

E&O Guide

2019



For the Planners and Eligible Brokers of: Lincoln National Corporation

Policy Period:

From: 04/01/2019 To: 04/01/2020

(12:01 A.M. standard time at the address of the Insured)

Broker:

CalSurance Associates, a Division of Brown & Brown Program Insurance Services, Inc.



**Policy Aggregate:
\$250,000,000**

Policy Number:

01-219-24-83 (AIG)
TBD (CNA)

Sponsoring Company:

Lincoln National Corporation

Policy Period:

April 1, 2019 to April 1, 2020

Policy Form:

Preferred Securities Broker-Dealer and
Registered Representative Professional
Liability Insurance Policy

Issuing Carrier:

National Union Fire Insurance
Company of Pittsburgh, PA (AIG)

Excess Carrier:

Continental Casualty Company (CNA)

Insureds' Representative:

Financial Sales Professionals Purchasing
Group

Producer:

CalSurance Associates, a Division of
Brown & Brown Program Insurance
Services, Inc.

Errors & Omission Program Coverage Highlights 2019

Key Coverages*

Professional Liability

Claims arising from the business activities of registered representatives, registered investment advisors, and insurance agents, as approved by Lincoln, including but not limited to financial planning and the sale of securities and insurance products. For further details, please review the "What Professional Services are Covered?" section beginning on page 8.

Trade Errors

Trade errors arising from the business activities of registered representatives and registered investment advisors, as approved by Lincoln.

Privacy Breaches

Liability defense cost, regulatory response cost, and customer notification cost coverage for personal identity events involving sensitive personally identifiable information in your care, custody or control. For further details, please review the "Identity Protection" section beginning on page 12.

*Coverage is subject to the complete terms, conditions, and exclusions of the policy.

Have a claim or potential claim?

Call - (800) 821-0540

Email - firstreports@lancerclaims.com

For further details, please review the "Submit Notice of Claim" section on page 23.

Limit of Liability and Retention Overview

Limits of Liability (inclusive of Loss & Defense Costs):

\$2,000,000	each Claim
\$2,000,000	Aggregate each Insured Rep/Agent

Individual Insured Rep/Agent Optional Limits

\$3,000,000	each Claim
\$3,000,000	Aggregate each Insured Rep/Agent

\$6,000,000	each Claim
\$6,000,000	Aggregate each Insured Rep/Agent

Note: \$3,000,000 x/s \$3,000,000 offered through CNA

Sub-Limits of Liability (regardless of individual elected limit)

\$1,000,000	Property & Casualty coverage
\$500,000	Bill Subscriber Agreement Services

Multiple Insureds Limit of Liability

\$5,000,000	each Loss and Defense Costs when a Claim is made against more than one Insured Rep/Agent
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Retentions (each Claim each Insured Rep/Agent – applicable to Loss & Defense Costs):

\$2,500	all coverage other than Property & Casualty and Bill Center Subscriber Agreement Services coverage
\$5,000	Property & Casualty
\$1,000	Bill Center Subscriber Agreement Services

This policy provides vicarious liability coverage for Lincoln National Corporation's life insurance companies, as well as errors and omissions coverage for its broker-dealer affiliates, with applicable limits of liability and retentions. The each Claim limit elected above shall apply when both the broker-dealer and/or a life insurance company are named in a Claim with an Insured Rep/Agent(s).

Who is Eligible?

Insured Rep/Agent includes:

Planners, as long as they have a valid contract

Planners contracted under AG2K, NYAG or ABGA Affiliated (Career) Agent contract

Retired planners (age 60 and older) who on the date of retirement, elect to participate in the program*

Brokers who are FINRA licensed Registered Representatives with a LNC broker-dealer

Brokers participating in the SolutionsLinc program

Current agents/brokers who were enrolled in the program during the prior Policy Period

The following individuals also qualify provided they maintain a planner or broker contract:

Management Staff

Managing Director (formerly known as Regional CEO)

Regional Vice President

Producing Non-line Staff

* Retired planners electing the optional excess Limits of Liability must pay the full, non-retired planner premium for the excess limits.

Insured Rep/Agent means a Registered Representative or Insured Agent who has:

- Elected to enroll for coverage
- Paid their premium* and any applicable surcharges
- Been issued a Certificate by the Insureds' Representative

*All premiums are fully earned and there will be no refund of premium.

'Lincoln National Corporation' and 'LNC', as used throughout these Highlights, include the Lincoln National Life Insurance Company, Lincoln Financial Advisors (LFA), and Lincoln Financial Securities Corporation (LFS).

'Registered Representative' as used throughout these Highlights means an individual registered with FINRA and who for compensation engages in the business of rendering Professional Services on behalf of LFA or LFS.

Who is an Insured?

