

Frequently Asked Questions

Named Certificate Holder: The Agents of the fraternal societies of the American Fraternal Alliance who are members of the Financial Sales Professional Purchasing Group
Policy Number: EOC3781264-19
Insurer: Zurich American Insurance Company
Policy Period: January 1, 2020 to January 1, 2021

1. Who is Zurich American Insurance Company (A Member of the Zurich Financial Services Group)?

The policy is issued by Zurich American Insurance Company, a member company of Zurich Financial Services ("Zurich"). Zurich is rated "A+" (Superior) XV by A.M. Best.

"The information obtained from A.M. Best dated September 25, 2019 is not in any way CalSurance Associate's warranty or guaranty of the financial stability of the insurer in question, and that the information is current only as of the date of publication."

2. What is the Financial Sales Professionals Purchasing Group?

Certain states require that a group policy must be purchased through a Risk Purchasing Group, (RPG). At no additional charge, your societies membership with the American Fraternal Alliance provides for your membership in "Financial Sales Professionals Purchasing Group," a RPG formed by CalSurance® and operating pursuant to the Liability Risk Retention Act of 1986 (15 USC 39012 et seq.) for the benefit of Financial Professionals insured under CalSurance® programs.

3. Who is Brown & Brown?

Brown & Brown is one of the largest and most respected independent insurance intermediaries in the nation, with over 67 years of continuous service. The Company is ranked as the seventh largest such organization in the United States by *Business Insurance* magazine.

CalSurance Associates, A Division of Brown & Brown Program Insurance Services, Inc. ("CalSurance®"), is the broker who has been selected to administer and place the coverage with the underwriting marketplace on behalf of the participating Fraternal Societies of the American Fraternal Alliance. Questions regarding coverage, when to file a Claim, or copies of your Certificate of Insurance can be obtained from CalSurance®. All questions regarding payment of premium and how to enroll in the program should be directed to the member Fraternal society.

Lancer Claims Services, a division of Brown & Brown of California, has been selected by Zurich as the administrator of all Claims made under the American Fraternal Alliance sponsored Agents' Professional Liability Policy. Questions regarding when or how to file a Claim or inquiries on Claims already submitted under the program should be directed to Lancer Claims Services.

4. Important Contact Information

These resources are available to agents seeking information regarding professional liability coverage:

Certificates of Insurance and Coverage Questions

- Phone CalSurance® Customer Service: (800) 745-7189 Monday - Friday 7:00 a.m. to 5:00 p.m. PST
- Fax: 800-607-6875
- Email: info@calsurance.com

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5. What do the limits \$1,000,000 / \$1,000,000 mean?

The first limit stated is a per Claim limit and the second limit is the total aggregate per Policy Period for each "Named Certificate Holder" (i.e. Agent). This means Zurich will pay up to \$1,000,000 on any single Claim made against a Named Certificate Holder. The total limit available to the "Named Certificate Holder" regardless of the number of Claims made against the "Named Certificate Holder" during the Policy Period is \$1,000,000.

In other words, if you have one Claim during the Policy Period for \$1,000,000, you would have no additional limits left under the Policy after the payment of that Claim. If instead you had one Claim during the Policy Period for \$600,000, you would still have \$400,000 of limits left to pay for additional Claims made under that same Policy Period. A new per Claim Limit of Liability and Aggregate Limit of Liability are provided at each renewal of the Policy Period.

6. What is the Certificate Period?

The Certificate Period means the period of time from the effective date shown on the Certificate of Insurance issued to you which evidences your coverage under the Policy to the date of your Termination of Coverage. Termination of Coverage means the earlier of the following:

The nonrenewal of this Policy; or

The cancellation of this Policy; or

The termination of your contract with the sponsor (Fraternal Societies of the American Fraternal Alliance).

7. Where do I report Claims?

Claims should be reported to Lancer Claims Services. See the "What to Do In the Event of a Claim" document for a copy of the Claim Reporting Form. All Claims should be submitted via one of the following methods:

Electronically - FirstReports@LancerClaims.com

Fax - 714-978-8023

Via Mail -

First Reports Desk
Lancer Claims Services
681 S. Parker Street, Suite 300
Orange, CA 92868

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8. What is a Claim?

