Affinity Insurance Service

Attached please find your policy documentation for the United Farmers Agents Association E&O Program.

Should you have any questions about this documentation please contact your agent at Kevin Dahlke Insurance Brokerage.

Thank you for your participation in the program.

Affinity Insurance Services Inc.

Affinity Insurance Services
159 E County Line Rd
Hatboro, PA 19040

Claims Procedure

My office has been notified of an incident that may develop into a claim or an actual claim against your agency. Official notification of a claim does not occur until the receipt of notice of a claim is confirmed in writing by Lexington Claims.

DO NOT ACCEPT RESPONSIBILITY OR GIVE A RECORDED STATEMENT TO ANY FARMERS PERSONNEL INVOLVING ANY DISPUTED CLAIMS.

IF YOU HAVE BEEN SUED, IMMEDIATELY FORWARD THE SUMMONS TO kevin@dahlkeinsurance.com

NOTICE: It is your sole responsibility to assemble the file as described below and forward within five (5) days of the date the claim is filed with the plan insurer. Failure to comply may result to your deductible not being waived in the event of a paid claim.

Lexington Claims staff will contact you to discuss the claim and once coverage is confirmed will begin loss adjustment with the claimant including Farmers. Do not attempt to settle the loss on your own.

To file a claim:

1. **Complete the loss report**
2. **Write a narrative outlining the actions that occurred beginning on the date of your alleged error upon present and why you feel you are not at fault if applicable. Please date the occurrences of actions related to you, the insured and the company.**
3. **Assemble your insured's file for the policy in question in a beginning to end chronological order that includes**
    a. **all phone logs, file notes, the application and all signed insured disclosure forms**
    b. **a complete copy of the policy form with all endorsements**
    c. **Demand notices, service of suit and any correspondence related to the file or claim.**
    d. **Download all file documents relating to this policy from the Dashboard if you do not keep separate records.**
4. **If this is a Farmers claim you will need to obtain and forward the subrogation demand from Farmers as part of the file.**

Return all of this information to my office ASAP and we will contact to discuss prior to filing with the insurance carrier.

Not affiliated with or authorized by Farmers Group Inc. This document is a summary of the coverage provided. All statements contained herein are subject to all of the Terms, Conditions and Exclusions of the actual policy. A copy of the policy will be provided upon confirmation of binding your coverage 9/8/2011

NOTICE: DO NOT GIVE RECORDED STATEMENTS REGARDING A CLAIM TO ANY INSURANCE CARRIER

One of the more common types of E&O claim will be generated not from your insured but from your insurance market as a subrogation action after the claim is paid to your insured.

Before it is an E&O claim, typically the claims' adjustor will contact you to give a recorded statement while the coverage investigation is occurring.

It is not in your best interest to give any carrier a recorded statement, and you are not required by your agency appointment agreement or law to provide this to any insurance carrier.

Do not accept responsibility or give a recorded statement to any carrier claims' personnel involving any claim, whether disputed or not.

Your response should be: "On the advice of my Errors and Omissions Insurance carrier, I cannot give recorded statements. If you have questions please submit them in writing." If you are asked who your Errors and Omissions insurer is you can tell them if you wish or not, it really does not matter.

There have been a number of instances where the agent received a subrogation notice after the carrier paid your insured's claim. You will begin the claims process immediately by notifying Kevin Dahlke Insurance Brokerage or LVL Claims upon receipt of such notice.

This would include a demand for reimbursement for a small error. The carrier's statement that you are negligent does not necessarily make it so.

Farmers may indicate that they would have paid the loss if you were still insured with the Farmers' sponsored plan. This may be the definition of the Category or Class One claim wording and if the claim was excluded by the Farmers' group insurer under this condition, there is NO guarantee Farmers would have paid this claim as no policy exists for the handling of this type of claim by Farmers.

UNITED FARMERS AGENTS ASSOCIATION PROFESSIONAL LIABILITY PLAN

LOSS REPORT/CLAIM INFORMATION,

This form is to be completed if you have a claim or are aware of an incident that may give rise to a claim. Please answer all questions completely.

I. Your Name: ____

II. Full name of your Insured: ____

III. Full name of Claimant: ____

IV. Indicate whether: [ ] Claim/Suit, or [ ] Incident

V. Date of alleged error:___________ Date claim was made against you :________

VI. Additional defendants, If none, enter "NONE": ____________________________

VII. If none enter "0" where appropriate:

Claimant's settlement demand? $ __________________________

Is claim in Suit? Y N. If Yes, Amount asked in summons? $ ______________

If suit, date you were served: _____________

VIII. Enter the name of insurer you placed your insured's coverage with:

____

____

IX. In Describing the claim please provide enough information to allow evaluation Use another sheet if required:

a. Alleged act, error or omission upon which Claimant bases claim:

____

____

____

____

b. Description of case and events (attach another sheet if required):

____

____

____

c. Description of the type and extent of injury or amount of damage allegedly sustained:

____

____

____

You may fax this form and a copy of your declarations page to 619 287 8921 or email both to kevin@groupeando.com or lexprofessionalliability@chartisinsurance.com

Name ________________________________ Date _____________________________

Waiver of Deductible Check List

Within 5 days from the date you file a claim, you must provide the documentation outlined below to qualify for Waiver of your Deductible as per the policy endorsement. Items in red below are documentation particular to this endorsement, the balance is information required for any claim.

The particular type of documentation method used is up to you as long as there is a procedure and as your regular business practice, it is followed.

- ☐ A complete copy of your insured file for the policy that has the claim. If the file goes back a number of years for this policy, please segment each year going forward. This information will include
  - ☐ the application
  - ☐ all correspondence
  - ☐ the complete policy form with the declarations page and all endorsements

If your file is on the dashboard, you will need to download each document. The goal is to assemble it as though it were a paper file with the beginning at the end and the most recent at the top.

- ☐ A complete copy of your phone logs/notes for this insured, without regard to the policy involved. This is required to demonstrate that documentation of phone conversations is kept and included in this documentation.
- ☐ A complete written timeline of events from the date your alleged error occurred. This would be the date you wrote the policy, made the change, or failed to perform the requested act etc, discussion with the insured and company after the loss, the claim date (the date the insured or carrier made the claim in writing against you or you were served with the summons), the allegation of your failure and if you deny the allegation, specifically what your actions were and why you are not at fault.
- ☐ Documentation that shows a standardized coverage presentation method to the insured that outlines that the coverage and exclusions were explained to the insured during the transaction. This could be a checklist (There is a link to this page in the email your declarations page and policy for was attached to for these checklists) or written correspondence such as an email, fax or letter to the insured confirming what was discussed and your understanding of they wish to maintain coverage.
- ☐ Documentation of any coverage discussed, offered and declined by the insured. This can be either a checklist or written communication to the insured after the review confirming your understanding of the insured's request. A signed checklist is always preferable in the previous and this item.

All documents should be assembled in a digital format and if too large to place in a single file, separate into numbered sections so that reassembly will be correct. If the file is too large or you do not have the equipment to assemble digitally, you may mail the copies to Lexington Claims. The address is in the claims information of the policy form.

Lexington Claims Operations
100 Summer Street, 17th Floor
Boston, MA 02110

CLAIM REPORTING NOTICE

Effective January 1, 2011, all Professional Liability claims for the Farmers Agent E & O program, regardless of severity or location are reportable to the Lexington Claims Department for handling.

The preferred reporting method for Lexington is e-mail, however, Lexington accepts new reports of losses in the following methods:

E-mail: lexprofessionalliability@chartisinsurance.com

FAX: 866- 671-9288

Mail: Lexington Claims Department
100 Summer Street, 17th Floor
Boston, MA 02110
Attn: Joseph Salpietro, Professional Lines Manager

Lexington Claims Key Contacts:

Joseph Salpietro, Professional Lines Manager (617) 443-4671
Joseph.Salpietro@chartisinsurance.com

Stephen Harb, AVP, Professional Lines (617) 330-4225
Stephen.Harb@chartisinsurance.com

Deductible

The deductible amount and any waiver or credit applied to reduce it in the event of a paid claim, are functions of your risk management rewarding those agents who successfully operate their agency to avoid claims.