These individuals or entities share in the Limit of Liability of the Insured Rep/Agent whose Wrongful Act gave rise to the Claim or the Insured Rep/Agent who is responsible for the Wrongful Act(s) of such other Insured(s).

They do not have a separate Limit of Liability.

Entities Owned or Controlled by an Insured Rep/Agent

Any corporation, partnership, or other business entity engaging in Professional Services which is either owned or controlled by an Insured Rep/Agent or in which they are an employee and then only with respect to those operations of the entity directly related to Professional Services provided by the Insured Rep/Agent.

Partners, Officers, Directors or Employees

Any natural person who was or is a partner, officer, director, or employee of an Insured Rep/Agent or their business entity, as outlined above, solely while acting in the scope of their duties as such.

Subsidiary agents working under an Insured Rep/Agent or their entity are not Insureds under the Insured Rep/Agent's coverage. Staff or employees will not be covered for their activities on business they write/produce or for which they receive commission.

Lawful Spouse

Based on their status as such but solely with respect to liability as it arises out of the Insured/Rep Agent rendering or failing to render Professional Services.

Heirs, Executors, Administrators or Legal Representatives

In the event of an Insured Rep/Agent's death, incapacity or bankruptcy.

Limits of Liability

The payment of
Defense Costs
erodes the available
Limit of Liability

Interrelated Wrongful Acts means Wrongful Acts which arise from the same, related or common nexus of facts regardless of whether such Claims involve the same or different claimants, Insureds or legal causes of action.

*Sub-Limits of Liability (regardless of individual elected limit)

\$1,000,000	Property & Casualty coverage
\$500,000	Bill Subscriber Agreement Services

Note: For those Insured Rep/Agents who elect the optional \$6M/\$6M limit, a \$30M Policy Aggregate all Insureds applies to the excess layer of \$3M x/s \$3M provided by CNA.

Policy Aggregate: \$250M

This is the maximum limit of the Insurer's liability for all Loss and Defense Costs arising out of all Claims covered under this policy. The aggregate limit applies regardless of the number of Insureds, Claims or Wrongful Acts.

Each Loss and Defense Costs arising from a Claim against an Insured Rep/Agent: (\$2M, \$3M or \$6M)*

This is the limit of the Insurer's liability for all Loss and Defense Costs arising from all Claims alleging the same Wrongful Act or Interrelated Wrongful Acts regardless of the number of Claims, Insureds or claimants involved. The Limit shall apply to all Insureds when a Claim is made against one Insured Rep/Agent or both one Insured Rep/Agent and LNC.

Aggregate each Insured Rep/Agent: (\$2M, \$3M or \$6M)*

This is the maximum limit of the Insurer's liability for all Loss and Defense Costs arising out of all Claims made against an Insured Rep/Agent.

Each Loss and Defense Costs arising from a Claim against more than one Insured Rep/Agent: \$5M

This is the limit of the Insurer's liability for all Loss and Defense Costs arising from all Claims alleging the same Wrongful Act or Interrelated Wrongful Acts regardless of the number of Claims, Insureds or claimants involved. The Limit shall apply to all Insureds when a Claim is made against more than one Insured Rep/Agent or both more than one Insured Rep/Agent and LNC.



Defense Provisions

Duty to Defend

The Insurer has the right and duty to defend any Claim made against an Insured for Wrongful Acts that are covered by the Policy, even if any of the allegations of the Claim are groundless, false or fraudulent.

The Insured shall not admit liability for or settle any Claims or incur any Defense Costs without the Insurer's prior written consent.

The Insured shall give the Insurer and defense counsel full cooperation and such information as the Insurer and defense counsel reasonably request.

Defense Costs

The payment of Defense Costs by the Insurer erodes the available Limit of Liability. The Insurer is not obligated to defend any Claims after the Limit of Liability has been exhausted.

Retention

The Retention applies to each Insured Rep/Agent for Loss and Defense Costs arising from a Wrongful Act or Interrelated Wrongful Acts. The Insurer is liable only for amounts payable under the Policy that are excess of the applicable Retention.

Consent

The Insurer may not settle a Claim without the Insured's consent. If a Settlement Opportunity arises and the Insured does not consent to such settlement, the Insurer's liability for the Claim shall not exceed the amount for which they could have settled the Claim plus Defense Costs incurred up to the date of the Insured's refusal to settle.

Coverage is claims made and reported. Coverage is limited only to those Claims that are first made against the Insured during the Policy Period or, if applicable, the Discovery Period, and reported in writing to the Insurer during the Policy Period or during the Discovery Period (if applicable).

What Professional Services are covered?