A Claim is defined as a written demand received by the Insured seeking Damages. Some examples of what may be considered a Claim include:

- a letter from a client stating you made a mistake and they are requesting money to “fix” the mistake or to compensate them for the loss due to your alleged mistake; or
- service of suit (summons and/or complaint); or
- institution of arbitration proceedings; or
- FINRA statement of Claim.

9. What is a “Claims Made and Reported” policy?

Coverage is provided to you on a “Claims Made and Reported” basis. This means the policy applies to negligent acts, errors or omissions or Personal Injury provided that:

1. the Claim is first made against you during the Certificate Period (this is defined in Question 6) and is reported to the Insurer in writing during the same Certificate Period, or any applicable Extended Reporting Period; and
2. the act, error or omission or Personal Injury occurred on or after the Retroactive Date (this is defined in Question 11) and before the end of the Certificate Period.

The policy does not apply to any claims in which, prior to the effective date of coverage, you had knowledge of any negligent act, error or omission or Personal Injury and such negligent act, error or omission or Personal Injury might reasonably be expected to be the basis of a claim.

All Claims must be reported to the insurer as soon as practicable. (See “What to Do in the Event of a Claim” document)

10. What if I have other insurance?

If a Claim arises out of a negligent act, error or omission or Personal Injury that occurred during the Certificate Period and you are covered by any other valid and collectible insurance, then this Policy shall be excess over any such other valid and collectible insurance and shall then apply only in the amount by which the applicable Limit of Liability of this Policy exceeds the sum of the applicable Limits of Liability of all such other insurance.

If the Claim arises out of a negligent act error or omission or Personal Injury that occurred before the Certificate Period and you are covered by any other valid and collectible insurance, then there shall be no coverage under this Policy for such Claim.

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11. What is the Prior Acts Coverage under the policy?

The prior acts coverage (Retroactive Date) provided under the policy is the earlier of your date of first continuous contract with the member Fraternal Society or the effective date of your first continuous claims made E&O coverage.

The policy does not apply to any claims in which, prior to the effective date of coverage, you had knowledge of any negligent act, error or omission or Personal Injury and such negligent act, error or omission or Personal Injury might reasonably be expected to be the basis of a claim.

12. Does the policy pay for the expenses to defend a Claim?

Zurich has the right and duty to defend you when a Claim is made against you seeking Damages for a negligent act, error or omission while rendering or failing to render Professional Services.

The cost to defend you is paid in addition to your per Claim and per Aggregate Limit of Liability and is not subject to a deductible. This means the insurer will pay for the first dollar of your Defense Costs if the Claim is covered under the policy.

You may not without the written consent of Zurich:

- incur any expense; or
- demand or agree to arbitration of any Claim; or
- make any payment, admit liability, settle any Claim or assume any obligation.

Defense costs are paid in addition to your Limit of Liability. However, please be aware there is no obligation to defend or continue to defend any Claim or suit, after the per Claim Limit of Liability has been exhausted by payment of Damages.

13. How does my Deductible work?

Your deductible is applicable to Damages only. This means that your deductible does not apply if the only cost paid under the policy is related to your Defense Costs.

- There is a \$500 deductible for claims involving products of a member fraternal society that participates in the American Fraternal Alliance E&O program.
- There is a \$1,000 deductible for Claims involving all other covered outside products and products of societies that do not participate in the American Fraternal Alliance E&O Program.

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14. How do I obtain coverage for my staff?

Your coverage extends to:

- Any corporation, partnership or other business entity which engages in "Professional Services" and which is owned by you but only with respect to those operations of the business entity related to the Professional Services provided by you.
- Any person acting on behalf of you, who was or is an employee of your business entity or a partner, officer, director, or stockholder of your business entity, provided such person is not a party to a contract with any other insurance company, and then only with respect to Professional Services provided by you. Coverage provided to such employees does not include the direct solicitation of insurance personally or on behalf of you, regardless of the method of compensation.
- Your heirs, executors, administrators or legal representatives in the event of the death, incapacity or bankruptcy.

There is no separate limit of liability. Those individuals or entities listed above share in your per Claim and annual aggregate limit of liability.

