

QUESTIONS AND ANSWERS

Named Insured: Agents of Penn Mutual Life Insurance Company and Registered Representatives of Hornor Townsend and Kent, Inc. who have enrolled for coverage, paid a premium, are scheduled by the Insurer, and who are members of the Financial Sales Professionals Purchasing Group ("Agent")

Policy Number: MKLM7PLCA00104

Insurer: Markel American Insurance Company ("the Insurer")

Policy Period: August 1, 2024 to August 1, 2025

1. Who is Markel American Insurance Company (a member of The Markel Corporation)?

Markel American Insurance Company ("the Insurer") is the issuing carrier for the policy sponsored by Penn Mutual Life Insurance Company. Markel is rated A (Excellent) by A. M. Best.

This information obtained from A.M. Best is not in any way CalSurance Associates' warranty or guaranty of financial stability of the insurer. The information is current only as of October 27, 2023, the date of publication.

2. What is the Financial Sales Professional Purchasing Group?

Certain states require that a group policy must be purchased through a Risk Purchasing Group, (RPG). At no additional charge, Penn Mutual provides for your membership in the "Financial Sales Professionals Purchasing Group", an 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 Program Insurance Services, Inc.?

Brown & Brown is one of the largest and most respected independent insurance intermediaries in the nation, with over 70 years of continuous service. They are 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. is the broker selected by Penn Mutual to administer and place coverage with the underwriting marketplace on behalf of the producers and registered representatives of Penn Mutual and HTK. Questions regarding enrollment, premium payment, coverage, or when to file a **Claim**, as well as requests for copies of your certificate of insurance can be obtained from CalSurance Associates. All questions regarding your producer classification for purposes of your E&O premium should be directed to Penn Mutual. (See contact information Question 4)

Lancer Claims Services, a Division of Brown & Brown Program Insurance Services, Inc. has been selected by Markel American Insurance Company as the administrator of **Claims** that occur under the Penn Mutual sponsored Agents' Professional Liability Policy. Lancer Claims Services handles only professional liability claims. 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 producers seeking information regarding their professional liability coverage:

For Proof of Coverage:

Visit the CalSurance Associates website at www.calsurance.com/pmlhtk. Select "Reprint Certificate of Insurance" or contact **CalSurance®** Customer Service at 866-893-1097.

Questions Regarding Coverage or Enrollment:

CalSurance® Customer Service

681 S. Parker Street, Suite 300, Orange, CA 92868

Phone: 866-893-1097

Monday to Friday, 7 a.m. – 5 p.m., Pacific Standard Time.

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4. Important Contact Information (continued)

Questions Regarding How to Report a Claim:

Lancer Claims Services

First Reports Desk

681 S. Parker Street, Suite 300, Orange, CA 92868

Phone: 800- 821-0540, ext. 653

Email: FirstReports@lancerclaims.com

Questions Regarding Your Producer Classification for E&O Purposes:

Contracts, Licensing, & Registration (CL&R)

The Penn Mutual Insurance Company

Phone: 800-818-8184, #1, 8323

Email: CLRHTKTeam@pennmutual.com

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

The first limit stated is an each **Claim** limit and the second limit is the total Aggregate per **Policy Period** for each **Agent** (i.e. enrolled producer or representative of HTK). This means the Insurer will pay up to \$1,000,000 on any single **Claim** arising from a **Wrongful Act** or **Interrelated Wrongful Act** made against an **Insured** (the **Agent** or anyone covered under the **Agent's** limit). The total limit available to the **Agent** regardless of the number of **Claims** made against the **Agent** during the **Policy Period** is \$1,000,000.

Interrelated Wrongful Acts means **Wrongful Acts** that are temporally, logically or causally connected by any common nexus of any fact, circumstance, situation, or event, or which are the same, related or continuous acts, regardless of whether the **Claim** or **Claims** alleging such acts involve the same or different claimants, **Insureds** or legal causes of action; however, if the **Claim** or **Claims** arising out of such **Interrelated Wrongful Acts** involve more than one **Insured Agent**, each **Insured Agent** shall have his or her own Limits of Liability identified in Item 3.a. in the Declarations.