The standard deductible is $2,500 per claim. **However**, those agencies that can confirm they have zero (0) open incident(s) and/or claim(s) that have not resulted in the payment of damages or defense costs prior to the policy effective date qualify for the following deductible.

Three (3) years agency ownership experience and claims free - $2,000 per Wrongful Act and Aggregate.

Four (4) years agency ownership experience and claims free - $1,500 per Wrongful Act and Aggregate.

Five (5) years agency ownership experience and claims free - $1,000 per Wrongful Act and Aggregate.

Waiver of Deductible

No matter what deductible you qualify for, at no additional cost, this amount may be waived in the event of a claim that results in the payment of damages (the deductible does not otherwise apply). The waiver is achieved by providing from the insured's file related to the claim, the items listed in the Waiver of Deductible endorsement that prove as a consistent business practice you properly document your insured's files. The Waiver of Deductible endorsement and the checklist explainer is within this document for your review.

Deductible Credits

You may also qualify for a credit to your deductible that is dependent on how your claim is settled.

If your claim is settled without litigation, arbitration, mediation or other court mandated proceedings to the satisfaction of all including the company; your deductible is reduced by a maximum of 75% subject to a maximum reduction of $2,000.

If through mediation a claim is settled to the satisfaction of all including the company, your deductible is reduced by a maximum of 50% subject to a maximum reduction of $2,000.

The maximum waiver or credit(s) of the deductible for any claim shall not exceed the amount of the applicable deductible.

LEXINGTON INSURANCE COMPANY
WILMINGTON, DELAWARE
ADMINISTRATIVE OFFICES – 100 SUMMER STREET, BOSTON, MASSACHUSETTS 02110

INSURANCE AGENTS ERRORS & OMISSIONS COVERAGE FORM

Lexington Insurance Company, hereinafter called the **Company,** agrees with the **Named Insured** as named in the Declarations which are made a part of this policy in consideration of the payment of the premium and in reliance upon the statements in the Application and subject to the Declarations and all other terms and conditions of this policy, as follows:

SECTION I

COVERAGE. The **Company** does hereby agree to pay on behalf of the **Insured,** such **Damages** in excess of the applicable Deductible stated and within the Limit of Liability specified in the Declarations**,** as are sustained by the **Insured** by reason of liability imposed by law caused by any **Wrongful Act(s)** of the **Insured** or any person for whose acts the **Insured** is legally liable arising out of the conduct of the business of the **Insured** in performance or failure to perform services for others as a, Insurance Agent or Insurance Broker, Insurance Consultant, Insurance Premium Financer, Notary Public, Seller of Mutual Funds through a registered licensed Broker Dealer, Provider of Services as a Licensed Registered representative in connection with the sale of Variable Life and Variable Life Annuity Products and any advertising activities, as respects **Claims** first made against the **Insured** and reported to the **Company**, during the **Policy Period** or **Extended Reporting Period**, if applicable. A **Claim** will be deemed to have been first made against the **Insured** when the **Insured** first receives written notice of such **Claim.** The **Wrongful Act(s)** must have been committed on or subsequent to the **Retroactive Date** shown in Item 6. on the Declarations and before the end of the **Policy Period**.

SECTION II

EXTENSIONS OF COVERAGE

This Policy affords the following extensions of coverage:

A. Disciplinary Proceeding Extension

If an **Insured's Wrongful Act** results in the commencement during the **Policy Period** of a **Disciplinary Proceeding,** the **Company** will reimburse the **Insured** for reasonable attorney's fees and costs incurred in responding to such **Disciplinary Proceeding**. The maximum amount the **Company** will pay pursuant to this Paragraph **II.A**. shall be $25,000 for each **Policy Period** regardless of the number of **Disciplinary Proceedings**.

Any payment made by the **Company** under this Paragraph **II.A.** shall not apply to the Deductible and shall not reduce the Limits of Liability. The **Company** shall not pay **Damages** pursuant this Paragraph **II.A.**

B. Insured Loss of Earnings Due to Attendance at Hearing/Depositions

The **Company** will pay the **Insured's** actual loss of earnings and reasonable expenses due to attendance at hearings, depositions or trials, at the request of the **Company**, up to $250 per

day. The maximum payable under this coverage extension is $5000 for all **Claims** covered by this Policy.

Such reimbursement payments by the **Company** to the **Insured** are not subject to the Deductible and shall not reduce the applicable Limit of Liability.

C. Spousal Coverage Extension

If a **Claim** against an **Insured** includes a **Claim** against the lawful spouse of such **Insured** solely by reason of spousal status or such spouse's ownership interest in the property or assets that are sought as recovery for such **Claim**, any sums for which the spouse becomes legally obligated to pay on account of such **Claim** shall be deemed **Damages**.

All terms and conditions of this Policy, including the Deductible, applicable to **Damages** sustained by an **Insured** in the **Claim** shall also apply to such spousal loss.

This Paragraph **II.B.** shall not apply to the extent the **Claim** alleges any **Wrongful** A**ct** by such spouse.

D. Confidentiality Coverage Extension

The **Company** will pay for such **Damages** that the **Insured** shall become legally obligated to pay as a result of **Claims** for which coverage is provided under this policy arising out of the **Insured's** unintentional disclosure of confidential or proprietary information.

However, this coverage does not apply to any disclosure of nonpublic personal information as defined by all laws or regulations governing the disclosure of such information.

This amount is included within and reduces the Limit of Liability of the Policy.

E. Professional Internet Services Coverage Extension

The **Company** will pay for such **Damages** that the **Insured** shall become legally obligated to pay as a result of **Claims** for which coverage is provided under this policy arising out of the **Insured's** conduct of **Professional Internet Services.**

However, **Professional Internet Services** does not include a **Security Failure** or **Privacy Event.**

This amount is included within and reduces the Limit of Liability of the Policy.

F. Joint Venture Participation Coverage Extension

The **Company** will pay for such **Damages** that the **Insured** shall become legally obligated to pay as a result of **Claims** for which coverage is provided under this policy arising out the **Insured's** legal liability for its participation in a joint venture with an entity. The extension of coverage afforded by this Paragraph **II.E.** applies only to the **Insured's Wrongful Act** and does not afford coverage to the joint venture itself or any entity that is part of the joint venture.

This amount is included within and reduces the Limit of Liability of the Policy.

SECTION III

DEFENSE AND SETTLEMENTS. The **Company**, in the **Insured's** name and behalf, shall have the right and duty to investigate, defend and conduct settlement negotiations in any **Claim** or suit.

The **Company** shall not settle any **Claim** without the consent of the **Insured.** Should the **Insured** refuse to consent to any settlement recommended by the **Company** and elect to contest the **Claim**, or continue any legal proceedings in connection with such **Claim**, the **Company's** liability for the **Claim** shall not exceed the amount in excess of the **Insured's** Deductible for which the **Claim** could have been so settled, or the applicable Limit of Liability, whichever is less, plus the defense expenses, as set forth in **SECTION IV**, Paragraphs **A** through **E**, inclusive, and expenses incurred with the **Company's** consent up to the date of such refusal.

The **Insured** shall not admit liability for, or make any voluntary settlement, or incur any costs or expenses in connection with any **Claim** involving payment by the **Compan**y, except with the written consent of the **Company**.

SECTION IV

DEFENSE EXPENSES AND SUPPLEMENTARY PAYMENTS. With respect to such insurance as is afforded by this Policy, the **Company** shall pay, in addition to the applicable Limit of Liability, provided the Limit of Liability has not been exhausted:

A. all expenses incurred in the defense of any **Claim** or suit against the **Insured** alleging a **Wrongful Act** and seeking **Damages** on account thereof, even if such **Claim** or suit is groundless, false, or fraudulent;

B. all premiums on bonds to release attachments and appeal bonds, limited to that portion of such bond that does not exceed the Limit of Liability of this policy, but without any obligation by the **Company** to apply for or furnish such bonds;

C. all costs taxed against the **Insured** in any suit and all expenses incurred by the **Company;**

D. all interest accruing after the entry of judgment, but only for that portion of the judgment which does not exceed the applicable Limit of Liability, until the **Company** has tendered or paid such part of such judgment as does not exceed the **Company's** Limit of Liability thereon; or

E. all reasonable Expenses incurred by the **Insured** at the **Company's** request in assisting the **Company** in the investigation and defense of any **Claim** or suit, other than loss of earnings.

