed pro-rata.

X. OTHER INSURANCE

If any **Loss** resulting from any **Claim** is insured under any other policies, this Policy shall apply only to the extent the **Loss** exceeds the Limit of Liability under such other insurance whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over this Policy.

XI. PREMIUM

- A. The **Policyholder** or the **Insured Broker/Dealer** agrees to provide the Insurer with any documentation and information that the Insurer may reasonably request during the **Policy Period** in order that the Insurer may determine the number of **Agents, General Agents, Registered Representatives** or **Registered Investments Advisors** with the **Policyholder** or the **Insured Broker/Dealer**.
- B. **PREMIUM FOR THIS POLICY IS THE OBLIGATION OF, AND IS PAID TO, THE INSURER BY THE POLICYHOLDER. THE INSURER DOES NOT COLLECT FROM, AND**



WILL NOT RETURN, ANY PREMIUM TO ANY INSURED OTHER THAN THE POLICYHOLDER.

XII. CHANGE OF STATUS OF POLICYHOLDER OR BROKER/DEALER

A. Takeover of first named **Policyholder**

In the event that, during the **Policy Period**, the **Policyholder** specified in Item 1a. of the Declarations shall consolidate with or merge into, or shall sell substantially all of its assets to, any other person or entity or group of persons or entities acting in concert, or if any person or entity or group of persons or entities acting in concert shall acquire an amount of the outstanding securities representing more than 50% of the voting power for the election of directors of such corporation, this Policy shall continue until it is otherwise terminated, but only with respect to **Claims** for **Wrongful Acts** occurring before the effective date of such consolidation, merger, sale or acquisition.

B. Cessation or Takeover of Subsidiaries or Affiliates

If any entity named in Item 1b. or Item 2. of the Declarations ceases to be a subsidiary or affiliate of the first named **Policyholder** there shall be no coverage afforded to such subsidiary or affiliate or its **Agents, General Agents** or **Registered Representatives** under the this Policy for any **Wrongful Act** by such **Agents, General Agents** or **Registered Representatives** occurring after the date such organization ceased to be a subsidiary or affiliate.

XIII. COVERAGE WITH RESPECT TO NEW ACQUISITIONS

A. If, on or after the inception date of this Policy, a **Broker/Dealer** specified in Item 2. of the Declarations acquires voting stock of another broker/dealer representing more than 50% of the voting power for the election of the board of directors of such broker/dealer, or acquires all or substantially all of the assets of another broker/dealer, any of the foregoing being an "acquisition," coverage for such newly acquired **Broker/Dealer** under Insuring Agreement A. of this Policy shall be provided as follows:

1. If such acquisition will result in an increase of the consolidated sales force or consolidated gross assets of the **Insured Broker/Dealer** by less than 10%, coverage shall be automatically extended (subject to all other terms and conditions of this Policy) to include **Claims** made against such newly acquired **Broker/Dealer** for any **Wrongful Acts** occurring subsequent to the date of acquisition, but only for a period of 30 days from the date of acquisition, or until the termination of the **Policy Period**, whichever is earlier. No coverage shall be afforded by this Policy to any **Insured** with respect to activities or liabilities of such newly acquired **Broker/Dealer** occurring or incurred prior to the acquisition, unless and until an endorsement to this Policy, or written confirmation, is issued/received by the Insurer expressly granting such coverage. Issuance of any such endorsement shall be at the Insurer's absolute discretion. No coverage shall be afforded after the period of 30 days unless an endorsement to this Policy is issued by the Insurer expressly granting such coverage.
2. If such acquisition will result in an increase of the consolidated sales force or consolidated gross assets of the **Insured Broker/Dealer** by 10% or more, no coverage shall be afforded to such newly acquired **Broker/Dealer** unless and until an endorsement to this Policy, or written confirmation, is issued/received by the Insurer expressly granting such coverage.