In other words, if an **Agent** has one **Claim** during the **Policy Period** for \$1,000,000, the **Agent** would have no additional limits left under the Policy after the payment of that **Claim**. If instead the **Agent** had one **Claim** during the **Policy Period** for \$600,000, the **Agent** 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**.

Please see question 12 to learn more about how payment of **Claims Expenses** impacts your selected Limit of Liability.

6. Can I purchase additional Limits of Liability?

Eligible producers may purchase a \$2,000,000 each **Claim** / \$2,000,000 annual Aggregate or a \$3,000,000 each **Claim** / \$3,000,000 annual Aggregate for an additional premium or a \$5,000,000 each **Claim** / \$5,000,000 annual Aggregate" for an additional premium.

These options are only available during the open enrollment period at renewal.

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7. What is a sub Limit of Liability?

Certain covered **Professional Services** contain a sub Limit of Liability. This means the carrier will not pay more than the sub-Limit of Liability for any one **Claim** or all **Claims** arising out of these products. The sub Limit of Liability is included within the **Agent's** selected Limit of Liability. It does not increase their Limit of Liability. The sub Limit of Liability applies to those **Professional Services** even if the **Agent** has selected the optional additional Limits of Liability stated above.

Sub Limits of Liability

Employee Benefit Plans, including but not limited to placement of coverage with Multiple Employer Welfare Arrangements if the plan is not funded wholly or partially by coverage which is issued by Penn Mutual and sold in accordance with Penn Mutual's procedures in effect at the time of sale:

\$500,000 Each **Claim**
\$500,000 **Agent** Aggregate
No Policy Aggregate

Private Placements, Limited Partnerships, Non-traded Real Estate Investment Trusts ("REITS"), Tenant-In-Common/IRS 1031 Exchanges, or hedge funds approved in writing and sold through HTK:

\$ 1,000,000 Each **Claim**
\$10,000,000 Policy Aggregate

8. What is a Claim?

Claim means a written demand for money or services received by an **Insured** alleging a **Wrongful Act**. Some examples of what is considered a **Claim** include but are not limited to:

- 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 should I do if a customer complains or I discover an error but it does not meet the definition of a Claim under the Policy?

If you become aware of any negligent act, error or omission which could reasonably be expected to give rise to a **Claim** against you or someone covered under your policy or if you receive a complaint from a customer that you reasonably think may result in a **Claim** you should report it to the Insurer as soon as practicable (See What to Do in the Event of **Claim** document). This is usually referred to as an incident or a potential claim.

Any notice you provide must include:

- A detailed description of the specific act, error or omission;
- The injury or damage which has or may result from such negligent act, error or omission; and
- The circumstances by which you first became aware of such negligent act, error or omission.

Any **Claim** which subsequently arises out of such negligent act, error or omission will be considered a **Claim** made during the **Policy Period** in which the written notice was received. No coverage is provided for these matters if you have other policies which provide insurance for such **Wrongful Acts**.

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9. What should I do if a customer complains or I discover an error but it does not meet the definition of a Claim under the Policy? (continued)

It is important to make sure that you submit all matters DURING the **Policy Period** which you reasonably believe may result in a **Claim**. Failure to submit these matters may result in a **Claim** being denied under future policies if you had knowledge that such matters could result in a **Claim** and you did not report them during the **Policy Period** in which you discovered them. See Question 10 bullet C. below.

10. What is a "Claims Made and Reported" policy?

Coverage is provided to you on a "Claims Made and Reported" basis. This means the Policy will pay on behalf of the **Insured** all sums which the **Insured** shall become legally obligated to pay, subject to their applicable Limit of Liability, as **Damages** and **Claims Expenses** resulting from **Claims** first made against the **Insured** during the **Policy Period**, or **Extended Reporting Period**, if applicable as a result of a **Wrongful Act** by an **Insured** provided that:

- A. The **Wrongful Act** was first committed on or after the **Retroactive Date** (this is defined in Question 11) and before the end of the **Policy Period**;
- B. The **Insured** reported such **Claim** in writing to the Insurer, as soon as practicable, during the **Policy Period**, but in no event later than ninety (90) days after expiration or termination of this Policy, or during the **Extended Reporting Period**, if applicable;
- C. Prior to the **Agent's** initial enrollment in the subject program, no **Insured** knew or could have reasonably foreseen that such **Wrongful Act** might give rise to a **Claim**; and
- D. There is no other policy or policies which provide insurance for such **Wrongful Act**.