15. What happens if my Agent's contract is terminated during the Policy Period?

Coverage may vary depending on the state in which you are licensed. Please check the individual state amendatory endorsements to determine how the coverage will respond.

On the date of Termination of Coverage due to your termination of contract with the member Fraternal Society, the insurance under the Policy shall cease on such date. There is no return of premium.

You shall have a free Automatic Extended Reporting Period of one (1) year after such date to report in writing to Zurich any Claim which is first made during the Automatic Extended Reporting Period of one (1) year and arises out of a negligent act, error or omission or Personal Injury which occurred before such date and on or after the Retroactive Date.

No coverage shall be provided in the event you have any other valid and collectible insurance. This Automatic Extended Reporting Period shall be included within the Optional Extended Report Period, if such is purchased.

The Extended Reporting Periods do not reinstate or increase the Limits of Liability beyond the limits available on the Certificate of Insurance, nor extend the Certificate Period. The Extended Reporting Periods do NOT apply to Claims that are covered under any subsequent insurance issued to you, or that would be covered but for the exhaustion of the Limit of Liability applicable to such Claim.

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16. What happens if my Agent's contract is terminated during the Policy Period due to retirement, disability, transfer, or my death?

Coverage may vary depending on the state in which you are licensed. Please check the individual state amendatory endorsements to determine how the coverage will respond.

On the date of Termination of Coverage due to your termination of contract by reason of your retirement from the business of providing "Professional Services" in accordance with the formal retirement procedures, total and permanent disability pursuant to and in accordance with formal disability procedures, or death, the insurance under the Policy shall cease on such date. There is no return of premium.

You shall be entitled to a free Automatic Extended Reporting Period of two (2) years after such date to report in writing to Zurich any Claim which is first made during the Automatic Extended Reporting Period of two (2) years and arises out of any negligent act, error or omissions or Personal Injury which occurred before such date and on or after the Retroactive Date.

No coverage shall be provided in the event you have any other valid and applicable insurance. This Automatic Extended Reporting Period of two (2) years shall be included within the Optional Extended Report Period, if such is purchased.

The Extended Reporting Periods do not reinstate or increase the Limits of Liability beyond the limits available on the Certificate of Insurance, nor extend the Certificate Period. The Extended Reporting Periods do NOT apply to Claims that are covered under any subsequent insurance issued to you, or that would be covered but for the exhaustion of the Limit of Liability applicable to such Claim.

17. What is the Conditional Automatic Unlimited Extended Reporting Period?

Coverage may vary depending on the state in which you are licensed. Please check the individual state amendatory endorsements to determine how the coverage will respond.

On the date of Termination of Coverage due to your termination of contract, the insurance under the Policy shall cease on such date. There is no return of premium.

Notwithstanding the Extended Reporting Periods described in Questions 15 and 16, so long as the Master Policy is maintained with Zurich, you shall have a free Conditional Automatic Unlimited Extended Reporting Period, after such date of Termination of Coverage to report in writing to Zurich any Claim which is first made during this Conditional Automatic Unlimited Extended Reporting Period and arises out of a negligent act, error or omission or Personal Injury which occurred before such date and on or after the Retroactive Date.

No coverage shall be provided in the event you have any other valid and applicable insurance. Any other applicable Automatic Extended Reporting Period and any Optional Extended Reporting Period, if such is purchased, shall be included within this Conditional Automatic Unlimited Extended Reporting period.

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18. Do I have any Extended Reporting Period Options?

Coverage may vary depending on the state in which you are licensed. Please check the individual state amendatory endorsements to determine if there are Extended Reporting Period Options available to you that differ from those stated below.

An Agent whose contract terminates for reasons of retirement, disability or death as more completely outlined in Question 16 above may elect to purchase an Optional Extended Reporting Period of three (3) years, five (5) years, or an unlimited amount of time from the date of your Termination of Coverage. See the Optional Extended Reporting Period election form for details. Coverage must be elected by completing the ERP form and submitting payment within sixty (60) days from your Termination of Coverage.

- 200% of your last annual premium for three (3) years from Termination of Coverage;
- 300% of your last annual premium for five (5) years from Termination of Coverage;
- 400% of your last annual premium for an unlimited amount of time from Termination of Coverage;

The Extended Reporting Periods do not reinstate or increase the Limits of Liability beyond the limits available on the Certificate of Insurance, nor extend the Certificate Period. The Extended Reporting Periods do NOT apply to Claims that are covered under any subsequent insurance issued to the Named Certificate Holder, or that would be covered but for the exhaustion of the Limit of Liability applicable to such Claim.