SECTION V

LIMIT OF LIABILITY AND DEDUCTIBLE

A. Limit of Liability - Each **Claim**

The Limit of Liability shown in Item 3.(a) on the Declarations is the maximum amount the **Company** will pay for all **Damages** with respect to a single **Claim**.

B. Limit of Liability - Aggregate

The Limit of Liability shown in Item 3.(b) on the Declarations is the maximum amount the **Company** will pay for all **Damages** on account of all **Claims** during the **Policy Period** and **Extended Reporting Period**, if applicable, regardless of the number of **Insureds**, **Claims** first made or persons or entities making **Claims.**

The **Company** shall not be obligated to pay any **Damages** or to defend any **Claim** after the applicable Limit of Liability has been exhausted by payment of **Damages**.

C. Deductible

The Deductible amount shown in Item 4.(a) on the Declarations is applicable to each and every **Claim** and applies to **Damages**. The Deductible shall be paid by the **Named Insured** and shall be uninsured and shall remain uninsured during the **Policy Period**. The Aggregate Deductible shown in Item 4.(b) on the Declarations shall be reduced by **Damages** payable within the Each and Every Claim Deductible. Once the Aggregate Deductible is exhausted, no further Deductible shall apply to any subsequent **Claims**.

The Limits of Liability shown in Item 3. on the Declarations are in addition to and in excess of the Deductible. The **Company** may advance payment of part or all of the Deductible and upon notification of such payment made, the **Named Insured** shall promptly reimburse the **Company** for the Deductible amounts advanced by the **Company**.

The Deductible shall be reduced by the payment of **Damages** only.

D. All **Claims** arising out of the same **Wrongful Act** or series of interrelated **Wrongful Acts** shall be deemed to be a single **Claim** and shall be deemed to have been made at the time the first of such **Claims** is made against the **Insured**.

SECTION VI

DEFINITIONS. Wherever used in this policy:

A. **"Claim(s)"** means a written demand for money, including any civil proceeding against the **Insured** for a **Wrongful Act**, in the performance of or failure to perform **Professional Services**. **Claim(s)** shall not include any **Disciplinary Proceeding**.

B. **"Computer System"** means any computer hardware, software or any components thereof that are under the ownership, operation or control of, or that is leased by, an **Insured** and are linked together through a network of two or more devices accessible through the Internet, internal network or connected with data storage or other peripheral devices.

C. **Damages** means any compensatory damages which the **Insured** becomes legally obligated to pay on account of a covered **Claim**, including judgments, awards and settlements and will include punitive and exemplary damages as permitted by state law. All settlements must be negotiated and agreed upon with the prior written consent of the **Company**.

Damages shall not include:

1. civil or criminal fines, penalties, or sanctions, whether pursuant to law, statute, regulation or court rule;

2. any matter, sum or award that is uninsurable under the law pursuant to which this Policy shall be construed; and

3. the cost to comply with any injunctive or other non-monetary or declaratory relief or any agreement to provide such relief.

D. "**Disciplinary Proceeding"** means any proceeding by a regulatory or disciplinary official, board or agency authorized to investigate charges of professional misconduct in the performance of or failure to perform **Professional Services.**

E. **"Discrimination"** means termination of an employment relationship or a demotion, or a failure or refusal to hire or promote an individual because of race, color, religion, age, sex, disability, pregnancy, natural origin, sexual orientation or other protected category or characteristic established pursuant to any applicable United States federal, state, or local law, regulation or ordinance.

F. "**Entity"** means any individual, partnership, or corporation other than the **Insured.**

G. **"Extended Reporting Period"** means that applicable period of time after the end of the **Policy Period** for the reporting of **Claims** arising out of **Wrongful Acts** committed, or alleged to have been committed, prior to the end of the **Policy Period** and subsequent to the **Retroactive Date**, and otherwise covered by this Policy.

H. "**Insured**" means only the following:

1. the **Named Insured** shown in Item 1. of the Declarations and any **Predecessor Firm(s)** of the **Named Insured**;

2. any past, present or future principal, partner, officer, director, stockholder, trustee or employee of the **Named Insured** or its **Predecessor Firm(s)** but only with respect to **Professional Services** performed on behalf of the Named Insured or its **Predecessor Firm(s)**;

3. independent contractors or shared, temporary or leased employees who are natural persons, but only with respect to **Professional Services** performed on behalf of the **Named Insured** or its **Predecessor Firm(s)** within the scope of their duties related to the **Named Insured's** business;

4. the estate, heirs, executors, administrators or legal representatives of any **Insured** described in Subparagraphs **1.**, **2.**, or **3.** above in the event of such **Insured's** death, incapacity, insolvency, or bankruptcy but only to the extent that such **Insured** would otherwise be provided coverage under this Policy;

5. A **Subsidiary**; and

6. If during the **Policy Period**, the **Named Insured** acquires or creates another **Entity**, other then a joint venture, such **Entity** shall be considered an **Insured** under this Policy but only for **Wrongful Acts** committed after the date of acquisition or creation. The **Named Insured** shall give written notice to the **Company** of its acquisition or creation of another **Entity** as soon as practicable but in no event more than ninety (90) days after the effective date of such acquisition or creation, together with such information that the **Company** may require. Upon receipt of such notice, the **Company** may at its sole option agree to appropriately endorse this Policy subject to any additional premium and/or changed terms and conditions. If the **Named Insured** fails to provide such notice and/or requested information to the **Company**, coverage otherwise afforded under this provision to such newly acquired or created **Entity** shall terminate ninety (90) days after the effective date of such acquisition or creation.

I. "**Mediation"** means a non-binding process in which a neutral panel or individual assists the parties in reaching their own settlement. To be considered **Mediation** under this **Policy,** the process must be of a kind set forth in the Commercial Mediation Rules of the American Arbitration Association. The **Company,** however, at its sole option, may recognize any **Mediation** process or forum presented for approval.

J. **"Personal Injury**" means:

1. false arrest, detention or imprisonment;
2. malicious prosecution;
3. libel or slander or other defamatory or disparaging material;
4. publication or an utterance in violation of an individual's right to privacy;
5. wrongful entry or eviction, or other invasion of the right of private occupancy;
6. infringement of copyright, title, slogan, trademark, trade name, trade dress, service mark or service name;
7. plagiarism, piracy, or misappropriation of ideas; and
8. mental injury, mental anguish, mental tension or emotional distress;

K. **"Policy Period"** means the period of time beginning with the effective date shown in Item 2. on the Declarations and ending on the expiration date or earlier termination date of this Policy.

L. **"Pollutants**" means any solid, liquid, gaseous or thermal irritant or contaminant, including without limitation smoke, vapor, soot, fumes, acids, alkalis, chemicals, odors, noise, lead, oil or oil products, radiation, asbestos or asbestos-containing products waste and any electric, magnetic or electromagnetic field of any frequency. Waste includes, but is not limited to, material to be recycled, reconditioned or reclaimed.

M. **Predecessor Firm(s)** means any entity which was engaged in the same essential types of insurance activities as the **Named Insured**, in whose financial assets and liabilities the **Named Insured** is the majority successor in interest.

N. **"Privacy Event"** means any failure to protect confidential information (whether by "phishing," other social engineering technique or otherwise) including, without limitation, that which results in an identity theft or other wrongful emulation of the identity of an individual or corporation; violation of any federal, state, foreign or local privacy statute alleged in connection with a **Claim** for **Damages**, judgments, settlements, pre-judgment and post-judgment interest.

O. **"Professional Internet Services"** means **Professional Services** performed electronically by utilizing the Internet or a **Computer System**.

P. **"Professional Services"** means those services applicable to the **Insured's** business as stated in **SECTION I, COVERAGE** and performed in the ordinary conduct of the **Insured's** profession for others for a fee or remuneration.

Q. "**Retroactive Date"** means the date, if shown in Item 6 on the Declarations or in any endorsement attached hereto, on or after which any **Wrongful Act** must have occurred in order for **Claims** arising therefrom to be covered under this Policy. **Claims** arising from any **Wrongful Act** occurring prior to this date are not covered by this Policy.