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

11. What is the Retroactive Date under the Policy?

The **Retroactive Date** (prior acts coverage), provided under the Policy is the earlier of:

- the inception date of your first claims-made Life Agents Professional Liability policy or Broker/Dealer Professional Liability policy which has been maintained in force without interruption, or
- the effective date of your first continuous contract with Penn Mutual/PIA (or registration with HTK if you are not contracted with Penn Mutual/PIA).

With respect to **Securities** other than Mutual Funds, Unit Investment Trusts, 529 Plans, and Variable Products (which are subject to the **Retroactive Date** stated above), the prior acts coverage provided under the Policy is the effective date of your first continuous registration with HTK.

Please see Question 17 for a list of **Professional Services** covered by this Policy. Coverage will not apply to any **Claim** involving prior acts unless it is based on the **Insured** rendering or failing to render covered **Professional Services** as defined in the Policy.

Important Tips Regarding Certificates and the Retroactive Date:

Keep all copies of your E&O Certificates - keeping evidence of your insurance is one of the most important things you can do. If a covered **Claim** involves **Professional Services** prior to your first continuous contract with Penn Mutual/PIA (or registration with HTK if you are not contracted with Penn Mutual/PIA), you will need to provide proof of continuous E&O coverage in place from the date of the error up until the date you first became continuously contracted with Penn Mutual/PIA (or registration with HTK if you are not contracted with Penn Mutual/PIA). The last thing you want to worry

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11. What is the Retroactive Date under the Policy? (continued)

about when you have a **Claim** is tracking down certificates of insurance from past years. Take the time to make sure you have copies of all of your Certificates of Insurance. (*evidence of your insurance is available on-line for current and prior years while you have been enrolled in the Penn Mutual Sponsored program*)

Don't let your E&O lapse – even a one day gap in your coverage will negate your prior acts coverage. You may be insured today under a policy that provides coverage as of your first continuous date of contract with Penn Mutual/PIA (or registration with HTK if you are not contracted with Penn Mutual/PIA), but you never know what coverage you will have in the future and keeping your E&O continuous will help you avoid potential future issues with gaps in coverage. This policy has an August 1 effective date. That means that your new coverage must always incept on August 1!

Understand what happens to your E&O coverage if your contract terminates with Penn Mutual (or your registration with HTK if you are not contracted with Penn Mutual/PIA) – Like most E&O policies, the Penn Mutual sponsored program coverage will terminate automatically if your contract with Penn Mutual/PIA terminates (or registration with HTK if you are not contracted with Penn Mutual/PIA). (See question 15 of this Guide for more details). This can lead to a gap in coverage if you assume your coverage will remain in place to the end of the policy period. New coverage must have an effective date the same date as your contract termination date.

Make sure your policy covers your past activities and not just what you are doing today - no matter what your prior acts coverage, the act, error or omission that is the basis of the **Claim** must still be a covered **Professional Service** under the current policy. See the example below:

Agent John Smith began his career in life insurance in 1969. He became a registered representative in 1990. By 2011 he decided to begin winding down his practice, de-registered with his broker/dealer, and today he is focusing only on life sales. Because he only sells life insurance he purchased an E&O policy that provides coverage as a life insurance agent. He finds coverage that provides him will full Prior Acts. Unfortunately, he has a hole in his coverage. Because his current policy provides coverage only as a life insurance agent, he is unprotected against claims brought against him for his past activities as a registered representative.

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

The Insurer has the right and duty to defend any **Claim** made against an **Insured**. The Insurer has the right to make such investigation and conduct negotiations and, with the consent of the **Insured**, effect settlement of any **Claim** as the Insurer deems reasonable. If the **Insured** refuses to consent to a settlement or compromise recommended by the Insurer which is acceptable to the claimant and elects to contest or continue to contest the **Claim**, the Insurer's liability shall not exceed the amount for which the Insurer would have been liable for **Damages** and/or **Claims Expenses** if the **Claim** had been so settled when and as so recommended, and the Insurer shall have the right to withdraw from the further defense of the **Claim** by tendering control of the defense thereof to the **Insured**.

