

# National Life Group – Affiliated Agents E&O Program

## Outline of Coverage

### **Policy Period:**

May 1, 2024 to May 1, 2025

### **Insurer:**

Markel American Insurance Company (a member of the Markel Corporation and an Admitted Carrier)

A.M. Best Rating: A (Excellent), XV\*

\*The information obtained from A.M. Best, dated October 27, 2023 is not in any way CalSurance Associates' 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.

### **Policy Number:**

MKLM7PLCA00098

### **Risk Purchasing Group Membership:**

By applying for this insurance, agents are applying for membership in the Financial Sales Professionals Purchasing Group, a group formed and operating pursuant to the Liability Risk Retention Act of 1986 (15 USC 3901et seq.). There is no additional charge for this membership.

### **Limits of Liability:**

#### **Affiliated Agents and Registered Representatives of ESI Each Claim / Each Insured Agent**

\$1,000,000 / \$2,000,000;  
\$2,000,000 / \$2,000,000; or  
\$3,000,000 / \$3,000,000.

*Note: NFT Affiliated Agents are only eligible to elect limits of \$1,000,000 / \$2,000,000. Inexperienced and Retired Agents are only eligible to elect limits of \$1,000,000 / \$2,000,000 or \$2,000,000 / \$2,000,000.*

#### **General Agents**

**Each Claim / Each Insured Agent**  
\$3,000,000/\$5,000,000

### **Deductibles (apply to Damages Only):**

\$ 500	Each Claim Each Agent for products of National Life Group
\$2,500	Each Claim Each Agent for all other covered products

### **Coverage:**

Claims made and reported coverage for acts, errors, omissions, or Personal Injuries arising out of the rendering or failing to render Professional Services for others in the conduct of the Agent's profession as an Insurance Agent, broker, General Agent, notary public, or a Registered Representative of ESI.

### **Eligible Participants:**

- Full Time Agents
- New Full Time Agents
- Not Full Time Agents
- Retired Agents
- General Agents
- Registered Representatives of Equity Services, Inc.

### **Insureds:**

- Corporation/Partnership/Business Entity
  - Partners/Officers/Directors/Stockholders
  - Employees acting in an administrative capacity on behalf of the Agent
  - Heirs/Executors/Administrators/Legal Representatives in the event of death or incapacity
  - Vicarious liability coverage for CPAs who are part of the CPA Advantage Program\*
- \*Agents must contact National Life to obtain coverage.

***No additional limits of liability are provided to the Insureds listed above. The limits of liability shall be those limits of liability applicable to the Agent whose wrongful act(s) gave rise to the Claim or the Agent who is responsible for the wrongful act(s) of such Insured(s).***

### **Professional Services:**

The solicitation, sale or servicing of the following:

- a. Life insurance, accident and health insurance, disability income insurance and annuities;
- b. Variable insurance products, including, but not limited to, variable annuities, flexible and scheduled premium annuities and variable life insurance;
- c. Employee benefit plans funded with those products listed herein in Subsections 1.a., b., d., e., f., g., and h.;
- d. Mutual funds that are registered with the SEC and authorized or approved by and distributed through a broker or dealer that is a member of FINRA;

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#### **Professional Services: (continued)**

- e. **Securities** (other than variable annuities, variable life insurance and mutual funds) that are authorized or approved by and actually processed through the **Broker/Dealer**;
  - f. Workers' compensation as part of a 24-hour accident and health insurance product;
  - g. Long term care insurance;
  - h. Long term care and cash management IRAs, transaction accounts or related products, provided such products are sold through a life insurance company, ESI, or ESI Financial Advisors;
  - i. Financial planning, advice and consultation solely in connection with any of the products listed in Subsection 1.a., b., d., e., g., and h.;
  - j. Notary public services; or
  - k. **Bookkeeping Services.** **Bookkeeping Services** means the issuance of compilation reports; reviews of unaudited financial statements; managing, advising or consulting with respect to improving business efficiency; providing advice on tax or accounting matters; acting as an enrolled agent, and the preparation of tax returns. However, **Bookkeeping Services** shall not include audit services.
2. The consultation with participants in an employee benefit plan in order to explain the provisions of such plan and the handling of day-to-day ministerial functions required by such plan, including without limitation; enrollment, record keeping and filing reports with governmental agencies.