19. What Professional Services does the policy cover?

Coverage under the policy applies to Claims arising out of the rendering or failing to render "Professional Services" for others in the conduct of your profession as a licensed life, accident and health agent, general agent or Registered Representative while there is in effect a valid contract with a Fraternal Society of the American Fraternal Alliance. Professional Services mean:

A. The sale or servicing of:

1. Life insurance, accident and health insurance, disability income insurance, and annuities;
2. Variable insurance products, including, but not limited to:
 - variable annuities, flexible and scheduled premium annuities
 - Variable life insurance
3. Employee benefit plans funded with those products listed in Section A.1. and 2.
4. Final expense and PreNeed insurance

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19. What Professional Services does the policy cover? (cont'd)

Optional Coverage Extension, if elected and the additional premium paid:

5. 529 Plans sold through any Broker/Dealer.
 6. Mutual Funds registered with the U.S. Securities and Exchange Commission and sold by a licensed Registered Representative through a Financial Insurance Regulatory Authority (FINRA) – licensed Broker/Dealer.
- B. The supervision and training by a General Agent over the conduct of an Insured.

20. Does the policy provide coverage for Claims related to the insolvency of an insurance carrier?

The policy excludes coverage for Claims arising out of, directly or indirectly insolvency, receivership, bankruptcy, inability or refusal to pay of any organization in which the Insured has placed or obtained coverage or in which an Insured has placed the funds of a client or account.

This exclusion does not apply if the Claim is based upon the insolvency, receivership, liquidation or inability to pay of any life, accident or health insurer that was rated "B+" or better by A.M. Best Company at the time the business was placed.

21. Am I covered for the life, accident and health or variable products I may do business with outside of the member Fraternal Society of the American Fraternal Alliance of which I am affiliated?

Yes, provided you have a valid contract in effect, you are appropriately licensed, and the act occurred prior to your termination of coverage under this Policy and after the Retroactive Date.

However, be aware that the deductible for these outside covered products is \$1,000.

22. Is the sale and servicing of property/casualty products covered?

No.

23. Am I covered for the sale and servicing of 529 Plans and Mutual Funds?

Yes, provided you have a valid contract in effect, you have elected Mutual Funds coverage Extension and pay the additional premium due, you are appropriately licensed, and the act occurred prior to your termination of coverage under this Policy and after the Retroactive Date. However, be aware that the deductible for these outside covered products is \$1,000.

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24. Do I have coverage for claims related to Network Security or Privacy Breach?

Yes. Coverage for Security and Privacy Liability (including Regulatory Proceeding Coverage) and Privacy Breach Cost Reimbursement is included at no additional cost. Subject to an aggregate limit of \$1,000,000 for all such coverage and Insureds combined, the following sub-limits and deductibles apply to each coverage part:

Coverage Part	Applicable Sub-Limit	Applicable Deductible
Security and Privacy Liability	\$100,000 each Claim/aggregate	\$5,000 each Claim
Regulatory Proceeding	\$50,000 each Regulatory Proceeding/aggregate	\$5,000 each Regulatory Proceeding
Privacy Breach Costs	\$50,000 each Privacy Event/aggregate	\$ -0- each Privacy Event

The retroactive date applicable to this coverage is January 1, 2016.

25. Can the insurance company cancel my coverage?

Coverage varies depending on the state in which you are licensed. Please check the individual state amendatory endorsements to determine the cancellation provisions relative to your Certificate of Insurance.

The Master Policy may be cancelled by the American Fraternal Alliance acting on behalf of you. If the Master Policy has been in effect less than sixty (60) days and is not a renewal of a Policy issued by Zurich, Zurich may cancel the Master Policy for any reason.

If the Master Policy has been in effect for sixty (60) days or more or is a renewal of a Policy issued by Zurich, Zurich may cancel this Master Policy for the following reasons:

- (i) nonpayment of premium as shown in the Master Policy Declarations;
- (ii) fraud or material misrepresentation affecting the Master Policy;
- (iii) substantial increase in hazard.