The cost to defend you is in addition to your each **Claim** and per Aggregate Limit of Liability and subject to a limit of \$1,000,000 per claim. The cost to defend you will not reduce your available Limit of Liability.

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12. Does the Policy pay for the expenses to defend a Claim? (continued)

IMPORTANT! You may not without the prior written consent of the Insurer:

- 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.

If the Aggregate/Each Insured Limit of Liability is exhausted by any settlement or judgment of any **Claim**, the Insurer's obligation under this Policy shall be terminated and the Insurer shall have the right to withdraw from the further investigation or defense of any pending **Claim** by tendering control of such investigation or defense to the applicable **Insured** who agrees, as a condition to the issuance of this Policy, to accept such tender.

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 **Claims Expenses**.

- There is a \$1,500 per **Claim** Deductible for **Claims** involving products of Penn Mutual/PIA. This Deductible also applies to **Cost of Corrections Claims** (where an error is discovered and can be remedied before a **Claim** is made by the client) involving these products unless they are variable products.
- There is a \$2,000 per **Claim** Deductible for non-proprietary products sold through HTK. A \$2,000 Deductible also applies for **Cost of Corrections* Claims** involving all **Securities** (including all variable products and mutual funds) sold through HTK.
- There is a \$3,000 per **Claim** Deductible for all other covered products.
- There is a \$5,000 per **Claim** Deductible for Employee Benefit Plans, including but not limited to placement of coverage with Multiple Employer Welfare Arrangements if the plan is not funded wholly or partially by coverage which is issued by Penn Mutual and sold in accordance with Penn Mutual's procedures in effect at the time of sale.

*For example, if you or HTK discover a trade error and HTK corrects the trade so the client has no damages, HTK may make a **Claim** under the E&O program and you would be subject to the **Cost of Corrections** Deductible.

14. How do I obtain coverage for my staff (i.e. who else is an Insured)?

The **Agent's** (producer's) coverage extends to:

- a. Any entity owned or controlled by the **Agent**, but solely in connection with **Professional Services** provided by the **Agent**.
- b. Any employee, partner, officer, director, or stockholder, acting in his or her capacity as such on behalf of the **Agent**, but solely if such person is not otherwise contracted as a soliciting agent or broker with any insurance company, and solely in connection with **Professional Services** provided by the **Agent**.
- c. The legal heir, executor, administrator or legal representative of an **Agent** in the event of such **Agent's** death, incapacity or bankruptcy.
- d. The lawful spouse or domestic partner of an **Agent** or of any individual who qualifies as an **Insured** under Section b. or c. above, for a **Claim** arising solely out of spousal or domestic partner status, and not out of any alleged independent wrongful acts, of such individual.

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14. How do I obtain coverage for my staff (i.e. who else is an Insured)? (continued)

- e. An individual who makes referrals to Agents through the Professional Advisors Alliance (formerly known as Business Building Partners) (CPAs and Attorneys), only for products approved in writing by Penn Mutual. Coverage shall be afforded only if such individual is named as a co-defendant with an Agent and such individual maintains their own professional liability insurance. The Limits of Liability available to such individual for such Claim shall be shared with and shall not be in addition to the Limits of Liability of the Agent.

The individuals or entities listed above share in the Each **Claim** and annual Aggregate Limit of Liability of the **Agent** whose **Wrongful Act** gave rise to the **Claim** or the **Agent** who is responsible for the **Wrongful Act** of such other **Insured**. They do not have a separate Limit of Liability.

15. What happens if my producer's contract with Penn Mutual Life Insurance Company is terminated during the Policy Period?

The errors and omissions coverage ceases on the date that the producer's contract terminates. Premium is fully earned and non-refundable. There will be no return of premium.

Automatic Extended Reporting Period Due to Termination of Agent Contract.

If, during the **Policy Period**, Penn Mutual terminates an **Agent's** contract (or registration with HTK if the **Agent** is not contracted with Penn Mutual), coverage for such **Agent** shall cease as of the date of termination.

In this case, the **Agent** shall have a period of one (1) year after the date of termination to report to the Insurer any **Claim** which is first made during this one (1) year period and which arises from a **Wrongful Act** committed on or after the **Retroactive Date** and prior to the end of the **Policy Period**.

Optional Extended Reporting Periods.

