



Farmers Sponsored Group Errors & Omissions Program

Policy Effective Date: January 1, 2012 – January 1, 2013

Insurer: Arch Insurance Company (a member of the Arch Insurance Group)

An Admitted Carrier, 2011 A.M. Best Rating: A (Excellent): XV

Coverage

- Negligent acts, errors or omissions in the rendering of or failing to render Professional Services as an Insurance Agent/Broker, Registered Representative or Registered Principal, including acting as a notary public and providing expert witness testimony
- Personal Injury (as defined in the policy)
- Negligent acts, errors or omissions in the recruiting, supervision, management or training of individuals while contracted as a District Manager

Additional Coverage

- Network Security & Privacy Breach Coverage: (Additional coverages are subject to various sub-limits and deductibles.) See policy for details.
- Web Media Content Liability Coverage

Professional Services

Include, but are not limited to:

- Those services necessary or incidental to the conduct of the insurance business of the Named Insured
- The sale and/or servicing of Securities through Farmers Financial Solutions, LLC

Retroactive Date

- The later of the date of inception of the Named Insured's Agent or District Managers contract with Farmers Insurance Exchange; or
- The date of the first claims made errors and omissions liability coverage maintained without interruption.

Eligible Participants/Named Insured

Farmers Insurance Exchange Agents/Brokers
 Farmers Life Agents
 Reserve Agents
 District Managers

Insureds

Coverage for Insureds is limited as specified in the policy:

Corporation/Partnership/Business Entity
 Partners/Officers/Directors/Stockholders
 Employees/Leased Employees/Temporary Employees
 Spouse of the Named Insured
 Heirs/Executors/Administrators/Legal Representatives
 Reserve Field Manager/Reserve District Managers
 District Managers Training and Administrative Assistants
 Agency Producers⁴
 District Life or Commercial Specialists⁴

⁴These individuals are covered only if their Agent or District Manager is a Named Insured under the policy.

Limit of Liability Options

Each Claim/Annual Aggregate Each Named Insured¹

- \$1,000,000 / \$2,000,000
- \$2,000,000 / \$2,000,000
- \$3,000,000 / \$3,000,000
- \$4,000,000 / \$4,000,000
- \$5,000,000 / \$5,000,000

¹ The following sub-limit applies to all Insureds:

- \$15,000,000 policy aggregate sub-limit for claims resulting from mutual funds, variable products, or other covered securities products involving multiple Named Insureds.

Life Only Agents are offered the basic limit of \$1,000,000 per claim/\$2,000,000 Aggregate Each Named Insured.

Reserve Agents are included with limits of \$1,000,000 per claim/\$2,000,000 Aggregate Each Named Insured at no premium charge.

Defense Costs

Outside the Limit of Liability

Deductibles (Applies to Damages Only)

- \$1,000** Farmers Business³
 Farmers Services Insurance Agency
 Zurich Financial Services Group (Formerly Farmers Security Co.)
 Assigned Risk Plans
 California Earthquake Authority
 FAIR Plans
 National Flood Insurance Program (where Farmers Insurance Exchange is the provider)
 Kraft Lake Insurance Agency
 Joint Underwriting Associations
 Texas Windstorm Insurance Association (Formerly Texas Catastrophe Property Insurance Association)
- \$1,000** For all Business placed through Marketing Agreements with the following companies:
 Provident Life and Accident
 Strategic Alliance or Affinity Partners of Farmers
 Investors Brokerage Service
 Farmers Financial Solutions, LLC
 American Bankers (products sold prior to 4/15/99)
 Commercial Union Insurance Co. (products sold prior to 10/01/00)
- \$5,000** All Other Errors and Omissions Claims

²A deductible buyback option is available for an additional premium

³Deductible waiver applies to claims involving a product/service of Farmers, provided the Named Insured has: been continuously insured under the Farmers Sponsored Group E&O Program during the five (5) policy periods immediately preceding the date a claim is reported; has been claims free for said five year period; and has not reported more than one (1) claim under the policy.