#### **Retroactive Date:**

The earlier of:

- The Agent's first continuously renewed life insurance agents professional liability coverage, which was in effect without interruption from the date of the Wrongful Act or first Interrelated Wrongful Act related to the Claim to the date when the Claim is first made, subject to submission of proof of such coverage to the Insurer; or
- The Agent's first uninterrupted and continuously effective agent contract or appointment with National Life Group

#### **Duty to Defend?**

Yes, to those Claims for which coverage applies.

#### **Cancellation of Coverage or Contract Termination:**

Coverage automatically ceases on the date the Agent's contract terminates, regardless of the reason for such termination. The Agent will be responsible for any outstanding amount due if termination occurs.

#### **Extended Reporting Period (ERP):**

ERP is provided for two years from the date of contract termination for National Life products and 6 months for all other covered products. ERP provides the Agent with the ability to report Claims arising out of Wrongful Act(s), which occurred after the Retroactive Date, but before the date of termination.

If the Agent's contract terminates due to retirement, disability, or death, the ERP described above will be extended to as long as the E&O program is renewed with Markel or a minimum of two years from the date of the Agent's retirement, disability, or death.

The following ERP options will be available for purchase within 60 days of contract termination in the event of retirement, disability or death:

- 3 years from contract termination for 200% of last annual policy premium
- 5 years from contract termination for 300% of last annual policy premium
- Unlimited amount of time from contract termination for 400% of last annual policy premium

Please note that an optional ERP is in lieu of and not in addition to the automatic ERP described above.

ERP does not reinstate or increase the limits of liability beyond the limits shown on the Certificate of Insurance, nor does it extend the Policy Period.

ERP will NOT be provided under the following circumstances:

- if other E&O insurance has been purchased to replace this Policy; or
- if the Agent is insured under any other professional liability insurance policy; or
- if the Agent fails to pay the full premium due under the policy.

#### **Claims Administration:**

Lancer Claims Services, A Division of Brown & Brown Program Insurance Services, Inc.  
681 S. Parker Street, 3<sup>rd</sup> Floor, Orange, CA 92868  
Phone: 800-821-0540

#### **Program Administration:**

CalSurance Associates, A Division of Brown & Brown Program Insurance Services, Inc.  
California License Number: 0B02587  
681 S. Parker Street, 3<sup>rd</sup> Floor, Orange, CA 92868  
Phone: 866-226-9308

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### Exclusions

(including, but not limited to)

This Policy shall not apply to, and the **Insurer** shall pay neither **Damages** nor **Claim Expenses** for, any **Claim**:

- A. For any actual or alleged sickness, disease, death or other bodily injury, or damage to or destruction of property, including loss of use thereof;
- B. Made against any Insured or the Sponsoring Company by:
  - 1. Any **Insured**;
  - 2. Any **Sponsoring Company**;
  - 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 or appointment with the **Sponsoring Company**; or
  - 7. Any subsidiary or affiliate of the **Insured** or **Sponsoring Company**;

However, this Exclusion shall not apply to any **Claim** otherwise covered under Section I – Insuring Agreement B. Managing Agents Management Liability;

- C. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving:
  - 1. Any **Wrongful Act** or **Management Wrongful Act** alleged in any **Claim** which has been reported, or any circumstance of which notice has been given, prior to the **Policy Period**, or before the effective date of the **Insured's** enrollment for coverage, under any other policy; or
  - 2. Any other **Wrongful Act** or **Management Wrongful Act**, whenever occurring, which together with a **Wrongful Act** or **Management Wrongful Act** which has been the subject of such **Claim** or notice, would constitute **Interrelated Wrongful Acts** or **Interrelated Management Wrongful Acts**, regardless of the legal grounds upon which such **Claim** is predicated upon any:
    - a. **Claim**, demand, suit, proceeding or investigation of which the **Insured** had knowledge, pending on or prior to the inception date of the **Policy Period**, or before the effective date of the **Insured's** enrollment for coverage hereunder; or
    - b. Fact, matter, circumstance, situation, transaction or event underlying or alleged in such demand, suit, proceeding, **Claim** or investigation, regardless of the legal grounds upon which such **Claim** is predicated;
- D. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any:
  - 1. Actual or alleged dishonest, purposeful, malicious, fraudulent or criminal act or willful violation of any federal, state or local statute, by, at the direction of or with the knowledge of any **Insured**; or
  - 2. Gaining of profit, remuneration or monetary advantage to which an **Insured** is not legally entitled.