The **Agent** or its legal representative may elect to purchase an additional **Extended Reporting Period** for a period of three (3) years for an additional premium equal to 200% of the **Agent's** last annual premium, to report to the Insurer any **Claim** which is first made during the applicable period and which arises out of a **Wrongful Act** committed prior to the event and on or after the **Retroactive Date**.

Extended Reporting Periods – Other Terms and Conditions

- a) Automatic **Extended Reporting Periods** shall not apply to any **Agent** that has any other applicable insurance.
- b) The Optional **Extended Reporting Period** shall extend any applicable Automatic **Extended Reporting Period**.
- c) At the commencement of any Optional **Extended Reporting Period**, the entire premium thereafter shall be deemed fully earned.
- d) The fact that this Policy may be extended by virtue of an **Extended Reporting Period** shall not in any way increase the Limits of Liability as set forth in the Declarations.

Policy Period means the period from the effective date of coverage period identified in Item 2. of the Declarations or the **Agents** enrollment of coverage, whichever is later, to the expiration date as shown in Item 2. of the Declarations or earlier termination date, if any, of the Policy.

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15. What happens if my producer's contract with Penn Mutual Life Insurance Company is terminated during the Policy Period? (continued)

The right to purchase the Optional **Extended Reporting Period** must be exercised by notice in writing not later than sixty (60) days following the non-renewal or cancellation date of this Policy, and must include payment of premium for the applicable Optional **Extended Reporting Period**, as well as payment of all premiums due the Company. If such notice is not so given to the Company, the **Agent** shall not, at a later date, be entitled to exercise such right.

16. What happens if my producer's contract with Penn Mutual Life Insurance Company is terminated during the Policy Period due to retirement or disability or my death?

The errors and omissions coverage ceases on the date that the producer's contract terminates. There will be no return of premium.

Conditional Automatic **Extended Reporting Period** Due to Disablement, Retirement, or Death

If, during the **Policy Period**, an **Agent** retires from the business of providing **Professional Services** pursuant to and in accordance with the formal retirement procedures of Penn Mutual or becomes disabled or deceased, coverage for such **Agent** shall cease as of the date of the relevant event; however, the **Agent** or its legal representative shall have an unlimited amount of time to report to the Insurer any **Claim** which arises out of a **Wrongful Act** committed prior to the event and on or after the **Retroactive Date**, as long as Penn Mutual maintains a life insurance agents errors and omissions policy with the Company or an affiliated entity.

Unconditional Automatic **Extended Reporting Period** Due to Disablement, Retirement, or Death

Otherwise, the **Agent** or its legal representative shall have a period of two (2) years after the date of such event to report to the Insurer any **Claim** which is first made during this two (2) year period and which arises out of a **Wrongful Act** committed prior to the event and on or after the **Retroactive Date**.

Optional **Extended Reporting Periods**

If, during the **Policy Period**, an **Agent** retires or becomes disabled or deceased, the **Agent** or its legal representative may elect to purchase an **Extended Reporting Period** for a period of (3) years, five (5) years, or for an unlimited amount of time, for an additional premium, to report to the Insurer any **Claim** which is first made during the applicable period and which arises out of a **Wrongful Act** committed prior to the event and on or after the **Retroactive Date**. Please contact CalSurance at (866) 893-1097 for pricing information.

Extended Reporting Periods – Other Terms and Conditions

- a) The Conditional Automatic **Extended Reporting Period** shall apply excess to any other applicable insurance the **Agent** has in place.
- b) The Unconditional Automatic **Extended Reporting Period** shall not apply to any **Agent** that has any other applicable insurance.
- c) The Optional **Extended Reporting Period** shall extend any applicable Automatic **Extended Reporting Period**.
- d) At the commencement of any Optional **Extended Reporting Period**, the entire premium thereafter shall be deemed earned.
- e) The fact that this Policy may be extended by virtue of an **Extended Reporting Period** shall not in any way increase the Limits of Liability as set forth in the Declarations.

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16. What happens if my producer's contract with Penn Mutual Life Insurance Company is terminated during the Policy Period due to retirement or disability or my death? (continued)

Policy Period means the period from the effective date of coverage period identified in Item 2. of the Declarations or the **Agents** enrollment of coverage, whichever is later, to the expiration date as shown in Item 2. of the Declarations or earlier termination date, if any, of the Policy.