Coverage provided for services as a fiduciary advisor under ERISA or the Pension Protection Act of 2006

Coverage is afforded with respect to an Insured Rep/Agent only to a Claim made against an Insured after the Continuity Date and for any Wrongful Acts committed or allegedly committed prior to the time such Insured Rep/Agent ceases to be an Insured Rep/Agent under this policy

Continuity Date for Professional Services listed under Sections A.1., A4., C., and G.3. – full prior acts

A. The solicitation, sale or servicing of:

1. Life insurance, accident and health insurance, long term care insurance, workers' compensation insurance as part of a 24-hour accident and health insurance product, disability insurance, fixed annuities or flexible and scheduled premium annuities;
2. Contracts providing for participation in life insurance company separate investment accounts or life insurance general investment accounts and administrative service agreements;
3. Cash management, IRAs, transaction accounts or related products sold through a life insurance company or LFA, LFS, Cigna Financial Advisors, Inc., or Sagemark Consulting, Inc.;
4. Mutual funds, variable products, or 529 plans sold or serviced through a FINRA broker-dealer;
5. Securities, including non-registered investment companies under the Securities Act of 1933, that were authorized or approved by LFA, LFS, Cigna Financial Advisors, Inc., or Sagemark Consulting, Inc.; and
6. 1031 Exchanges that were authorized or approved by or that were processed through LFA, LFS, Cigna Financial Advisors, Inc., or Sagemark Consulting, Inc.

B. The solicitation, sale or administration of:

Employee benefit plans, other than Multiple Employer Welfare Arrangements through a non-licensed insurer, including group plans, group or ordinary pension or profit sharing plans, retirement annuities, and life, accident and health or disability plans (see exclusions dd and ff on page 18 regarding limited coverage for MEWAs and self-funded plans).

C. Financial Planning, advice, consultation, administration and services, whether or not a separate fee is charged, solely in connection with:

1. any of the products listed above; or
2. common stocks or bonds which are approved by or offered for sale through any life insurance company and/or its FINRA authorized broker-dealer; or

3. The preparation of a financial plan or personal financial statements, the giving of advice relating to personal risk management, insurance, savings, investments, retirement or estate planning or taxes by a Registered Representative of LFA or LFS conducted with the consent or approval of LFA or LFS. The coverage provided under this section shall not apply to any solicitation or recommendation of any product not listed above.

D. The solicitation, sale or administration of:

1. Property & casualty insurance (\$1M/\$1M sub-limit); and
2. Life settlements arranged through a provider or broker approved by LNC or approved by LNC as an outside business activity.

E. Economic advice, financial advice or investment advisory services by a Registered Representative of LFA or LFS conducted with the consent or approval of LFA or LFS (see Registered Investment Advisor Coverage Section on page 10).

G. Providing:

1. Marketing material, consultation, advice, administration and services with respect to the LoanAdvance program offered by Pershing or the EverBank program by a Registered Representative of LFA or LFS;
2. Services as a fiduciary adviser under the Pension Protection Act of 2006, and any amendments thereto, or any similar federal or state statutory law or any regulation or order issued pursuant thereto;
3. Services as a notary public; and
4. Services per the Bill Center Subscriber Agreement (subject to a \$500k/\$500k sub-limit).

What Professional Services are covered? (cont'd)

Continuity Date for Professional Services listed under Section D.1.
– effective date of Insured Rep/Agent's first continuously maintained E&O policy providing coverage for property & casualty insurance

Continuity Date for all other Professional Services – earlier of Insured Rep/Agent's

(1) effective date of first continuously maintained E&O; or

(2) first date of a continuous contract with LNC

What Professional Services are covered? (cont'd)

See exclusions gg and hh on page 18 regarding known Wrongful Acts and pending and prior litigation prior to the Continuity Date.

- H. Referral of a client to Private Family Network;
- I. Facilitating the process of bringing together various pre-approved experts and clients pursuant to Business Advisory Services provided on behalf of LFA, LFS, Cigna Financial Advisors, Inc., or Sagemark Consulting, Inc.;
- J. Preparation of mortgage loan applications for residential real property, the collection of credit documents and real property appraisal reports for such loan applications, and the referral of such loan applications to the e-AdvisorMortgage, and solely for clients of LFA or LFS.;
- K. Solicitation, sale or servicing of:

Securities, including non-registered investment companies under the Securities Act of 1933, that were authorized, approved by, or processed through any broker-dealer that the Registered Representative was registered to at the time of the sale provided the following conditions are met:

- The Insured is currently a Registered Representative of LFA or LFS or any person whose acts for which the Registered Representative is legally liable; and
- The security has been approved by LFA or LFS; and
- The sale or attempted sale occurred after the Continuity Date; and
- The Registered Representative has no other applicable insurance; and
- The Registered Representative has and at the time of the Wrongful Act, had obtained all licenses otherwise required by LFA or LFS or applicable law or regulation.