R. **"Security Failure"** means a failure or violation of the security of a **Computer System** including, without limitation, that which results in or fails to mitigate any unauthorized access, unauthorized use, denial of service attack or receipt or transmission of a malicious code;

"Security Failure" includes any such failure or violation, resulting from the theft of a password or access code from an **Insured's** premises, the **Computer System**, or an officer, director or employee of an **Insured** by non-electronic means in direct violation of an **Insured's** specific written security policies or procedures.

S. **"Sexual harassment"** means unwelcome sexual advances and/or requests for sexual favors and/or other verbal or physical conduct of a sexual nature that (1) are made a condition of employment and/or (2) are used as a basis for employment decisions and/or (3) create a work environment that interferes with performance.

T. **"Subsidiary"** means any entity identified in the application for this Policy in which the **Named Insured** has an ownership interest of greater than 50% at the time of the commission of any **Wrongful Act**. If before or during **Policy Period,** the **Named Insured** ceases to have an ownership interest of greater than 50 % in such entity, coverage under this Policy for such entity shall apply only to its **Wrongful Acts** taking place prior to the date the **Named Insured** ceased having greater than 50% ownership interest.

U. **"Standard Agency or Brokerage Agreement"** means any formal executed written contract entered into by the **Named Insured** with any insurer, the purpose of which is to establish a relationship whereby the **Named Insured** represents the insurer in an agent or broker capacity.,.

V. **"Wrongful Acts"** means any actual or alleged act, error, omission, misstatement, misleading statement, **Personal Injury**, neglect or breach of duty by the **Insured**, or by any other person or entity for whom the **Insured** is legally liable in the performance or failure to perform **Professional Services**.

W. **"Wrongful Termination"** means termination of an employment relationship in a manner which is against the law, wrongful, or in breach of an implied or written agreement to continue employment.

SECTION VII

EXCLUSIONS. This policy does not apply to any **Claim** against the **Insured**:

A. based on or arising out of any actual dishonest, fraudulent, criminal or malicious act or omission by an **Insured**, however, this exclusion shall not apply to any **Insured** who:

1. did not personally commit, participate in, or acquiesce in the act, error or omission; and

2. did not remain silent or passive after having personal knowledge of the act, error, or omission; and

3. notified the **Company** immediately upon becoming aware of the act, error, or omission.

B. based on or arising out of any **Wrongful Act** likely to give rise to a **Claim** that an **Insured** had knowledge of prior to the effective date of this Policy. This Exclusion includes, but is not limited to any prior **Claim** or possible **Claim** referenced in the **Insured's** application.

C. based on or arising out of bodily injury to, or sickness, disease or death of any person.

D. based on or arising out of injury to or destruction of any property, including the loss of use thereof.

E. based on or arising out of the placement of insurance on any property in the care, custody or control of the **Insured**.

F. based on or arising out of any taxes, or the failure to collect, pay or return premiums.

G. based on or arising out of the involvement or participation of any **Insured** in the administration of any premium financing plan.

H. based on or arising out of services performed by any **Insured** in the administration, sales or servicing of any self-insurance program.

I. based on or arising out of the negotiation, placement, purchase or maintenance of any reinsurance by the **Insured**.

J. based on or arising out of the performance of services which require a license or certification as an accountant, actuary, attorney, real estate agent or real estate broker.

K. based on or arising out of any notarized certification or acknowledgment by an **Insured** of a signature on a document wherein the person who is, or claims to be, the person signing the document was not physically present at the time of said notarization or acknowledgement.

L. based on or arising out of the insolvency, liquidation, receivership, rehabilitation or financial inability of the following:

1. any insurance company with an A.M. Best rating of B+ or less, at the time that coverage under this Policy was placed;

2. any reinsurer;

3. any self-insured program; or

4. or any trust.

M. based on or arising out of the actual or alleged theft, conversion, commingling, embezzlement, or misappropriation by any person of any kind of monies, funds, negotiable instruments, securities, or property of any kind, or assets of any kind.

N. by or on behalf of any person or entity included within this Policy's definition of **Insured** against any other person or entity included within this Policy's definition of **Insured.**

O. based on or arising out of any actual or alleged liability assumed by the **Insured** under any contract or agreement, unless such liability would have attached to the **Insured** even in the absence of such contract.

However, this Exclusion does not apply to any liability the **Named Insured** assumes under any formal written **Standard Agency or Brokerage Agreement** to indemnify any insurer whom the **Insured** represents for loss or defense expenses the insurer incurs solely and exclusively due only to **Wrongful Acts** committed by an **Insured,** or by any other person or entity for whom the **Insured** is legally liable.

P. based on or arising out of any actual or alleged violation of any antitrust, restraint of trade or other law, rule or regulation which protects competition.

Q. based on or arising out of any actual or alleged violation of:

1. Employee Retirement Income Security Act of 1974;

2. Securities Act of 1933;

3. Securities Exchange Act of 1934; or

4. any state securities law;

including, any rules or regulations promulgated under any law specified in subparagraphs **1.** through **4.** above or any other similar federal, state or common law; or any amendments thereto.

R. based on or arising out of:

1. any actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **Pollutants** by any **Insured** at any time; or

2. any request, demand or order that any **Insured** or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of **Pollutants;** including without limitation any **Claim**, suit or proceeding by or on behalf of a governmental authority, a potentially responsible party or any other

person or entity 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.**

S. Based on or arising out of any **Wrongful Termination**, and/or **Discrimination**, and/or **Sexual Harassment.**

SECTION VIII

PREMIUM. The **Named Insured** shall pay the **Company** the premium in the amount stated in Item 5 on the Declarations, and the payment of such premium or the continuing payment of installments of such premium shall be a condition precedent to any coverage under this Policy.

SECTION IX

POLICY PERIOD. This Policy applies only to **Claims** first made against the **Insured** during the **Policy Period.** This Policy may be continued in force for successive **Policy Periods** of twelve months subject to both the **Company** offering to renew by issuing a renewal policy or endorsement and the **Insured** accepting such coverage. Each Policy and extension period, if any, shall begin and end at 12:01 A.M. standard time at the address of the **Named Insured.**

SECTION X

EXTENDED REPORTING PERIODS

A. AUTOMATIC LIMITED REPORTING PERIOD

1. If the **Insured** or the **Company** cancels this Policy or the **Company** does not renew this Policy, the **Named Insured** shall have an automatic limited reporting period of ninety (90) days, starting at the end of the **Policy Period**, during which **Claims** arising out of **Wrongful Acts** may be first made against the **Insured** and reported to the **Company**.

2. This automatic limited reporting period shall not extend the **Policy Period** or change the scope of coverage provided. The **Company** shall consider any **Claim** first made against the **Insured** during the automatic limited reporting period to have been made on the last date on which this Policy is in effect.

3. The automatic limited reporting period, however, shall not apply to **Claims** covered by other insurance purchased by the **Named Insured** or **Claims** which would have been covered by such other insurance if such other insurance's Limits of Liability had not been exhausted.

4. The Limits of Liability that apply at the end of the **Policy Period** are not renewed or increased for **Claims** first made against the **Insured** during the automatic limited reporting period.

B. OPTIONAL EXTENDED REPORTING PERIOD

1. If the **Insured** or the **Company** cancels this Policy or the **Company** does not renew this Policy, the **Named Insured** shall have the right to buy an Optional Extended Reporting Period. If the **Company** cancels the policy due to nonpayment of premium,

the purchase of the Optional Extended Reporting Period is conditioned upon the payment of any earned premium for the expiring **Policy Period** which is owed and has not yet been paid.

2. The **Insured** may select an Optional Extended Reporting Period for periods between three (3) years up to an unlimited Optional Extended Reporting Period. The Optional Extended Reporting Period applies only to covered **Claims** arising solely out of a **Wrongful Act** before the end of the **Policy Period**. The **Claim**, however, may first be made against the **Insured** and reported to the **Company** in writing during the Optional Extended Reporting Period after expiration of the **Policy Period**.

3. The first ninety (90) days of the Optional Extended Reporting Period, if it becomes effective, shall run concurrently with the Automatic Limited Reporting Period.

4. To obtain this Optional Extended Reporting Period**,** the **Named Insured** shall request this Optional Extended Reporting Period in writing within sixty (60) days after the **Policy Period** ends and pay the premium when due. If the **Company** does not receive the written request and payment as required, the **Insured** may not exercise this right at a later date. If the **Insured** cancels the Optional Extended Reporting Period, the **Company** shall not pay any return premium.