- B. If Insuring Agreement B. of this Policy is purchased, and if, on or after the inception date of this Policy, the **Policyholder** specified in Item 1a. of the Declarations acquires voting stock of another life insurer representing more than 50% of the voting power for the election of the board of directors of such life insurer, or acquires all or substantially all of the assets of another life insurer, any of the foregoing being an “acquisition,” coverage for such newly acquired **Policyholder** under of this Policy shall be provided as follows:
1. If such acquisition will result in an increase of the consolidated sales force or consolidated gross assets of the **Policyholder** named in Item 1a. by less than 10%, coverage under Insuring Agreement B. shall be automatically extended (subject to all other terms and conditions of this Policy) to include **Claims** made against such newly acquired **Policyholder** for any **Wrongful Acts** of an **Agent or General Agent or Registered Representative** occurring subsequent to the date of acquisition, but only for a period of 30 days from the date of acquisition, or until the termination of the **Policy Period**, whichever is earlier. No coverage shall be afforded by this Policy to any **Insured** with respect to activities or liabilities of such newly acquired life insurer occurring or incurred prior to the acquisition, unless and until an endorsement to this Policy, or written confirmation, is issued/received by the Insurer expressly granting such coverage. Issuance of any such endorsement shall be at the Insurer’s absolute discretion. No coverage shall be afforded after the period of 30 days unless an endorsement to this Policy is issued by the Insurer expressly granting such coverage.
 2. If such acquisition will result in an increase of the consolidated sales force or consolidated gross assets of the **Policyholder** named in Item 1a. by 10% or more, no coverage under Insuring Agreement B. shall be afforded to such newly acquired life insurer unless and until an endorsement to this Policy, or written confirmation, is issued/received by the Insurer expressly granting such coverage.
- C. If, on or after the inception date of this Policy, a corporation specified in Item 1. or 2. of the Declarations acquires voting stock or assets of another entity resulting in an increase of the consolidated sales force by 10% or more, no coverage shall be afforded to those **Agents, General Agents or Registered Representatives**, that were previously associated with the other entity, unless an endorsement to this Policy is issued or written confirmation is issued/received by the Insurer expressly granting such coverage.

XIV. SUBROGATION AND RECOVERY

In the event of any payment under this Policy, the Insurer shall be subrogated to all the **Insured’s** rights of recovery therefore against any person or organization, and the **Insured** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insured** shall do nothing to prejudice such rights. Any amount recovered in excess of the Insurer’s total payment shall be restored to the **Insured**, less the cost to the Insurer of recovery.

XV. CHANGES

Notice to any agent or knowledge possessed by an agent or by any other person shall not affect a waiver or a change in any part of this Policy, or stop the Insurer from asserting any right under the provisions of this Policy. The provisions of this Policy shall not be waived, changed or modified except by endorsement issued to form a part of this Policy.

XVI. NO ACTION AGAINST INSURER



No action shall be taken against the Insurer unless, as a condition precedent thereto, the **Insured** shall have fully complied with all terms of this Policy, or until the amount of the **Policyholder'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 Insurer. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. Nothing contained in this Policy shall give any person or organization any right to join the Insurer in any action against the **Insured** to determine the **Insured's** liability, nor shall the Insurer be impleaded by the **Insured** or their legal representative in any such **Claim**.

XVII. ASSIGNMENT OF INTEREST

Assignment of interest under this Policy shall not bind the Insurer unless its consent is endorsed to this Policy.

XVIII. TERRITORY

Except as provided in Section II. DEFENSE, Paragraph A.2., this Policy applies to **Wrongful Acts** which happen anywhere in the world, but only with respect to **Claims** made or suits brought against the Insured in the United States of America, its territories or possessions, or Canada.

XIX. ENTIRE AGREEMENT

The **Policyholder** agrees that this Policy, including the **Application**, any materials submitted or required to be submitted therewith, and any written endorsements attached, constitute the entire contract existing between **Insureds** and the Insurer or any of its agents relating to this insurance.

XX. EXCLUSIONS

The Insurer shall not be liable to pay any **Loss** in connection with any **Claim**:

A. **Prior Litigation**

based upon, directly or indirectly arising out of, or in any way involving facts alleged in any litigation against the **Insured** pending on or prior to the inception date of this Policy, or renewal thereof;

B. **Prior Wrongful Acts of Broker/Dealers**

based upon, directly or indirectly arising out of, or in any way involving any actual or alleged **Wrongful Acts** or **Interrelated Wrongful Acts** by, or liability of, any **Broker/Dealer** acquired by an **Insured**, where such **Wrongful Acts** or **Interrelated Wrongful Acts** were committed, attempted, or allegedly committed or attempted prior to such acquisition;