The Insurer shall not be liable for Loss or Defense costs in connection with any Claim made against an Insured alleging, arising out of, based upon or attributable to any activity of, or service provided by, an Insured Rep/Agent other than a covered Professional Service, including, but not limited to "selling away".

Registered Investment Advisor Coverage

There is no coverage for the RIA for acts committed by anyone not an Insured under this policy.

Coverage is provided to a Registered Representative of LFA or LFS (or any corporation partnership or other business entity which engages in the conduct of Professional Services and which is either owned or controlled by a Registered Representative or in which a Registered Representative is an employee and then only with respect to those operations of the business entity related to Professional Services provided by the Registered Representative) in connection with Approved Activities while acting in their capacity as a Registered Investment Advisor.

Approved Activities means a service or activity performed by the Registered Representative in their capacity as a Registered Investment Advisor that:

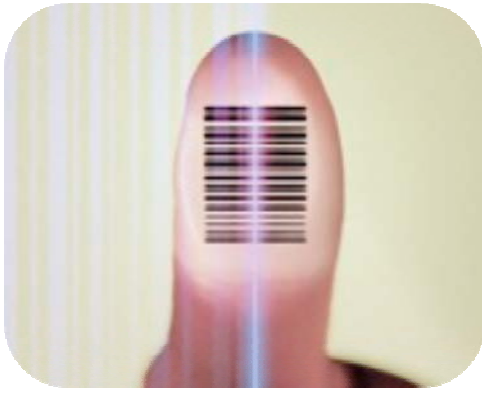
1. has been approved by LFA or LFS to be performed by the Registered Representative, and is
2. in connection with the purchase or sale of a specific security, annuity or insurance product which has been approved by LFA or LFS to be transacted through the Registered Representative, and for which
3. the Registered Representative has obtained all licenses required by LFA or LFS or applicable law or regulation.

Professional Services with respect to coverage as a Registered Investment Advisor means the following services if rendered in connection with an Approved Activity:

1. purchase or sale of securities, including investment companies.
2. purchase or sale of annuities or variable annuities.
3. purchase or sale of life or accident and health insurance.
4. providing brokerage services for individual retirement accounts (IRA's), Keogh retirement plans and employee benefit plans (other than multiple employer or multiemployer welfare arrangements).
5. services performed as a Registered Investment Advisor;

and in connection with or incidental to any of the foregoing 5 activities:

6. providing economic advice, financial advice or investment advisory services, or
7. providing financial planning advice including without limitation any of the following activities in conjunction therewith: the preparation of a financial plan or personal financial statements, the giving of advice relating to personal risk management, insurance, savings, investments, retirement planning or taxes.



Identity Protection

Sub-Limits of Insurance:

Personal Identity Liability: \$3,000,000

Administrative Action: \$1,000,000

Identity Event Services:

Notification Costs: \$1,000,000

Crisis Expenses: \$1,000,000

Post Event Services: \$1,000,000

**Aggregate Limit
\$5,000,000**

This is the maximum limit of the Insurer's liability for all coverage provided under the Identity Protection coverage extension and is applicable to all Insureds. This Aggregate and the Sub-Limits scheduled on this page are part of and not in addition to the Policy Aggregate.

The Sub-Limits of Liability above are the maximum limit of the Insurer's liability for each coverage and is applicable to all Insureds.

Retentions:

\$ 2,500 each Personal Identity Event

\$10,000 each Personal Identity Event
resulting in a Class Action Claim

In certain instances, the Policy will provide coverage for Damages and Defense Costs resulting from a Claim arising from a Personal Identity Event (i.e. an event involving an Insured Rep/Agent that has or could reasonably result in the fraudulent use of Personal Identification of a client, that is or was in the care, custody or control of an Insured Rep/Agent) first discovered by an Insured Rep/Agent during the Policy Period and reported to the Insurer during the Notice Period.

A typical example might be loss, theft or misplacement of your laptop, smartphone, iPad or flash drives resulting in an unauthorized person gaining access to your client's personally identifiable information.

The policy will also cover costs related to Administrative Actions and Identity Event Services, including Notification Costs, Crisis Expenses, and Post Event Services, for each Personal Identity Event, as defined by the policy, subject to all conditions and exclusions.

WHAT ARE THE EXCLUSIONS?