5. The premium required for each Optional Extended Reporting Period option shall not exceed the following percentages of the Annual Premium of the expiring policy:

a. 75% for Three Years;

b. 100% for Four Years.

c. 125% for Five Years.

d. 150% for Six Years.

e. 175% for Seven Years.

f. 200% for Eight Years.

g. 225% for Nine Years.

h. 250% for Unlimited

6. Any change in premium or the terms of this Policy shall not be considered a refusal to renew.

7. The Optional Extended Reporting Period shall not:

a. Extend the **Policy Period** or in any way change the scope of coverage provided by this Policy;

b. Increase or reinstate the Limits of Liability. The Limits of Liability for the Optional Extended Reporting Period shall be a part of, and not in addition to, the Limits of Liability shown on the Declarations;

c. Be renewable or be canceled once in effect; and

d. If the Optional Extended Reporting Period is purchased, the entire premium shall be deemed fully earned at its commencement without any obligation by the **Company** to return any portion thereof.

SECTION XI

ENTIRE AGREEMENT

The **Insured** agrees that this Policy, including any endorsements which are on file with the **Company** and which are a part of this policy as if physically attached, constitutes an agreement existing between the **Insured** and the **Company** or any of its agents relating to this insurance.

SECTION XII

TERRITORY

This Policy is applies to **Wrongful Acts** taking place anywhere in the world provided that the **claim** is made and suit is brought against the **Insured** in the United States of America, its territories or possessions, Puerto Rico or Canada.

SECTION XIII

NOTICE

A. The **Insured** shall give prompt written notice to the **Company** of:

1. any **claim** made against the **Insure**d, or

2. any **Wrongful Act** that the **Insured** becomes aware of which may reasonably be expected to be the basis of a **Claim** against the **Insured.** Any **Claim** subsequently made against the **Insured** arising from such **Wrongful Act**, and reported to the **Company**, shall be deemed to have been made at the time such written notice is given to the **Company**.

B. The **Insured** shall immediately forward to the **Company** every demand, notice, summons, or other process or pleadings received by the **Insured** or its representatives.

SECTION XIV

ASSISTANCE AND COOPERATION

The **Insured** shall cooperate with the **Company** and, upon the **Company's** request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the general conduct of any suits.

SECTION XV

MEDIATION OF **CLAIMS**

If through **Mediation** a **Claim** is fully and finally resolved to the satisfaction of all parties including the **Company**, the **Insureds'** Deductible obligation for such **Claim** shall be reduced by fifty (50) percent up to a maximum reduction of $25,000.

SECTION XVI

OTHER INSURANCE This Policy shall be excess over any other valid and collectible insurance available to the **Insured,** 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 the Limits of Liability of this Policy.

SECTION XVII

SUBROGATION

In case of payment of **Damages** by the **Company** hereunder, the **Company** shall be subrogated to the amount of such payment to the **Insured's** right of recovery against any other person or organization for such **Damages**. The **Insured** shall execute all papers required, and shall cooperate with the **Company** to secure such rights. The **Insured** shall do nothing to prejudice such rights. However, in no event shall the **Company** be subrogated in a right of action against another **Insured.**

Any recovery (after expenses) shall be used to reduce the **Damages**, and so much of such recovery shall be paid to the **Company** as will reduce the loss ultimately borne by the **Company** to what it would have been had the recovery preceded any payment of such **Damages** by the **Company.**

SECTION XVIII

CHANGES

Notice to any agent or broker or knowledge possessed by any agent or broker or by any other person shall not effect a waiver or a change in any part of this Policy or keep the **Company** from asserting any right under the terms of this Policy; nor shall the terms of this Policy be waived or changed, except by endorsement issued to form a part of this Policy.

SECTION XIX

ASSIGNMENT

No assignment of interest under this Policy shall be valid, unless the written consent of the **Company** is endorsed hereon.

SECTION XX

ACTION AGAINST COMPANY.

No action shall lie against the **Company** unless, as a condition precedent thereto, the **Insured** shall have fully complied with all of the terms and conditions of this Policy, and the amount of the

Insured's obligation to pay shall have been finally determined either by judgment against the **Insured** after actual trial or by written agreement of the **Insured**, the claimant and the **Company**.

Any person or organization or the legal representative thereof who has secured any such judgment or written agreement shall thereafter be entitled to recover under this Policy to the extent of the insurance afforded by this Policy. No person or organization shall have any right under this Policy to join the **Company** as a party to any action against the **Insured** to determine the **Insured's** liability, nor shall the **Company** be impleaded by the **Insured** or his legal representative.

SECTION XXI

BANKRUPTCY

Bankruptcy or insolvency of the **Insured** or of the **Insured's** estate shall not relieve the **Company** of any of its obligations hereunder.

SECTION XXII

NAMED INSURED SOLE AGENT

The entity or person first named in Item 1. on the Declarations shall be the sole agent of all **Insureds** hereunder for the purpose of effecting or accepting any notices hereunder, any amendments to or cancellations of this Policy, for the completing of any Applications and the making of any statements, representations, or for the payment of any premium and the receipt of any return premium that may become due under this Policy, and the exercising or declining to exercise any right under this Policy.

SECTION XXIII

CANCELLATION

This Policy may be cancelled by the **Named Insured** by surrender of this Policy to the **Company** or by giving written notice to the **Company** stating when thereafter such cancellation shall be effective. This Policy may also be cancelled by the **Company** by sending written notice to the **Named Insured**, at the address last known to the **Compan**y, at least 60 days before such cancellation is effective; however, if the **Company** cancels this Policy because the **Named Insured** has failed to pay amounts due under this Policy, this Policy may be cancelled by the **Company** by sending written notice stating when, not less than 10 days thereafter, such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The time of the surrender, or the effective date and hour of cancellation stated in the notice, shall become the end of the **Policy Period.**

If this Policy is cancelled by the **Named Insured**, any premium returned by the **Company** shall be subject to the Minimum Earned Premium as shown in Item 8. on the Declarations. If this Policy is cancelled by the **Company**, the **Company** shall retain the pro-rata proportion of the premium hereon.

Payment or tender of any return premium by the **Company** shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

SECTION XXIV

SERVICE OF SUIT

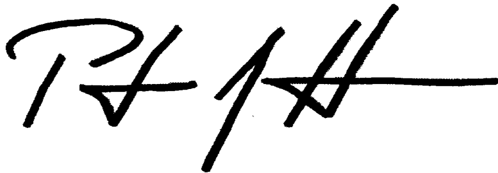
In the event of the **Company's** failure to pay any amount claimed to be due hereunder, the **Company**, at the **Insured's** request, will submit to the jurisdiction of a court of competent jurisdiction within the United States. Nothing in this condition constitutes or should be understood to constitute a waiver of the **Company's** rights to commence an action in any court of competent jurisdiction in the United States to remove an action to a United States District Court or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon Counsel, Legal Department, Lexington Insurance Company, 100 Summer Street, Boston, Massachusetts, 02110 or his or her representative, and that in any suit Instituted against the **Company** upon this policy, the **Company** will abide by the final decision of such court or of any appellate court in the event of an appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefore, the **Company** hereby designates the Superintendent, Commissioner or Director of Insurance, or other officer specified for that purpose in the statute, or his or her successors in office as the **Company's** true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by the **Insured** or on the **Insured's** behalf or any beneficiary hereunder arising out of this policy of insurance and hereby designate the above named Counsel as the person to whom the said officer is authorized to mail such process or a true copy thereof.

SECTION XXV

DECLARATIONS. By acceptance of this Policy the **Named Insured** agrees that the statements in the Declarations are its agreements and representations, that this Policy is issued in reliance upon the truth of such representations and that this Policy embodies all agreements existing between the **Named Insured** and the **Company** or any of it agents relating to this insurance.

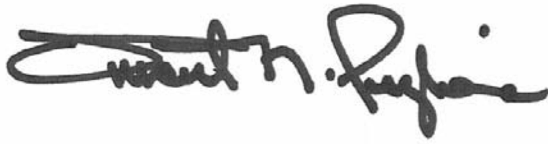
By signing below, the President and the Secretary of the Insurer agree on behalf of the Insurer to all the terms of this Policy.