Written notice of cancellation shall take effect fifteen (15) days from the date of mailing for nonpayment of premium and seventy-five (75) days from the day of mailing for the reasons set forth in section (ii) and (iii) above.

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26. What are the Exclusions of the policy?

Exclusions (including, but not limited to): This Policy does not apply to any "Claim":

- A. Arising out of any act, error or omission of the "Insured" committed with dishonest, fraudulent, malicious or knowingly wrongful purpose or intent; however, notwithstanding the foregoing, the "Insured" shall be afforded a defense, subject to the terms of this Policy, until the allegations are subsequently proven by a final adjudication. In such event, the "Insured" shall reimburse the Company for all "Defense Costs" incurred by the Company;
- B. Alleging bodily injury, sickness or death of any person, or injury or destruction of any tangible property, including loss of use thereof;
- C. Alleging the liability of others assumed by the "Insured" under any contract or agreement unless such liability would have attached to the "Insured" even in the absence of such agreement;
- D. By an enterprise which one or more "Insureds" own, operate, control or manage; or any "Claim" by an enterprise which owns, operates, controls or manages an "Insured";
- E. Arising out of services performed by the "Insured" as an actuary, accountant, attorney, real estate agent or real estate broker, named fiduciary or third party claims administrator;
- F. Arising out of, or contributed to by, any commingling of, or use of client funds;
- G. Arising out of, directly or indirectly, the insolvency, receivership, bankruptcy, inability to pay of any organization in which the "Insured" has placed or obtained coverage, has placed a client's funds, or has recommended a client invest. However, the exclusion shall not apply if the "Claim" is based upon the insolvency, receivership, liquidation, or inability to pay of any insurance company that was rated "B+" or better by A.M. Best Company at the time the business was placed; or if the "Claim" is based upon the "Additional Insured(s)" insolvency, receivership, liquidation or inability to pay.
- H. Arising out of the "Insured's" activities in computer programming or processing if the resulting programs or software are sold or distributed or if a fee is charged for use of such program or software;
- I. Made against any "Insured" or the "Additional Insured" by:
 - 1. Any "Insured";
 - 2. Any "Additional Insured";
 - 3. Any "Broker/Dealer";
 - 4. Any other insurance company;
 - 5. Any other insurance agency, brokerage or intermediary;
 - 6. Any person or entities who in the past were, but are not currently, parties to an agent contract with the "Additional Insured"; or
 - 7. Any subsidiary or affiliate of the "Insured", "Additional Insured" or "Named Insured";
- J. Arising out of the use of confidential information by an "Insured", including but not limited to such use for the purpose of replacement of coverage;
- K. Arising out of the "Insured's" inability or refusal to pay or collect premium, claim or tax monies, including surcharges or assessments of any kind;

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26. What are the Exclusions of the policy? (continued)