The Insurer shall not be liable for Loss or Defense Costs in connection with any Claim made against an Insured:

- a) arising out of, based upon or attributable to the committing in fact of any criminal, dishonest, malicious, knowingly wrongful or fraudulent act committed by or at the direction of the Insured, or any willful violation of any law of the United States or Canada, or any state, territory, county, political division or municipality thereof, or any rules or regulations promulgated thereunder; however, the Insured shall be covered for Defense Costs under the above stated exclusion unless and until a final judgment or other adjudication adverse to the Insured is made against the Insured, at which point the Insured named in the Claim shall reimburse the Insurer for all past and future Defense Costs incurred while defending the Insured against such allegations;
- b) arising out of, based upon or attributable to any actual or alleged violation of the Racketeer Influenced and Corrupt Organizations Act (as amended), 18 USC Sections 1961 et seq., or any rules or regulations promulgated thereunder; however, the Insured shall be covered for Defense Costs under the above stated exclusion unless and until an adverse determination in fact is made against the Insured, at which point the Insured named in the Claim shall reimburse the Insurer for all past and future Defense Costs incurred while defending the Insured against such allegations;
- c) for any publication or utterance of a libel or slander or other defamatory or disparaging material, or a publication or utterance in violation of an individual's right of privacy made by or at the direction of any Insured with the knowledge of the falsity thereof; provided, however, this exclusion shall not apply to a Claim for any publication or utterance of a libel or slander or other defamatory or disparaging material, if such Claim is otherwise covered under this policy;
- d) for any bodily injury, sickness, disease, death or emotional distress of any person, or damage to or destruction of any tangible property, including the loss of use thereof; or for injury from a violation of a person's right of privacy; provided, however, this exclusion shall not apply to a Claim, in part, for emotional distress, if such Claim is otherwise covered under this policy and solely as respects Claims involving property & casualty insurance this exclusion shall not apply to Claims for damage to or destruction of any tangible property;
- e) based upon, arising out of or in any way involving insolvency, receivership, conservatorship, liquidation, bankruptcy, inability or refusal to pay of any organization, entity or vehicle of any kind, nature or structure in which the Insured Rep/Agent has placed, recommended to be placed or obtained coverage or in which an Insured Rep/Agent has placed or recommended to be placed the funds of a client or account; provided, however, this exclusion shall not apply:

WHAT ARE THE EXCLUSIONS? (cont'd)

- i) to Wrongful Acts solely in connection with any Insured Rep/Agent's investment on behalf of the claimant in the stock of any of the foregoing entities;
 - ii) If such organization, entity or vehicle is an insurance company that was rated A- or better by A.M. Best at the time the Insured Rep/Agent placed, recommended to be placed or obtained such coverage for a client in such insurance company or in which an Insured Rep/Agent has placed such funds of a client or account; or
 - iii) to Claims involving products issued by Universal Life Insurance Company;
- f) alleging, arising out of, based upon or attributable to any: (1) pension, welfare or other employee benefit plan or trust sponsored by any Insured or sponsored by any business enterprise that is operated or managed or owned, directly or indirectly, in whole or in part, by any Insured, or in which any Insured has a financial interest; or (2) plan in which an Insured is a participant or is a named fiduciary; or (3) services performed by any Insured acting in fact as a trustee, administrator or named fiduciary under the Employee Retirement Income Security Act of 1974, or amendments thereto, or any similar federal or state statutory law or any regulation or order issued pursuant thereto;
- g) alleging, arising out of, based upon or attributable to:
 - i) any business interference with clients lists;
 - ii) any fees, commissions, brokerage monies or other charges for any Professional Services; provided, however, this exclusion shall not apply to Claims made against an Insured Rep/Agent by a client of the Insured Rep/Agent; or
 - iii) any contract dispute between any Insureds, or between the Insureds and any other entities, insurance companies or securities broker-dealers;
- h) brought by or on behalf of any Insured, or the successors or assigns of any Insured; or by or on behalf of any enterprise, trust or other entity that is operated or managed or owned, directly or indirectly, in whole or in part, by any Insured; or for which any Insured is a trustee, fiduciary, director or officer thereof; provided, however, this exclusion shall not apply to Claims brought by:
 - i) the Insured against an Insured Rep/Agent where a Claim is initially brought against the Insured by a third party; or
 - ii) an Insured against another Insured Rep/Agent in the capacity as a customer or client;
- i) alleging, arising out of, based upon or attributable to, in whole or in part, any Investment Banking Activity by any Insured, including but not limited to any requirements in connection with any of the foregoing; provided, however, this exclusion shall not apply to claims arising from sales by an Insured to a particular client or customer of an open-ended investment company or variable annuity which alleges that a client or customer of the Insured was unsuitable for and wrongfully placed into such investment company or variable annuity;

WHAT ARE THE EXCLUSIONS? (cont'd)