C. **Claims by Specified Persons or Entities**

by or on behalf of, or for the benefit of, whether directly or indirectly,

1. any parent, spouse, **Domestic Partner**, or child of the **Insured**
2. an entity in which one or more **Insureds**, at the time of the **Wrongful Act** giving rise to a **Claim**:
 - i. had a total of ten percent (10%) or more equity interest, or
 - ii. operated, controlled, or managed;

3. an individual or entity which has, or did have at the time of the **Wrongful Act**, a total of ten percent (10%) or more equity interest in an entity **Insured** or operates, controls or manages an entity **Insured**;
4. any past or present **Insured**, whether it be an individual, class or derivative action, except and to the extent that such **Claim** is by an **Insured** in his or her capacity as a **Client**;
5. any clearing agency or arising out of any function of any **Insured** as a clearing agency;
6. any **Broker/Dealer** other than one which buys, sells or trades in securities exclusively as a principal for its own account;
7. any governmental or quasi-governmental official or agency, including but not limited to any state or federal securities or insurance commission or agency, in any capacity;
8. any self-regulatory organization including, but not limited to, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Securities Investor Protection Corporation, in any capacity,

provided, however, that paragraphs 7. and 8. above shall not apply to any **Claim** by an official of such agency or organization if such official is bringing the **Claim** in his or her capacity as a direct **Client** of an **Insured** and not as an official of such agency or organization;

D. Intentional Acts

based upon, directly or indirectly arising out of, or in any way involving any actual or alleged dishonest, fraudulent, criminal, malicious, purposeful or intentional act, error or omission, or any actual or alleged willful violation of any statute or law as determined by a final adjudication in the underlying action or in a separate action or proceeding; however, the **Wrongful Act** of any **Insured** individual shall not be imputed to any other **Insured** individual; and only the **Wrongful Act** of any executive officer shall be imputed to an **Insured** entity;

E. Bodily Injury/Property Damage

based upon, directly or indirectly arising out of, or in any way involving any actual or alleged bodily injury, sickness, disease, emotional distress, mental anguish or death of any person, or damage to or destruction of any tangible property, including loss of use thereof;

F. Contractual Liability/Promises/Guarantees

based upon, directly or indirectly arising out of, or in any way involving actual or alleged

1. liability of others assumed by an **Insured** under any contract or agreement; provided, however, that this paragraph shall not apply to the extent that the liability would attach to an **Insured** in the absence of such contract or agreement; or
2. making or stating of any promises or guarantees as to interest rates or fluctuations in interest rates, the market value of any investment or insurance product, or future premium payments;

G. Specified Services

based upon, directly or indirectly arising out of, or in any way involving actual or alleged:

1. performance of or failure to perform services by the **Insured** as:
 - a. an actuary, accountant, attorney, property or casualty agent, real estate agent, or third party administrator; or

- b. a market maker or specialist in any securities; or
2. tax advice provided by the **Insured** except to the extent that such tax advice is an incidental part of the **Professional Services** being rendered;

H. **Premium/claim/tax monies**

based upon, directly or indirectly arising out of, or in any way involving:

1. the **Insured's** inability or refusal to pay or collect premium, claim or tax monies; or
2. a dispute over fees, commissions or charges, including without limitation the structure of fees or excessive fees; however, this paragraph 2. shall not apply to surrender charges;

I. **Commingling/Illegal Profit**

based upon, directly or indirectly arising out of, or in any way involving:

1. any actual or alleged commingling or use of **Client** funds; or
2. any actual or alleged profit, remuneration or pecuniary advantage gained by any **Insured**, to which the **Insured** was not legally entitled;

as determined by a final adjudication in the underlying action or in a separate action or proceeding

For purposes of determining the applicability of this Exclusion:

1. the facts pertaining to and knowledge possessed by any natural person **Insured** shall not be imputed to any other natural person **Insured**; and
2. only facts pertaining to and knowledge possessed by any executive officer shall be imputed to the **Insured** entity;

J. **Insolvency**

based upon, directly or indirectly arising out of, or in any way involving the insolvency, receivership, conservatorship, liquidation, bankruptcy or inability to pay of a natural person, entity, benefit plan, insurance company, managed health care organization, reinsurer, risk retention group or captive (or any self insurance plan or trust by whatsoever name), or limited partnership in which the **Insured** has placed business or obtained insurance coverage, or placed or recommended placement of the funds of a **Client**;