Peter J. Eastwood
PRESIDENT

Andrew Holland
SECRETARY

This policy shall not be valid unless signed at the time of issuance by an authorized representative of the Insurer, either below or on the Declarations page of the policy.



AUTHORIZED REPRESENTATIVE

ENDORSEMENT

This endorsement, effective 12:01 A.M.,

By: LEXINGTON INSURANCE COMPANY

CONFIDENTIALITY COVERAGE EXTENSION AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided under the following:

INSURANCE AGENTS ERRORS & OMISSIONS COVERAGE FORM

Paragraph **D. Confidentiality Coverage Extension** of **SECTION II - EXTENSIONS OF COVERAGE** is deleted in its entirety and replaced with the following:

D. Confidentiality Coverage Extension

The **Company** will pay for such **Damages** that the **Insured** shall become legally obligated to pay as a result of **Claims** for which coverage is provided under this policy arising out of the **Insured's** unintentional disclosure of confidential or proprietary information.

This amount is included within and reduces the Limit of Liability of the Policy.

All other terms and conditions of the policy remain the same.

____

Authorized Representative

ENDORSEMENT

This endorsement, effective 12:01 A.M.,
Forms a part of Policy No.:
Issued to:
By: LEXINGTON INSURANCE COMPANY

WAIVER OF DEDUCTIBLE ENDORSEMENT

This endorsement modifies insurance provided under the following:

INSURANCE AGENTS ERRORS & OMISSIONS COVERAGE FORM

Paragraph **C.** of Section **III. LIMITS OF LIABILITY AND DEDUCTIBLE** is deleted in its entirety and replaced with the following:

C. Deductible

The Deductible amount shown in Item 4.(a) on the Declarations is applicable to each and every **Claim** and applies to **Damages**. The Deductible shall be paid by the **Named Insured** and shall be uninsured and shall remain uninsured during the **Policy Period**. The Aggregate Deductible shown in Item 4.(b) on the Declarations shall be reduced by **Damages** payable within the Each and Every Claim Deductible. Once the Aggregate Deductible is exhausted, no further Deductible shall apply to any subsequent **Claims**.

The Limits of Liability shown in Item 3. on the Declarations are in addition to and in excess of the Deductible. The **Company** may advance payment of part or all of the Deductible and upon notification of such payment made, the **Named Insured** shall promptly reimburse the **Company** for the Deductible amounts advanced by the **Company**.

The Deductible shall be reduced by the payment of **Damages** only.

However, the Deductible amounts shown in Items 4(a) and 4(b) of the Declarations shall not apply to a specific **Claim** if the **Named Insured**:

Provides the **Company** with the **Named Insured's** complete file related to any person or entity making a **Claim** against an **Insured** for a **Wrongful Act**, in the performance of or failure to perform **Professional Services** as stated in **SECTION I, COVERAGE**. The **Named Insured** shall submit the complete file within 5 days of the date the **Claim** is presented to the **Company**. The following documentation must be provided to the **Company**:

1. a copy of the completed application and applicable Coverage Form;
2. all written communications between an **Insured** and the person or entity making a **Claim** against the **Insured,** including written notice of the **Claim** and every demand, notice, summons, or other process or pleadings received by the **Named Insured** or its representatives;
3. a complete written timeline of events related to the **Claim**;

4. a log of any issues discussed via telephone between an **Insured** and the person or entity making a **Claim** against the **Insured**; and

5. other written correspondence determining coverage or explaining the applicable coverages, changes, limitations and exclusions related to the **Claim** against the **Insured**.

Nothing herein relieves any **Insured** of his or her duty to cooperate with the **Company** and assist the **Company** in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the general conduct of any suits as provided in **SECTION XIV** of the Policy.

All other terms, conditions and exclusions of the policy remain the same.

____

Authorized Representative

ENDORSEMENT

This endorsement, effective 12:01 A.M.,

Forms a part of Policy No.:

Issued to:

By: LEXINGTON INSURANCE COMPANY

AMENDATORY ENDORSEMENT

This endorsement modifies insurance provided under the following:

INSURANCE AGENTS ERRORS & OMISSIONS COVERAGE FORM

I. **SECTION I - COVERAGE** is deleted in its entirety and replaced with the following:

COVERAGE. The **Company** does hereby agree to pay on behalf of the **Insured,** such **Damages** in excess of the applicable Deductible stated and within the Limit of Liability specified in the Declarations**,** as are sustained by the **Insured** by reason of liability imposed by law caused by any **Wrongful Act(s)** of the **Insured** or any person for whose acts the **Insured** is legally liable arising out of the conduct of the business of the **Insured** in performance or failure to perform services for others as a, Insurance Agent or Insurance Broker; Insurance Consultant; Insurance Premium Financer; Notary Public; Expert Witness concerning any insurance-related subject; Lecturer, Speaker, Instructor or Teacher at any convention or conference related to insurance or at any other meeting or course if continuing education credits approved by a Department of Insurance are earned by the; Seller of Mutual Funds through a registered licensed Broker Dealer, Provider of Services as a Licensed Registered Representative in connection with the sale of Variable Life and Variable Life Annuity Products and any advertising activities, as respects **Claims** first made against the **Insured** and reported to the **Company**, during the **Policy Period** or **Extended Reporting Period**, if applicable. A **Claim** will be deemed to have been first made against the **Insured** when the **Insured** first receives written notice of such **Claim.** The **Wrongful Act(s)** must have been committed on or subsequent to the **Retroactive Date** shown in Item 6. on the Declarations and before the end of the **Policy Period.**

II. Paragraph **A. Disciplinary Proceeding Extension** of **SECTION II – EXTENSIONS OF COVERAGE** is deleted in its entirety and replaced with the following:

A. Disciplinary Proceeding Extension

If an **Insured's Wrongful Act** results in the commencement during the **Policy Period** of a **Disciplinary Proceeding** against an **Insured**, the **Company** will reimburse the **Insured** for Defense Expenses, as shown in SECTION IV of this Policy, incurred in responding to such **Disciplinary Proceeding.** The maximum payment by the **Company** pursuant to this extension of coverage shall be $50,000 for each **Policy Period** regardless of the number of **Disciplinary Proceedings** or **Insureds.**

This amount is in addition to the Limits of Liability of the Policy and shall not be subject to the Deductible. The **Company** shall not pay **Damages** pursuant this Paragraph **II.A.**

III. Paragraph **B. Insured Loss of Earnings Due to Attendance at Hearing/Depositions** of **SECTION II – EXTENSIONS OF COVERAGE,** is deleted in its entirety and replaced with the following:

B. Insured Loss of Earnings Due to Attendance at Hearing/Depositions

The **Company** will pay the **Insured's** actual loss of earnings and reasonable expenses due to attendance at hearings, depositions, trials, or court-ordered mediation or arbitration proceedings, at the request of the **Company**, up to $350 per day. The maximum payable under this coverage extension is $50,000 for all **Claims** covered by this Policy.

This amount is in addition to the Limits of Liability of the Policy and shall not be subject to the Deductible

IV. The following Paragraph is added to **SECTION II – EXTENSIONS OF COVERAGE** as follows:

G. Pre-Claims Assistance

The **Company** will pay on behalf of the **Insured** all reasonable and necessary attorney's fees and expenses incurred by the **Insured** for engaging the services of an attorney selected by the **Company** to assist the **Insured** in responding to a subpoena or request for the **Insured's** records or files, if during the **Policy Period**:

1. the **Insured** first receives a subpoena or a request for the **Insured**'s records or files relative to a **Wrongful Act** in the performance of or failure to perform **Professional Services** by the **Insured** or by any other person or entity for whom the **Insured** is legally responsible; and

2. the **Insured** reports the receipt of such subpoena or request for the **Insured's** records or files, in writing, to the **Company** within thirty (30) days after such receipt and prior to a **Claim** being first made against the **Insured** arising out of such **Wrongful Act**;

The most the **Company** will pay pursuant to this coverage extension is $10,000 each **Policy Period**

This amount is in addition to the Limits of Liability of the Policy and shall not be subject to the Deductible.