- j) arising out of the facts alleged, or arising out of the same or Interrelated Wrongful Acts alleged or contained, in any Claim which has been reported, or in any circumstances of which notice has been given, under any policy of which this policy is a renewal or replacement or which it may succeed in time;
- k) brought by or on behalf of any clearing agency, or alleging, arising out of, based upon or attributable to any function of any Insured as a clearing agency;
- l) alleging, arising out of, based upon or attributable to any:
 - i) use by any Insured of, or
 - ii) aiding or abetting by any Insured in the use of, or
 - iii) or participating after the fact by any Insured in the use of, non-public information in a manner prohibited by the laws of the United States, including but not limited to: the Insider Trading and Securities Fraud Enforcement Act of 1988 (as amended), Section 10(b) of the Securities Exchange Act of 1934 (as amended), and Rule 10(b)(5) thereunder, and/or the laws of any state, commonwealth, territory or subdivision thereof, or the laws of any other jurisdiction, or any rules or regulations promulgated under any of the foregoing;
- m) alleging, arising out of, based upon or attributable to any mechanical or electronic failure, breakdown or malfunction of machines or systems;
- n) for taxes, fines or penalties, or the multiplied portion of multiplied damages imposed against an Insured unless such taxes, fines or penalties are incurred by a third party, other than an Insured, and which are included in such third party's Claim against an Insured;
- o) alleging, arising out of, based upon or attributable to the gaining in fact of any profit or advantage to which the Insured was not legally entitled, including but not limited to any actual or alleged commingling of funds or accounts;
- p) brought by or on behalf of, or instigated or continued with the solicitation, assistance, participation or intervention of, any State or Federal regulatory or administrative agency or bureau or any other governmental, quasi-governmental or self-regulatory entity ("Governmental Entity"), whether directly or indirectly, and whether brought in its capacity as trustee, liquidator, successor or assignee of the Insured, or in any other capacity and whether brought in its own name or in the name of any other entity; provided, however, this exclusion shall not apply to any Claim brought solely in such Governmental Entity's capacity as a customer or client of the Insured in the ordinary course of business and instigated and continued totally independent of, and totally without the solicitation of, or assistance of, or active participation of, or intervention of, any Insured;

WHAT ARE THE EXCLUSIONS? (cont'd)

- q) to any actual or alleged Wrongful Act in the rendering of or failure to render Professional Services to any securities broker/dealer; provided, however, this exclusion shall not apply if the Professional Service is solely the purchase or sale of securities to such broker/dealer for its own account;
- r) alleging, arising out of, based upon or attributable to the rendering of or failure to render any of the following services or activities: third party claims administrator, actuarial, accounting, legal, real estate agent or broker, or tax preparation or appearing before the Internal Revenue Service as an enrolled agent, or tax advice, except tax advice as an incidental part of Professional Services rendered by an Insured Rep/Agent;
- s) alleging, arising out of, based upon or attributable to the purchase or sale of (or failure to purchase or sell) any of the following, or any advice in connection therewith:
 - 1) any equity security priced under \$5.00 at the time that the Wrongful Act triggering such Claim arose; however, this exclusion shall not apply if the security is:
 - (a) registered, or approved for registration upon notice of issuance, on a national securities exchange;
 - (b) authorized, or approved for authorization upon notice of issuance, for quotation in the NASDAQ National Market System or the NASDAQ SmallCap Market;
 - (c) issued by an investment company registered under the Investment Company Act of 1940 (as amended); or
 - (d) processed through LFA or LFS;
 - 2) commodities, futures contracts, forwards contracts or any type of option or futures contract, or any similar investment or investment product, except:
 - (a) as part of a mutual fund; or
 - (b) buying of puts or calls; or
 - (c) selling of covered call options; or
 - (d) any other options strategy approved by LFS or LFA (coverage subject to a \$1M sub-limit of liability);
 - 3) any collectible, including but not limited to stamps, art, cards, jewelry, antiques or any other tangible personal property;
 - 4) any security in any market outside of the United States of America and its territories and possessions and Canada;
 - 5) any structured settlements, however, this exclusion shall not apply to the sale or servicing of the underlying covered product;

WHAT ARE THE EXCLUSIONS? (cont'd)