K. **Employee Benefit Plans**

based upon, directly or indirectly arising out of, or in any way involving:

1. any actual or alleged pension, profit sharing, health and welfare or other employee benefit plan or trust sponsored by the **Insured** or any entity owned or controlled by the **Insured** or in which the **Insured** is a participant, trustee or named fiduciary, as defined under the Employee Retirement Income Security Act of 1974, as amended, or any similar common or statutory law; or
2. the actual or alleged design of any employee benefit plan;

L. **Sale or Servicing of Certain Products**

based upon, directly or indirectly arising out of, or in any way involving the actual or alleged sale, attempted sale or servicing of any

1. coverage, alleged coverage or plan placed with any form of Multiple Employer Welfare Arrangement as defined by the Employee Retirement Income Security Act of 1974, as

- amended, or any employee benefits plan involving self funding in whole or in part, by any employer, union, or employment related entity;
2. products or services not approved by a **Broker/Dealer** specified in Item 2. of the Declarations;
 3. commodities, commodities futures contracts, or any type of option contract with the exception of covered call writing;
 4. promissory notes;
 5. ETS pay phone investments or other similar type investments;
 6. viatical settlements, viatical insurance benefits, viatical investment pools or any security backed by viatical settlements;
 7. "Stranger Originated Life Insurance (STOLI)" or "Speculator Initiated Life Insurance (SPINLIFE)."
 8. structured settlements; Life Settlements; Reverse mortgages or similar transactions in which the present value of a conditional contract is exchanged or sold; or
 9. issuer callable certificates of deposit and/or equipment sale-lease-buy-back transactions of any kind.

M. Discretionary Authority

based upon, directly or indirectly arising out of, or in any way involving any actual or alleged activities in connection with the exercise of discretionary authority with regard to the management or disposition of assets (whether for individuals, groups, employee benefit plans, or other entities of whatever legal form or character); however, this exclusion shall not apply to the activities of the **Insured** when exercising discretionary authority as a **Registered Investment Adviser**;

N. Nuclear/Pollution

based upon, directly or indirectly arising out of, or in any way involving:

1. any nuclear reaction, radiation or contamination; or
2. any actual, alleged or threatened discharge, release, escape, or disposal of, or exposure to, **Pollutants**; any request, direction or order that any of the **Insureds** test for, monitor, clean up, remove, contain, treat, detoxify, neutralize or in any way respond to or assess the effect of **Pollutants** or nuclear reaction, radiation or contamination, or any voluntary decision to do so; or any actual or alleged property damage, or bodily injury, sickness, disease or death of any person, or financial loss to the **Insureds**, their security holders, or their creditors resulting from any of the aforementioned matters;

O. Anti-trust

based upon, directly or indirectly arising out of, or in any way involving actual or alleged price fixing, price discrimination, predatory pricing, restraint of trade, antitrust, monopolization, unfair trade, or unfair anti-competitive conduct; however, the knowledge of any such act by any **Insured** individual shall not be imputed to any other **Insured** individual; and only such knowledge of an executive officer shall be imputed to an **Insured** entity.

P. Confidential or non-public information

based upon, directly or indirectly arising out of or in any way involving the actual or alleged use, misuse or disclosure of:

1. confidential information, including but not limited to such use for the purpose of replacement of coverage; or

2. non-public information in a manner prohibited by the laws of the United States, including, but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, any similar laws of any other jurisdiction, or any rules or regulations promulgated under any of the foregoing, all as amended;

Q. **Unlicensed entity**

based upon, directly or indirectly, arising out of or in any way involving the placement of a **Client's** coverage or funds directly or indirectly with any organization, entity or vehicle of any kind, nature or structure which is not licensed to do business in the state or jurisdiction with authority to regulate such business; however, this Exclusion shall not apply to any **Claim** arising from or contributed to by the placement of a **Client's** coverage or funds directly or indirectly with such organization, entity or vehicle which is an eligible surplus lines insurer in the state or jurisdiction with authority to regulate such business;

R. **Broker/Dealer as Successor in Interest**

based upon, directly or indirectly arising out of or attributable to the **Insured Broker/Dealer** acting as a successor in interest to another entity, including but not limited to another securities broker/dealer;