17. What Professional Services does the Policy cover?

Coverage under the Policy applies to **Claims** first made against the **Insured** during the **Policy Period**, or **Extended Reporting Period**, if applicable, as a result of a **Wrongful Act** (any negligent act, error or omission committed by an **Insured**, or any person for whose acts the **Insured** is legally liable, including any **Personal Injury**, arising solely from the performance of **Professional Services** for others). **Professional Services** means:

- A. The solicitation, sale and/or servicing of:
1. Life Insurance, Accident and Health Insurance, Workers' Compensation Insurance as part of a 24-Hour Accident and Health Insurance product, Managed Health Care Organization Contracts, Long Term Care Products, Disability Income Insurance or fixed annuities
 2. Variable Products sold through a FINRA broker/dealer, including but not limited to:
 - Variable Annuities,
 - Flexible and Scheduled Premium Annuities, and
 - Variable Life Insurance
 3. Employee Benefit plans, including but not limited to:
 - Group Plans
 - Group or Ordinary Pension or Profit Sharing Plans
 - Retirement Annuities
 - KEOGH retirement plans
 - Group Life, Accident and Health, and/or Disability Plans
 - Plans which are funded wholly or partially by coverage issued by Penn Mutual including plans placed with a MEWA (subject to a \$500,000 sub-limit and \$5,000 Deductible if the plan is not funded wholly or partially by coverage which is issued by Penn Mutual and sold in accordance with Penn Mutual's procedures in effect at the time of sale)
 - Any plan involving self-funding in whole or in part by an employer but only when issued with stop loss coverage (coverage for self-funded plans is applicable solely to the payment of **Claims Expenses**)
 4. Pharmacy benefit management plans either approved by Centers for Medicare and Medicaid Services or that are sold in conjunction with a group or individual medical plan.
 5. Mutual Funds and UITs registered with the Securities and Exchange Commission and sold through a FINRA broker/dealer
 6. 529 Plans sold through a FINRA broker/dealer
 7. **Securities** sold through HTK or its subsidiaries or affiliates except for those specifically covered under subsection 8., below:
 8. **Private Placements**, Limited Partnerships, Non-Traded Real Estate Investment Trusts ("REITS"), Tenant-In-Common/IRS 1031 Exchanges, or hedge funds approved in writing at the time of the transaction and sold through HTK, provided that the **Registered Representative** was specifically authorized in writing to sell such product at the time of the transaction. Coverage for such products is subject to a sub-limit of \$1,000,000 each Claim and a \$10,000,000 Policy Aggregate for all Claims under the policy.
- B. Advice, consultation, administration and services in connection with any of the foregoing products whether or not a separate fee is charged.

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17. What Professional Services does the Policy cover? (continued)

- C. 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 but not limited to; enrollment, record keeping and filing reports with governmental agencies.
- D. Notary Public services.
- E. The purchase or sale of or the giving of advice regarding life settlements arranged through a provider approved by Penn Mutual Life Insurance Company provided that the following conditions are met:
 - On or before the life insurance policy is settled, the **Insured** obtains a signed and dated waiver from all beneficiaries of the life insurance policy acknowledging that the life settlement will occur;
 - On or before the life insurance policy is settled, the owner(s) of the life insurance policy has/have signed the provider's life settlement purchase and/or sale agreement;
 - The **Agent** was approved by Penn Mutual or HTK to engage in the life settlement transaction;
 - The life settlement transaction complies with Penn Mutual or HTK's policies and procedures for life settlement transactions; and
 - The life settlement does not involve terminally ill clients in accordance with the definition of "terminally ill" in the appropriate state.
- F. Financial planning activities including the recommendation or preparation of a financial program for a client involving the client's present and anticipated assets and liabilities, including recommendations regarding savings, investments, insurance, anticipated retirement, estate planning or other employee benefits, whether or not a separate fee is charged.
- G. Investment Advisory Services provided by an **Associated Person** of HTK pursuant to the Investment Adviser's Act of 1940. (Please see the exclusions section for limitations regarding discretionary authority.)
- H. **Optional Coverage for Registered Representatives** of HTK – Investment Advisory Services as an Independent **Registered Investment Advisors** provided you are in compliance with HTK's procedures for outside Investment Advisors (subject to an additional premium collected by **CalSurance®**).