- 6) promissory notes, i.e., an investment whereby the maker agrees to pay to the payee a specific sum of money either on demand or at a fixed or determinable future date; provided, however, this exclusion shall not apply to promissory notes which have been reviewed by the LFA or LFS compliance department and subsequently approved for sale through LFA or LFS, provided further that as a condition precedent to coverage hereunder that the Insurer shall be provided timely notification of any such approved promissory notes; or
- 7) alleging, arising out of, based upon or attributable to viatical products, including viatical settlement and viatical contracts; provided, however, this exclusion shall not apply to referrals done on a no-fee and no-compensation basis for pre-existing clients of the Insured Rep/Agent to a properly licensed viatical settlement provider/company/broker who is also a member of the National Viatical Association or Viatical Association of America (subject to additional exclusionary language);
- 8) callable certificates of deposit; or
- 9) Leases (including but not limited to ETS Pay Phones).
- t) alleging, arising out of, based upon or attributable to any activity of, or service provided by, an Insured Rep/Agent other than a covered Professional Service, including, but not limited to "selling away";
- u) alleging, arising out of, based upon or attributable to, or in any way involving, directly or indirectly, the formation, operation, administration or management by an Insured, in whole or in part, of any entity other than limited partnerships or general partnerships, including but not limited to Claims arising out of an Insured acting as a general partner of any limited partnership and/or managing general partner of any general partnership;
- v) alleging, arising out of, based upon or attributable to an Insured exercising discretionary authority or control with regard to management or disposition of assets; provided, however, this exclusion shall not apply:
 - i) to any Insured Rep/Agent's purchase or sale of investment company or variable annuities in which there is no initial or contingent sales charge or commission; or
 - ii) to Claims arising out of the exercise of discretionary authority by a pre-authorized Insured Rep/Agent of LFA or LFS with respect to the purchase or sale of any other securities in which there is no initial or contingent sales charge or commission and which is approved by and sold through LFA or LFS or otherwise covered under the terms and conditions of this policy,it being a condition precedent to any coverage provided by subparagraphs (v)(i) or (v)(ii) above, the Registered Representative must have been acting in accordance with the discretionary trading guidelines of LFA or LFS. Further, exclusion (v) shall not apply to those Insured Rep/Agents who have been pre-authorized for discretionary trading by LFA or LFS;

WHAT ARE THE EXCLUSIONS? (cont'd)

- w) alleging, arising out of, based upon or attributable to any liability assumed by the Insured under any indemnification contract or agreement, either oral or in writing; provided, however, this exclusion does not apply to liability that would exist in the absence of such contract or agreement;
- x) arising out of, based upon or attributable to any Wrongful Act committed or alleged to be committed directly or indirectly in connection with the sale or recommendation of any instrument issued by any limited partnership, master limited partnership, or any affiliated organization of any of the foregoing not offered and sold through LFA or LFS;
- y) alleging, arising out of, based upon, attributable to, or in any way involving, directly or indirectly:
 - i) the actual, alleged or threatened discharge, dispersal, release or escape of Pollutants; or
 - ii) any direction or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize Pollutants,including but not limited to a Claim alleging damage to LNC or its securities holders;
- z) arising out of, based upon or attributable to any obligation for which the Insured or any carrier as his or her insurer may be held liable under any workers compensation, unemployment compensation or disability benefits law or under any similar law;
- aa) arising out of, based upon or attributable to the payment of employee benefits, wages, salaries or commissions;
- bb) alleging, arising out of, based upon or attributable to any one or more of the following:
 - i) any failure or refusal to pay, or delay in the payment of, benefits due or alleged to have been due under any insurance contract or from any pension plan or other benefit plan; or
 - ii) any lack of good faith or fair dealing in the handling of any claim or obligation arising out of or under any insurance contract or from any pension plan, welfare plan or other benefit plan;
- cc) arising out of the Insured's activities in computer programming or processing if the resulting programs are sold or distributed or if a fee is charged for use of the program;

WHAT ARE THE EXCLUSIONS? (cont'd)

- dd) arising out of the ownership, formation, operation or administration of a health maintenance organization, preferred provider organization, risk retention group, self insurance program or purchasing group; provided, however, the term "self-insurance program" as used in this exclusion shall not apply to a self-insurance program which is partially funded by other insurance means; furthermore, this exclusion shall not apply to a Claim arising out of the sale, recommendation or servicing of self-funded plans;
- ee) an Insured arising from or contributed to by Professional Services in connection with investment products partially or totally owned by the Insured;
- ff) arising out of, based upon or attributable to the actual or alleged sale, attempted sale or servicing of any coverage, alleged coverage or plan placed with any form of Multiple Employer Welfare Arrangement ("MEWA") as defined in the Employee Retirement Income Security Act of 1974 (and any amendments thereto); provided, however, this exclusion will not apply to placement of coverage for a MEWA with a licensed insurer;
- gg) alleging, arising out of, based upon or attributable to any pending or prior litigation as of the Continuity Date, or alleging or derived from the same or substantially the same facts as alleged in such pending or prior litigation;
- hh) arising out of, based upon or attributable to any actual or alleged Wrongful Act or Interrelated Wrongful Acts occurring prior to the Continuity Date, if on or before such date any Insured knew or could have reasonably foreseen that such Wrongful Act or Interrelated Wrongful Acts could be the basis of a Claim or Class Action Claim; or
- ii) alleging, arising out of, resulting from directly or indirectly, or in any way related to, directly or indirectly, in whole or in part, any actual or alleged Wrongful Act, underlying facts, circumstances, acts, errors or omissions in any way relating to *U.S. v. Bernard L. Madoff; SEC v. Bernard L. Madoff, or related criminal or civil litigation (see the policy for the complete text of this exclusion)*.