However, the **Insurer** shall continue to defend a **Claim** alleging any of the foregoing conduct until there is a judgment, final adjudication, adverse admission or finding of fact against any **Insured** as to such conduct, at which time the **Insured** shall reimburse the **Insurer** for the costs of defending the **Claim**. Moreover, an actual or alleged dishonest, purposeful, malicious, fraudulent or criminal act or willful violation of any federal, state or local statute of one **Agent** or **Managing Agent** will not be imputed to another **Agent** or **Managing Agent**;

- E. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged conversion, commingling, use, handling, entrustment, safeguarding, inability to pay or failure to pay premiums, funds or any form of money;

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- F. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged liability of others assumed by any **Insured** under an agreement, contract, guarantee or warranty unless the **Insured** would be liable in the absence of such agreement, contract, guarantee or warranty;
- G. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged rendering of services as an actuary, accountant, attorney, real estate agent, real estate broker, third-party claims administrator, property and casualty agent or broker, regardless of whether such services are incidental to the rendering of **Professional Services**; however, this exclusion shall not apply to tax advice provided to a client as a necessary part of rendering **Professional Services**. This Exclusion shall not apply to an **Insured** acting:
  - 1. as a Fiduciary Advisor if such investment advice is provided pursuant to and in accordance with all of the requirements of the Pension Protection Act of 2006;
  - 2. as a fiduciary, as defined under Section 3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 (ERISA), as amended, or under section 4975(e)(3)(B) of the Internal Revenue Code, while providing **Professional Services**; or
  - 3. in a fiduciary capacity (e.g. trustee, power of attorney, attorney-in-fact, executor) for a customer's account but only if they are a relative of the **Agent** and such **Agent** is in compliance with ESI and National Life's procedures regarding exceptions to acting as a trustee, executor or other fiduciary capacity;
- H. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged placement of a client's coverage or funds, directly or indirectly with any organization, entity or vehicle of any kind, nature or structure which is not licensed or authorized to do business in the state or jurisdiction with authority to regulate such business; however, this exclusion shall not apply to a **Claim** based upon or arising out of the placement of insurance or coverage with an eligible surplus lines insurer in the state or jurisdiction with authority to regulate such business;
- I. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged insolvency, receivership, conservatorship, liquidation, bankruptcy, failure or inability to pay of any company, organization, entity, vehicle or arrangement of any nature in which an **Insured** placed, recommended to be placed or obtained coverage or in which an **Insured** placed, recommended to be placed funds or an investment of any nature; however, this exclusion shall not apply to a **Claim** based upon or arising out of the placement, recommendation for placement or obtaining coverage with an insurance company rated by A.M Best's as B+ or better at the time when coverage is placed, recommended or obtained;
- J. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any pension plan, profit sharing plan, health and welfare or any other employee benefit plan or trust sponsored by an **Insured**, in which an **Insured** is a participant, trustee or named fiduciary;
- K. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any pension plan, profit sharing plan, health and welfare or any other employee benefit plan or trustor which are self-funded, in whole or in part;
- L. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any ownership, formation, operation or administration of any insurance company, captive, risk retention group, self-insurance program or purchasing group;
- M. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged:
  - 1. Unfair competition;
  - 2. Anti-competitive acts;
  - 3. Restraint of trade;
  - 4. Price fixing;

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(including, but not limited to)