Please note that you will only be covered for those **Professional Services** for which you are properly licensed, appointed and/or contracted.

18. Am I covered for life, accident and health, and variable products placed outside of Penn Mutual Life Insurance Company?

Yes, provided you have a valid contract in effect with Penn Mutual/PIA or you are registered with Hornor, Townsend & Kent, Inc., you are appropriately licensed, and the act occurred after the **Retroactive Date**. However, be aware that the Deductible for outside covered products (all covered products other than Penn Mutual proprietary products or products sold through HTK) is \$3,000.

19. Does the Policy provide coverage for Claims related to the insolvency of an insurance carrier?

The Policy excludes coverage for **Claims** arising out of the insolvency, receivership, bankruptcy, or any 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 to a life, accident or health insurer that was rated "B+" or better by A.M. Best Company at the time the business was placed. (Please see the exclusions section for a complete copy of this exclusion.)

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

No

QUESTIONS AND ANSWERS

Named Insured: Agents of Penn Mutual Life Insurance Company and Registered Representatives of Hornor Townsend and Kent, Inc. who have enrolled for coverage, paid a premium, are scheduled by the Insurer, and who are members of the Financial Sales Professionals Purchasing Group ("Agent")

Policy Number: MKLM7PLCA00104

Insurer: Markel American Insurance Company ("the Insurer")

Policy Period: August 1, 2024 to August 1, 2025

21. Am I covered for the sale and servicing of Mutual Funds?

Yes, provided you have the appropriate registration, **Professional Services** shall also include the sale and servicing of mutual funds registered with the SEC and sold through a FINRA broker/dealer.

Be aware that the \$2,000 Deductible applies to mutual funds sold through HTK. A \$3,000 Deductible applies to the sale of mutual funds if they are not sold through HTK.

22. Am I covered for the sale and servicing of Securities other than Mutual Funds, Unit Investment Trusts, Variable Products or 529 Plans?

Yes, provided you have the appropriate registration, **Professional Services** shall also include the sale and servicing of **Securities**, but only if the **Securities** are sold through Hornor, Townsend & Kent, Inc.

Be aware that a \$2,000 Deductible applies to the sale of these products.

23. Am I covered for my activities as a financial planner?

Yes, provided you have the appropriate registration or licensing, coverage is provided for financial planning activities, whether or not a fee is charged, including the recommendation or preparation of a financial program for a client involving the client's present and anticipated assets and liabilities, including recommendations regarding savings, investments, insurance, anticipated retirement, estate planning or other employee benefits.

24. Am I covered as an Investment Advisor Representative of HTK's RIA?

Yes. You are covered for your Investment Advisor activities conducted through HTK's **RIA**.

Coverage is provided for advisory services pursuant to the Investment Advisors Act of 1940 and shall include:

- The creation and giving of a financial plan or investment management contract
- Asset Management or asset allocation services
- Referral of no load mutual funds

(Please see the Exclusions for limitations regarding discretionary authority.)

25. Am I covered as an independent Registered Investment Advisor?

If you have elected the independent **RIA** option, paid the additional premium to **CalSurance**, and you are a **Registered Representative** of HTK, you are covered for Investment Advisory services as an independent **Registered Investment Advisor**. You must be in compliance with HTK's procedures for non-HTK Investment Advisors.

Coverage is provided for advisory services pursuant to the Investment Advisors Act of 1940 and shall include:

- The creation and giving of a financial plan or investment management contract
- Asset Management or asset allocation services
- Referral of no load mutual funds

(Please see the Exclusions for limitations regarding discretionary authority.)

26. Can the insurance company cancel my coverage?

The insurance company cannot terminate your coverage other than for non-payment of premium unless the entire group coverage is terminated. The insurance company, Markel American Insurance Company, must provide Penn Mutual with 90 days notice if it intends to non-renew the group policy.

WORDS IN BOLD ARE DEFINED TERMS IN THE POLICY. 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. ALL STATEMENTS CONTAINED HEREIN ARE SUBJECT TO ALL OF THE TERMS, CONDITIONS, AND EXCLUSIONS OF THE ACTUAL POLICY. A COPY OF THE POLICY IS AVAILABLE BY CALLING **CALSURANCE®** AT 866-893-1097.