See the following endorsements for a complete list of applicable exclusions:

Identity Protection Coverage

Mortgage Broker Referral (e-AdvisorMortgage) Coverage

Viatical Settlement Referral Coverage

Retirement, Disability or Death

Retirement means ceasing the business of providing Professional Services pursuant to and in accordance with formal retirement procedures of LNC and includes a career change.

Discovery Periods do not reinstate or increase the Limit of Liability or Sub-limits of Liability, nor shall they be deemed to extend the Policy Period.

Conditional Automatic Discovery Period

An unlimited automatic conditional Discovery Period will be provided to an Insured Rep/Agent who during the Policy Period becomes disabled or retires, or the legal representative of an Insured Rep/Agent who dies during the Policy Period in which to give to the Insurer written notice of Claims first made against the Insured Rep/Agent during the Discovery Period, but only for Wrongful Acts which occurred on or after the Insured Rep/Agent's continuity date and prior to the date of his or her retirement, disability or death and otherwise covered by the Policy, but only as long as LNC continuously maintains an errors and omissions policy with the Insurer.

Unconditional Automatic Discovery Period

In the event LNC does not continuously maintain an errors and omissions policy with the Insurer, the retired, deceased (or estate of the deceased Insured Rep/Agent on his/her behalf) or disabled Insured Rep/Agent shall have an automatic two (2) year period, effective as of their retirement, disability or death, 'Discovery Period' to give to the Insurer written notice of Claims first made against such Insured Rep/Agent during the two year period, but only for Wrongful Acts which occurred on or after their Continuity Date and prior to their retirement, death or disability and otherwise covered by the Policy.

Optional Discovery Period

If, during the Policy Period, an Insured Rep/Agent becomes disabled, retires or dies, the Insured Rep/Agent or the legal representative of a deceased Insured Rep/Agent may elect to extend the unconditional automatic Discovery Period above and purchase an Optional Discovery Period for an additional period of (3) years, (5) years, or for an unlimited period of time, for an additional premium equal to 200%, 300% or 400%, respectively, of the Insured Rep/Agent's last annual premium within sixty (60) days of the date of termination of the Insured Rep/Agent's contract with LNC in which to give the Insurer written notice of Claims first made against such Insured Rep/Agent during the Discovery Period but only for Wrongful Acts which occurred on or after their Continuity Date and prior to the date of their retirement, disability or death and otherwise covered by the Policy. These optional Discovery Periods shall be in addition to the automatic unconditional Discovery Period described above.

Coverage shall apply only as excess over any other valid and collectible insurance for all of the Discovery Periods listed above.

Conditional Automatic Discovery Period

Contract Termination During the Policy Period

On the effective date of your contract termination with LNC during the Policy Period, your status as an Insured Rep/Agent under this policy will cease. There will be no return of premium. Upon termination of your status as an Insured Rep/Agent during the Policy Period, you will be provided an automatic conditional unlimited Discovery Period to give to the Insurer written notice of Claims first made against you, but only for Wrongful Acts which occurred on or after your continuity date, prior to your termination date and otherwise covered by the Policy, but only as long as LNC continuously maintains an errors & omissions policy with the Insurer. Coverage shall apply only as excess over any other valid and collectible insurance.

Contract Termination between October 1, 1997 and the inception date of the current Policy

Former Insured Rep/Agents whose contract terminated prior to the inception date of the current policy and after October 1, 1997 shall have the same unlimited unconditional automatic Discovery Period under the current policy as detailed above. However, no coverage shall be provided for any individual who has any other valid and collectible insurance.

Contract Termination prior to October 1, 1997

Former Insured Rep/Agents whose contract terminated prior October 1, 1997 shall have the same unlimited unconditional automatic Discovery Period under the current policy as detailed for Insured Rep/Agents whose contracted terminated during the Policy Period.

Unconditional Automatic Discovery Period

In the event LNC does not continuously maintain an errors and omissions policy with the Insurer, the Insured Rep/Agent shall have a period of one (1) year Discovery Period, beginning on their termination date, to give to the Insurer written notice of Claims first made against such Insured Rep/Agent during the one year period, but only for Wrongful Acts which occurred on or after their Continuity Date and prior to his or her termination date and otherwise covered by the Policy. Coverage shall apply only as excess over any other valid and collectible insurance.

Contract Termination

Coverage shall apply only to Claims for Wrongful Acts committed on or after the Insured Rep/Agents Continuity Date and prior to the date such Insured Rep/Agent ceases to be contracted with LNC

Discovery Periods do not apply for Insured Rep/Agents who voluntarily opt out of the program for reasons other than contract termination, retirement, disability or death.



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