S. **Investment Banking Activities**

based upon, directly or indirectly arising out of, or in any way involving any actual or alleged underwriting, syndicating, or investment banking work, or associated counseling or investment activities, including but not limited to, any aspect of any actual, attempted or threatened mergers, acquisitions, divestitures, tender offers, proxy contests, leveraged buy-outs, going private transactions, reorganizations, capital restructuring, recapitalization, spin-offs, primary or secondary offerings of securities (regardless of whether the offering is a public offering or a **Private Placement**), other efforts to raise or furnish capital or financing for any enterprise or entity or any disclosure requirements in connection with any of the foregoing; provided, however, that this exclusion shall not apply to **Claims** arising from sales by an **Insured** of securities in connection with an offering thereof where such **Claims** relate solely to conduct by the **Insured** detrimentally relied upon by particular clients of the **Insured Broker/Dealer** and do not arise from facts or circumstances affecting the offering generally such as, but not limited to, actual or alleged misrepresentations or omissions in the formal written offering materials, including registration statements, offering memoranda and circulars;

T. **Securities below Minimum Capitalization Levels**

based upon, directly or indirectly arising out of, or in any way involving any security issued by an entity unable to meet the minimum capitalization and other standards for listing and maintenance on the NASDAQ SmallCap Market;

U. **Owned funds or investment products**

based upon, directly or indirectly arising out of, or in any way involving any proprietary fund or investment products in which an **Agent or General Agent or Registered Representative** has any ownership interest;

V. **Investment in Specified Securities or Funds**



based upon, directly or indirectly arising out of, or in any way involving the use of or investment in:

1. any security that is not registered with the Securities and Exchange Commission; however, this Exclusion shall not apply to securities which are both exempt from registration with the Securities and Exchange Commission and approved by the **Broker Dealer**; or
2. any hedge fund, whether it is registered or not with the Securities and Exchange Commission, unless specifically endorsed onto the Policy.

W. Limited Partnerships, REITS

- based upon, directly or indirectly arising out of, or in any way involving the use of or investment in any Limited Partnership, Real Estate Investment Trusts (REIT's), issuer callable certificates of deposit, equipment sale-lease-buy-back transactions of any kind and/or any security that is not registered with the Securities and Exchange Commission; however, this exclusion shall not apply to the sale attempted sale or servicing of **Private Placements**, Limited Partnerships or REIT's which:
 - a. are not Oil & Gas Products;
 - b. are compliant with all applicable Blue Sky Laws that exist from time to time in the various states;
 - c. with respect to **Private Placements**, are sold only to **Accredited Investors**; and
 - d. with respect to publicly registered Limited Partnerships and/or REIT's, are sold only to investors who meet the various state minimum suitability standards outlined in their respective Blue Sky Laws.

X. Fiduciary Services

based upon, directly or indirectly arising out of, or in any way involving investment advice provided by a Fiduciary Adviser if such investment advice is not provided pursuant to and in accordance with all of the requirements of the Pension Protection Act of 2006 as it may be amended; or

Y. Wrongful Employment Practices

based upon, directly or indirectly arising out of, or in any way involving employment practices including but not limited to discrimination or termination of employment.

XXI. TRADE EMBARGOES AND SANCTIONS

This Policy does not provide coverage for **Insureds**, transactions or that part of **Loss** that is uninsurable under the laws or regulations of the United States concerning trade or economic sanctions.

XXII. DUTIES OF THE POLICYHOLDER

The **Policyholder**, on behalf of all of all **Insureds**, will be:

- A. authorized to make changes in the terms of this Policy with our written consent; and



- B. responsible for:
1. the payment of all premiums due the Insurer; and
 2. keeping records of the information the Insurer needs for premium computation, and sending it copies as it may request.

XXIII. LIBERALIZATION CLAUSE

In the event that there is an inconsistency between a state amendatory endorsement attached to this Policy and any term or condition of this Policy, the Insurer shall apply those terms and conditions of either the amendatory endorsement or the Policy which are more favorable to the **Insured**, provided however, that this shall not apply to the extent that the more favorable amendatory endorsement or Policy provision is against public policy or the law of such state.

XXIV. HEADINGS AND NUMBER

The descriptions in the headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage. Defined terms in the singular also include the plural and defined terms in the plural also include the singular.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be executed by its Chairman and Secretary, but this Policy shall not be binding upon us unless completed by the attachment of the Declarations.

Chairman

Secretary