- L. Arising from, or contributed to by, the placement of client's coverage or funds directly or indirectly with any organization which is not licensed to do business in the state or jurisdiction with authority to regulate such business. However, this exclusion does not apply to any "Claim" arising from or contributed to by the placement of client's coverage or funds directly or indirectly with any organization which is an eligible surplus lines insurance company in the state or jurisdiction with authority to regulate such business;
- M. Arising out of the ownership, formation, operation, or administration of, or advice regarding, referral to, recommendation of or placement of coverage with any self-insured health maintenance organization (HMO), self-insured preferred provider organization (PPO), risk retention group, self insurance program or purchasing group;
- N. Alleging a violation of the Telephone Consumer Protection Act of 1991 or Federal Communications Commission rules and any amendment thereto, or of any similar state communications statute;
- O. Arising out of the purchase, sale or the giving of advice regarding:
 - 1. Commodities, commodity future contracts, warrants, forward contracts, interest rate swaps or option contracts other than covered call option contracts or auction rate securities;
 - 2. Any security priced under five dollars (\$5.00) at the time of purchase;
 - 3. Promissory notes or other non-securitized evidence of debt;
 - 4. Viatical settlements, life settlements, stranger owned life insurance policies, or any security backed by either viatical, settlements, life settlements or stranger owned life insurance policies;
 - 5. Reverse mortgages or similar transactions in which the present value of a conditional contract is exchanged or sold;
 - 6. ETS pay phones or pay phone investments;
 - 7. "Junk Bonds" or "High Yield Bonds". For the purposes of this exclusion, "Junk Bonds" or "High Yield Bonds" mean bonds which, at the time of purchase or sale were unrated or rated as below investment grade by any rating agency (including but not limited to Moody's rated bonds of Ba or lower or S&P rated bonds of BB or lower);
 - 8. A multiple employer welfare benefit fund (intended to be a welfare benefit fund) described in Section 419(A)(f)(6) of the Internal Revenue Code of 1986, as amended or any successor thereto;
- P. Based solely upon a loss alleged to have been sustained through fluctuation in market value of any security;
- Q. Based upon or arising out of any Pension, Profit Sharing, Health and Welfare or other Employee Benefit Plan or Trust sponsored by the "Insured" as an employer;
- R. Arising out of the "Insured" making representations, promises or guarantees as to the future value of any investment including but not limited to, representations, promises or guarantees as to interest rates, fluctuation in interest rates, future premium payments or market value(s);
- S. Arising out of or involving investment products partially or totally owned by the "Insured"; or
- T. Arising out of the brokering or structured settlements; however, this exclusion does not apply to any "Claim" arising from or contributing to the sale of annuity products used to fund the structured settlements;
- U. Arising out of alleged discrimination of any kind;

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- V. Prior to the first effective date of coverage issued to the "Named Certificate Holder", provided no "Insured" had any basis:
1. To believe that any "Insured" had knowledge of any negligent act, error or omission or "Personal Injury";
 2. To foresee that any such negligent act, error or omission or "Personal Injury" or any related negligent act, error or omission or "Personal Injury" might reasonably be expected to be the basis of a "Claim".
- W. Based upon, arising out of, or attributable to:
1. The actual, alleged or threatened discharge, release, escape, seepage, migration or disposal of "Pollutants" into or on real or personal property, water or the atmosphere; or
 2. Any direction or request that the "Insured" tests for, monitors, cleans up, removes, contains, treats, detoxifies or neutralizes "Pollutants", or any voluntary decision to do so.
- This pollution exclusion applies whether or not such "Pollutants" have any function in the "Insured's" business, operations, premises, site or location and regardless of whether any other cause, event, material or product contributed concurrently or in any sequence to any "Damages" and "Defense Costs" associated with such "Pollutants"; or
- Y. This Policy does not apply to any "Claim":
1. Based upon or arising out of any Pension Profit Sharing, Health and Welfare or other Employee Benefit Plan or Trust sponsored by the "Insured" as an employer:
 2. Arising out of the "Insured" making representations, promises or guarantees as to the future value of any investment including but not limited to, representations, promises or guarantees as to interest rates, fluctuation in interest rates, future premium payments or market value(s);
 3. Arising out of or involving investment products partially or totally owned by the "Insured"; or
 4. Arising out of the brokering of structured settlements; however, this exclusion does not apply to any "Claim" arising from or contributing to the sale of annuity products used to fund the structured settlements.
- Z. This policy does not apply to any "Claim" or circumstance which may be expected to give rise to a "Claim" based upon, arising out of, or attributable to "Virtual Currency".

THIS INFORMATION IS NOT INTENDED TO INTERPRET THE ACTUAL COVERAGE CONTENT IN THE POLICY NOR IS IT LEGAL ADVICE, BUT RATHER SUMMARIZES OUR UNDERSTANDING OF THE COVERAGE PROVIDED. PLEASE REFER TO THE POLICY FOR COVERAGE CONTENT.

THIS DOCUMENT DOES NOT REFLECT THE TERMS AND CONDITIONS OF THE POLICY WHICH HAVE BEEN MODIFIED IN ORDER TO COMPLY WITH STATE SPECIFIC REQUIREMENTS. PLEASE CONTACT CALSURANCE[®] TO REQUEST A COPY OF THE APPLICABLE STATE AMENDATORY ENDORSEMENT WHICH DETAILS ANY CHANGES TO THE POLICY RELATIVE TO THE NAMED CERTIFICATE HOLDER'S STATE OF DOMICILE OR PRIMARY PLACE OF BUSINESS.