Exclusions

- Dishonest, fraudulent, criminal acts committed with malicious purpose or intent if proven by final adjudication; this exclusion shall not apply to any other Insured unless the act was committed with the prior to knowledge or participation of such other Insured; or any act which is the basis of a malicious prosecution claim
- Bodily Injury
- Liability assumed under any contract or agreement unless such liability is present in the absence of such contract or agreement
- Claims by an enterprise which one or more Insured's own, operate, control or manage, or any claim by an enterprise which owns, operates, controls or manages an Insured
- Claims arising out of any Pension, Profit Sharing, Health and Welfare or other Employee Benefit Plan or Trust sponsored by the Insured as an employer
- Claims based upon a loss arising out of making promises or guarantees as to the future value of an investment
- Claims arising out of activities as an accountant, actuary, attorney, real estate agent or real estate broker
- Claims for:
- Premium collected or should have collected
 - Premium returned or should have returned
 - Commissions collected or should have collected
 - Commissions returned or should have returned
 - Taxes collected or should have collected
 - Taxes paid or should have paid
 - The amount of any insurance policy claim the Insured paid or should have paid
 - Any other client funds collected or should have collected
 - Any other client funds returned or should have returned
- Claims arising out of the improper or unauthorized use of client information, for the purpose of obtaining replacement life insurance coverage
- Claims arising out of an obligation under any workers' compensation disability benefit, or unemployment compensation law or any similar law
- Claims arising out of or in any way involving wrongful termination of employment or contract
- Claims arising out of disputes with another insurance agent or broker concerning commissions, fees, or client lists
- Claims brought by an Insured against another Insured
- Claims arising out of the placement of coverage with Multiple Employer Welfare Arrangements
- Claims arising out of any fact, circumstance or situation which has been the subject of any written notice under any policy of which this Policy is a direct or indirect renewal or replacement
- Claims arising out of any act, error or omission occurring prior to the date of the Named Insured's initial enrollment as an Insured under this policy if on the date of enrollment the Named Insured had knowledge of any act, error or omission or Personal Injury which could reasonably be expected to give rise to a claim
- Claims arising out of or any way involving any prior or pending litigation as of January 1, 2004
- Claims arising out of or involving discrimination
- Claims arising out of the insolvency, receivership, or bankruptcy of an organization, entity, or vehicle of any kind in which the Insured has placed or obtained coverage. This exclusion shall not apply if at the time of placement the insurance company was a property & casualty company rated B+ or better by A.M. Best, or was a life insurance company rated A- or better by A.M. Best. For claims otherwise precluded from coverage by this exclusion, \$50,000 each claim/each in defense costs Named Insured shall be provided
- Claims brought by any governmental or quasi-governmental official or agency, including but not limited to SEC, NASD, SIPC
- Claims arising out of placement of client's coverage or funds with any organization which is not licensed to do business in the state or jurisdiction with authority to regulate such business. This exclusion does not apply to the placement of coverage with an eligible surplus lines insurer
- Claims involving structured settlements, but not sales or service of underlying covered product
- Claims arising out of the ownership, formation, operation or administration of an HMO, PPO, RRG, RPG, captive or self insurance program
- Claims arising out of the Insured's status as a Named Fiduciary unless the claim arises from the Insured providing investment advice directly to a plan participant as a fiduciary advisor under an EIAA pursuant to the Pension Protection Act of 2006 and any amendments thereto

Additional Exclusions

Mutual Funds and Variable Products Endorsement:

- Intentional noncompliance with any rules or regulations of the federal and state securities acts
- Claims based solely upon a loss alleged to have been sustained through fluctuation in market value of any Security
- Claims involving investment products partially or totally owned by the Insured
- Claims involving the Insured as a market maker for Securities
- Claims involving Securities priced under five dollars (\$5.00) at the time of purchase
- Claims arising out of the purchase or sale or giving of advice regarding promissory notes, viatical or life settlements or any Security backed by viatical settlements, commodities, commodity future contracts, or option contracts other than covered call options
- Claims involving junk or high yield bonds which are unrated or rated below investment grade
- Claims brought or maintained by a Broker/Dealer, Investment Company or Sponsor
- Claims arising out of any transaction to purchase or sell Securities not approved or processed through Investors Brokerage Svcs., Farmers Financial Solutions, LLC or a Broker/Dealer approved by Farmers Insurance Exchange
- For those Agents who have not purchased the Commercial Brokered Business extension, the following exclusions applies:**
- Commercial Lines Brokered Business Exclusion Endorsement:
- Claims arising out of soliciting, servicing, placing or binding commercial business on behalf of an insurance carrier other than Farmers Insurance Exchange and any subsidiary related insurer on or after January 1, 2004 unless the Named Insured has paid an additional premium and is eligible to carry this coverage

Extended Reporting Periods

- Coverage ceases when the Named Insureds contract with Farmers Insurance Exchange terminates
- An automatic Extended Reporting Period of ninety (90) days is provided during which time claims may be reported to the Company involving negligent acts, errors or omissions or Personal Injury which occurred prior to the date of termination
- Agents and District Managers whose contracts have terminated due to retirement, death or disability have an automatic two (2) year Extended Reporting Period
- Provided that the Named Insured's contract was not terminated by Farmers Insurance Exchange or other appointing Farmers companies for cause, the above automatic Extended Reporting Periods will be extended to an unlimited period of time for products of Farmers®, including but not limited to Securities sold through Farmers Financial Solutions, LLC. The automatic Extended Reporting Period for other products and services (i.e. brokered business) can be extended by purchasing (within sixty (60) days of contract termination) a three-year, five year or unlimited Extended Reporting Period

Program Administration

CalSurance Associates, a division of Brown & Brown of California, Inc.
Phone: (866) 893-1023
Fax: (866) 893-1198

To Report a Claim

Lancer Claims Services, a division of Brown & Brown of California, Inc.
Phone: (800) 821-0540

To Obtain a Certificate

To print a certificate from any computer 24 hours a day, seven days a week, just sign on to farmersagentsbenefits.com and click CalSurance under Errors & Omissions. Or call CalSurance Customer Service at (866) 893-1023.