V. Paragraph **H.** of **SECTION VI – DEFINITIONS** is deleted in its entirety and replaced with the following:

H. "**Insured**" means only the following:

1. the **Named Insured** shown in Item 1. of the Declarations and any **Predecessor Firm(s)** of the **Named Insured**;

2. any past, present or future principal, partner, officer, director, stockholder, trustee or employee of the **Named Insured** or its **Predecessor Firm(s)** but only with respect to **Professional Services** performed on behalf of the Named Insured or its **Predecessor Firm(s)**;

3. independent contractors; shared, temporary or leased employees; or unpaid family members who are natural persons, but only with respect to **Professional Services** performed on behalf of the **Named Insured** or its **Predecessor Firm(s)** within the scope of their duties related to the **Named Insured's** business;

4. the estate, heirs, executors, administrators or legal representatives of any **Insured** described in Subparagraphs **1.**, **2.**, or **3.** above in the event of such **Insured's** death, incapacity, insolvency, or bankruptcy but only to the extent that such **Insured** would otherwise be provided coverage under this Policy;

5. A **Subsidiary**; and

6. If during the **Policy Period**, the **Named Insured** acquires or creates another **Entity**, other then a joint venture, such **Entity** shall be considered an **Insured** under this Policy but only for **Wrongful Acts** committed after the date of acquisition or creation. The **Named Insured** shall give written notice to the **Company** of its acquisition or creation of another **Entity** as soon as practicable but in no event more than ninety (90) days after the effective date of such acquisition or creation, together with such information that the **Company** may require. Upon receipt of such notice, the **Company** may at its sole option agree to appropriately endorse this Policy subject to any additional premium and/or changed terms and conditions. If the **Named Insured** fails to provide such notice and/or requested information to the **Company**, coverage otherwise afforded under this provision to such newly acquired or created **Entity** shall terminate ninety (90) days after the effective date of such acquisition or creation.

VI. Paragraph **L.** of **SECTION VII – EXCLUSIONS,** is deleted in its entirety and replaced with the following:

L. based on or arising out of the inability, failure, or refusal of any insurance entity of any kind, to pay all or any part of any **Claim** or any kind of legal or financial obligation due to insolvency, bankruptcy, or going into, or being in any conservatorship, receivership, rehabilitation or liquidation status or proceeding. However, this Exclusion will not apply to any entity rated B+ or better by A.M. Best Company at the time of the placement of such coverage

VII. **SECTION XV – MEDIATION OF CLAIMS.** is deleted in its entirety and replaced with the following:

SECTION XV – DEDUCTIBLE CREDITS

A. If a **Claim** is fully and finally resolved to the satisfaction of all parties including the **Company**, without litigation, arbitration, mediation or other court mandated proceedings, the **Insured's** deductible obligation for such **Claim** shall be reduced by seventy-five (75) percent up to a maximum reduction of $2,000.

B. If through **Mediation** a **Claim** is fully and finally resolved to the satisfaction of all parties, including the **Company**, the **Insureds'** Each Claim Deductible obligation for such **Claim** shall be reduced by fifty (50) percent up to a maximum reduction of $2,000.

The maximum reduction applied to the deductible for any **Claim** shall not exceed the amount of the deductible.

All other terms and conditions of the policy remain the same.

____

Authorized Representative

PREMIUM BILLING

The Plan offers you the choice of paying annually or monthly by E Check electronic transfer or credit card.

Your first premium payment each year will be:

- Your first month's premium
- The Loss Control Survey of $100 (in your first year of coverage only)
- The monthly billing fee of $60 for the full year, pro-rated if you enroll during the year or if paying annually there is a onetime fee of $5 to make your annual payment.
- Surplus lines premium tax for your state based on the annual premium.
- If you are not a member of UFAA, the $10 monthly limited membership fee for access to the insurance.
- If paying by credit card a credit card convenience fee

If paying monthly, each payment will consist of.

- Your monthly premium amount
- Membership fee (if applicable)
- If paying by Credit Card, the credit card convenience fee.

If you choose to pay by credit card, there will be a convenience fee in addition to your payment. The amount is displayed as part of the payment and is dependent on the amount of your transaction. **Do not use a debit card as you incur credit card fees.**

The notation on your account or Credit Card will be "Kevin Dahlke Insurance Brokerage" and you will receive a payment reminder prior to all payment drafts.

Your coverage incepts on the 1st day of a future month following your request to bind. The deposit is collected in the month your coverage incepts. If paying monthly, billing occurs each month of coverage including December between the 5th to the 15th of the month as you select.

There is no grace period as premium is not collected in advance unless you pay annually. Once your coverage is in effect for the month, the premium is fully earned with no refund.

All payments returned due to insufficient funds or not authorized will be subject to a $25 returned draft fee and generate a 5 day notice of cancellation that is sent to you by email. If your payment is made more than 5 days from the date of the notice, a late fee of $25 applies; a no loss warranty letter will be required on your agency letterhead and carrier approval to reinstate. If cancelled your coverage is cancelled retroactive to the last day of the last month your payment was made.

This is CLAIMS MADE COVERAGE. Allowing your coverage to lapse may cause the loss of all coverage for acts committed prior to the lapse date and if reported after new coverage is secured, may result in your claim being denied by the insurer.

Please email billing@groupeando.com attention Christine for all of your account billing questions.

Not affiliated with or authorized by Farmers Group Inc. This document is a summary of the coverage provided. All statements contained herein are subject to all of the Terms, Conditions and Exclusions of the actual policy. A copy of the policy will be provided upon confirmation of binding your coverage 9/6/2011

UNITED FARMERS AGENTS ASSOCIATION PROFESSIONAL LIABILITY PLAN

LOSS REPORT/CLAIM INFORMATION,

This form is to be completed if you have a claim or are aware of an incident that may give rise to a claim. Please answer all questions completely.

I. Your Name: ____

II. Full name of your Insured: ____

III. Full name of Claimant: ____

IV. Indicate whether: [ ] Claim/Suit, or [ ] Incident

V. Date of alleged error:___________ Date claim was made against you :________

VI. Additional defendants, If none, enter "NONE": __________________________

VII. If none enter "0" where appropriate:

Claimant's settlement demand? $ _______________________

Is claim in Suit? Y N. If Yes, Amount asked in summons? $ ____________

If suit, date you were served: ___________

VIII. Enter the name of insurer you placed your insured's coverage with:

____

____

IX. In Describing the claim please provide enough information to allow evaluation Use another sheet if required:

a. Alleged act, error or omission upon which Claimant bases claim:

____

____

____

____

b. Description of case and events (attach another sheet if required):

____

____

____

c. Description of the type and extent of injury or amount of damage allegedly sustained:

____

____

____

You may fax this form and a copy of your declarations page to 619 287 8921 or email both to kevin@groupeando.com or lexprofessionalliability@chartisinsurance.com

Name ______________________________ Date ___________________________

Agency Risk Management

Loss control for your agency can be somewhat overwhelming, unless you have a plan.

Here are some ways to help reduce your exposure.

1. Get an Agency Management System

If you depend on solely on Farmers to safeguard your data, you are taking a considerable risk.

There have been a number of claims where the Dashboard records were damaged or just missing. Farmers is required to keep these records, however, little can be done if the documentation of your insured's request or your actions are misplaced.

Also, because no records for companies outside of Farmers may be kept in the Dashboard, you have another exposure if you do not have your own agency management system.

While there are a number of quality agency management systems available, I am aware of only one that interfaces directly with the Dashboard allowing for single entry of data, and provides management of your non-Farmers policies. Contact Dave Darrar at Agency Software 800 342 7327 x 21 or dave@agencysoftware.com for an on-line demonstration. I do not benefit from this referral. I recommend you look into this system only because it is made to work with the Dashboard and your outside business, and seems simple and inexpensive.

This will also benefit you if you should ever leave Farmers by providing data to protect yourself against a claim by Farmers after you leave, and the same agency management capability if you become an independent agent.

2. Understand the difference in forms offered by your carriers

It is common for agents to move their clients from one carrier to another within Farmers (or other carriers). In many cases, this is a premium decision made by the insured due to a rate increase on the current policy.

The problem is that nothing is free. The reduction in premium is often accompanied by a reduction in coverage.

Not understanding the difference in coverage in the forms you offer means you can neither explain it to your insured nor document their understanding of the difference.

Your failure to disclose and document a reduction in coverage is an error. The only question is, when the insured becomes aware that they had the coverage before and now they don't when the claim occurs, how fast will they file an E&O claim?