5. Monopolization;
  6. Misuse of confidential or proprietary information;
  7. Copyright, patent, trade mark or trade secret infringement;
  8. Piracy, theft or conversion of ideas, employees, contacts or business methods; or
  9. Illegal, improper or deceptive advertisement;
- N.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged actual or alleged discrimination or harassment in any form or manner;
- O.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any failure, malfunction or breakdown of any computers, electrical, electronic or mechanical systems or machines;
- P.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged notarization of documents without authorization or without the signatory's actual presence before an **Insured**;
- Q.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged guarantee, promise or warranty as to interest rates, market values, earnings, future values or future premiums or payments in connection with variable life insurance, variable annuities, scheduled premium annuities, mutual funds or **Securities**;
- R.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any **Securities** (other than variable life insurance, variable annuities and mutual funds) that were not authorized or approved by and actually processed through the **Broker/Dealer**;
- S.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any function of an **Insured** as a specialist or market maker for any **Securities**, an **Insured** failing to make a market for any **Securities**, or the purchase, sale or failure to sell **Securities** when the **Insured** is a specialist or market maker for such **Securities**;
- T.** Arising out of the **Insured's** activities in exercising discretionary authority, management or control over a customer's account; however, this exclusion shall not apply to an **Associated Person** of a Registered Investment Adviser that is a **Subsidiary** of the additional **Insured** who have been approved to exercise discretionary authority for rebalancing a portfolio that is in variance, bringing it back into alignment with the original allocation or replacing a holding with a like holding that has the same risk profile (as defined by Envestnet);
- U.** Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving:
1. Promissory notes, viatical or life settlements, or any **Securities** backed by either viatical or life settlements; however this exclusion shall not apply to promissory notes that were authorized or approved by ESI;
  2. Commodities, commodity futures and option contracts, except for option contracts that were authorized or approved by ESI or processed through ESI or ESI Financial Advisors; covered call option contracts; or auction rate securities;
  3. Any "junk bonds" or "high yield bonds" (for 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 bonds of Ba or lower or S&P bonds of BB or lower);
  4. Any **Securities** sold exclusively outside of the United States of America or Canada;
  5. Actual, attempted or threatened mergers, acquisitions, divestitures, tender offers, proxy contests, leveraged buy-outs, going private transactions, reorganizations, capital restructuring, recapitalization, fairness opinions, spin-offs, primary or secondary offerings of **Securities** (regardless of whether the offering is a public offering or a private placement) or other efforts to raise or furnish capital or financing for any company, corporation, enterprise or entity or disclosure requirements in connection with any of the foregoing, as well as any other investment banking activities;

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(including, but not limited to)

- 6. Structured settlements; however, this exclusion shall not apply to a **Claim** arising out of or based upon the sale or servicing of the underlying product, if otherwise covered by this Policy; and
- 7. Any **Securities** that are wholly or partially owned by any **Insured**;
- V. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving actual or alleged use or disclosure, aiding or abetting use or disclosure or participation after the fact in use or disclosure of non-public or insider information as prohibited by any federal, state or local laws, statutes, regulations or ordinances, including but not limited to, the Insider Trading and Securities Fraud Enforcement Act of 1988, Section 10(b) of the Securities Exchange Act of 1934 and Securities Exchange Commission Rule 10b-5 thereunder;
- W. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving, actual or alleged advice, consultation or recommendations of any type of mortgage, including, but not limited to, a reverse mortgage, regardless of whether an incidental part of the rendering of **Professional Services**; however, this exclusion shall not apply to:
  - 1. financial planning advice related to reverse mortgages but only if the proceeds of any reverse mortgage are not later invested through the registered representative;
  - 2. a registered representative's investment of a client's liquefied home equity pursuant to and in accordance with the policies and procedures of ESI;
- X. This Policy shall not apply to, and the Insurer shall pay neither Damages nor Claim Expenses for, any Claim: Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving, in whole or in part, individually or in conjunction with other matters, **Crypto Currency** and/or **NFT**. However, this exclusion shall not apply to mutual funds or securities registered with the Securities and Exchange Commission that are publicly traded on a national exchange.

Section IV – Definitions, is amended to include the following:

**Crypto Currency** means digital, computerized or on-line medium of exchange, including, but not limited to, any kind of virtual or electronic currency, that: (i) is not issued or guaranteed by a government central bank, domestic or foreign government or other public authority; or (ii) not adopted or authorized by a domestic or foreign government as a part of its currency.

**NFT** means a non-fungible token, which is any digital or virtual asset or unit of data stored on blockchain or other digital or virtual ledger, which represents a tangible or intangible item, such as, without limitation, graphic art, GIF, music, video or collectible, and grants or certifies the holder's ownership rights to such item, in whole or in part.
- Y. Based upon, arising out of, or in any way involving any sale, attempted sale, or servicing of any life insurance policy issued after 5/1/2023 using premium financing. Premium financing includes the payment or financing of any premium, in whole or in part, through any premium financing company, financial institution or any other premium financing mechanism. This exclusion shall not apply to life insurance policies issued by a National Life Group company.

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