They will lose confidence in your ability, you will likely lose the client and it will cost you time and money to deal with the claim.

Take the time to understand the differences, make a cheat sheet allowing your agency to explain it quickly and have the insured sign off on it or send them a copy if you are performing the review over the phone.

Without documentation, you won't be able to prove that you explained it and that they understood.

Only you are responsible for explaining the differences to the insured, not Farmers or any other carrier.

3. Underwriting and inspections

The most common type of E&O claim is subrogation by Farmers after they have paid your insured's loss. Whether the loss should have been paid or not, as a business practice, agent subrogation is becoming the norm for Farmers.

Typically, the beginning of a Farmer's subrogation claim occurs during the recorded statement taken from your insured (*you as the agent are not required to give Farmers a recorded statement on any claim in question. It is not in your interest to do so. Ask them to submit the request in writing so that you may review your file to respond*). Farmers will ask the insured if you inspected the property. If unsure they quite often will say you didn't because they didn't see you do it.

You only possible protection is your documentation that you properly inspected a property. Notify the insured that you will or have been there to inspect and document inspection of the interior with a photo.

Inspection is virtually the only way you can confirm that your risk meets the current guidelines at the time.

If you bind a property prior to inspection and a loss occurs prior to Farmers being able to inspect and cancel coverage, this is an automatic subrogation in most cases. No one is responsible for this other than you, and you will likely pay the price if it occurs.

You have an equal duty to protect your insured and Farmers (or any other carrier).

Another common problem is the failure to get signed applications verifying the insured's representations. This may occur because you are trying to close the sale or, in companies other than Farmers, utilizing an online application and binding system. Just because the carrier may not require it does not relieve you of your professional duty to document your insured's representations and coverage requests.

The Farmers MOI / subscription agreement relates more to Farmers and the fees they collect, and it may not adequately describe the application information, coverage exclusions and other issues particular about the insured.

Acting as the agent or broker, you are making representations to multiple parties, including your insured, their clients and suppliers, landlords, lenders and the.

Obviously, all of these parties are depending on your representations of coverage, underwriting data and proper placement of coverage for conveyance to third parties.

You are depending on

1. The insured's representations of fact in the application for underwriting
2. The insurers representations of coverage and requirements for underwriting
3. Your consistent procedure confirming these facts in your underwriting process
4. Your documentation of procedure to prove your representations

4. Keep Checklists and have a consistent presentation method

The safest method of consistent documentation of your actions is checklists for insured presentations and reviews. There are several different types available in your online E&O file.

Use the link to the Group E and O website in an existing email sent to you. Once on the web page look to the blue menu on the left side, place your mouse over “Documents”. A sub-menu will appear allowing you to select “Get Proof of Insurance”.

Once on that page, scroll down to the “Loss Control Documents”. These are presented as links that you may open and download to your system.

If you are unable to use a checklist in a given situation, take notes and then communicate your understanding of the insured’s request. The key is to mail, fax or email this to the insured. Whether they respond or not you have attempted to inform and confirm with them. If they choose not to act upon it, then that is their documented decision.

5. Document Phone Conversations

The failure to document a phone conversation, office or cell, is a common problem. It does not have to have a complicated solution.

Conversations relevant to coverage representation or changes in coverage must be noted, and written confirmation of your instructions or explanation sent to the insured.

Communications with your underwriter are equally important. Emailing a summary of your conversation with a request for verification removes doubt.

6. Staff control

Your staff is your interface with the public and confirming their understanding of proper procedure is critical.

How?

Reinforce the idea that they do not have to have an answer off the top of their head, it is OK to say, “let me confirm the information in the policy form or with your agent” prior to giving the client the answer.

Encourage staff to have and review the policy form to send the relevant information to the insured rather than opining as to the expected result.

Use your risk management manual to establish and follow agency procedure. If staff do not know and understand documented procedure, an error and resulting claim is likely.

Common causes of E&O claims:

Accepting referrals/applications from third parties and no contact with the insured

How do you underwrite someone if you never speak to them? How do you know if they do not need another policy, a different policy, different coverage, etc? How would you possibly have any chance to find out if they are making accurate representations for their coverage?

No underwriting method beyond the minimum of what is required

The failure to take an interest in the client completely, noting all of the coverage required, where currently placed, underwriting considerations for each line, leaves you with limited information to obtain the best results.

To obtain the best results create a standardized fact finding form for all lines of coverage, utilizing the checklists available to you, and note the insured's requirements during the interview.

Not inspecting your risk

Not inspecting your risk leaves you open to misrepresentation by the insured and binding coverage outside of your authority by the insurer.

No standard presentation method

How do you know you offered all available coverage without using a checklist (or some method) listing your entire inventory for your client to pick and choose from?

Lack of documentation

Years have gone by, how will you remember what is said and how will you prove it? How do you demonstrate consistent procedure if you have none?

A risk management procedure manual is provided as part of this program's risk management plan. When a potential claim arises, having a documented procedure and being able to show that it was adhered to will likely slow the claimant down, make the carrier more likely to defend you rather than settling and may allow you to prevail in the claim.

Writing every single policy that comes through the door

Do you write every risk that comes in the door by "making them fit" or, do you underwrite properly from the beginning and prepare the insured if there is a problem?

Trying to fit every single risk into Farmers to comply with your contract does not relieve you of your obligation to protect the insured. If they do not fit in Farmers, write it elsewhere or not at all.

Having proper market support for risks that do not qualify for Farmers allows you to place coverage where it belongs. Do not place yourself and your insured in jeopardy by trying to make them fit.

Binding a risk with Farmers that does not qualify until you can find another market before Farmers cancels mid-term

Failing to pre-qualify a risk or knowing the risk does not qualify for Farmers and binding coverage anyway so you have time to find another market will place the insured's loss entirely on your doorstep.

This occurs many times because the insured waited until the last moment and will soon be or is currently out of force. No one likes to tell someone something they do not want to hear.

When it is the insured's fault that they have failed to procure coverage, it is their problem. When you attempt an ad hoc temporary fix without following procedure and it doesn't work, it becomes your problem. Following procedure is especially important here.

Failing to confirm that what you received from the carrier was what you asked for

Whether with Farmers or any other carrier, when the policy or change is processed, do you confirm it is what you requested?

This is one of the more common types of E&O claims for a Farmers agent because

Farmers sends the policies directly to the insured. This does not relieve you of your professional duty to confirm that the policy is correct.

Set a diary to review and confirm what is received. This method will consistently help avoid most problems.

When the company sends a policy out, follow up with an email or letter thanking them for their purchase and remind them that this is a specific type of coverage, other lines of coverage are not included in this form and if they have questions to contact you.

Mishandling non-Farmers carriers

This normally takes the form of telling someone they are bound, issuing certificates/evidence of insurance when you do not have the authority or placing the wrong type of coverage because you are unfamiliar with the carrier or risk type.

If you have not invested the time to learn how to underwrite a type of risk or what the market offers for coverage forms you place your client and yourself at risk.

Mishandling of funds for outside carriers can take several forms. Not having a management system to handle agency bill accounts, not tracking agency bill renewals, accepting credit cards or ACH payments without noting your systems so that timely remittal can be made to the MGA or carrier are some examples.

If you do not have a premium trust account just because Farmer does not require it, you may be in violation of state law, especially if you are depositing premium funds into your personal or agency operations account.

It is illegal in most states to commingle premium and other non-insurance funds. It also makes it difficult to determine that your accounts are in balance and that you are not out of trust.

Failing to have a regular review timeline and procedure

Does your life and business operate in a vacuum where nothing changes? No? It is the same for your insured. If you are not reviewing coverage, coming up with solutions and watching out for them, someone else will.

In my agency we have standard renewal letters and then they are customized to the insured and saved for use at each renewal. This allows us to quickly collect information, get an update on operations and offer additional coverage.

In Closing…

When defending an E&O claim, it is what you can prove that wins, not that you were right or that you were trying to do the right thing.

Presented here are just a few simple things that can make the difference between keeping or losing an insured and you and your E&O carrier writing them a check that they may not deserve.

You will find that by using loss control you increase your sales, meet your client's needs, protect your insurance market and minimize your exposure to E&O claims.

Agency risk management does not have to be complicated, just thorough and consistent.