

## 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: MKLM7PLCA00125

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

Policy Period: August 1, 2025 to August 1, 2026

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### 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 November 22, 2024, 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](http://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](mailto: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](mailto: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?

Producers may purchase a \$2,000,000 each Claim / \$2,000,000 annual Aggregate, a \$3,000,000 each Claim / \$3,000,000 annual Aggregate, 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

Broker/Dealer Coverage: \$2,000,000 each Claim / \$3,000,000 Policy Aggregate

Broker/Dealer Selling Away Coverage: \$750,000 Broker/Dealer each Claim / \$750,000 Broker/Dealer Aggregate

Disciplinary Proceedings Coverage: \$10,000 each Agent or Registered Representative regardless of the number of disciplinary proceedings

Subpoena Compliance Coverage: \$25,000 each Agent or Registered Representative regardless of the number of subpoenas

Settlement Authority Coverage: \$20,000 each Claim

Private Placements, Limited Partnerships, Non-Trade Real Estate Investment Trusts ("REITS"), Tennant-In-Common/IRS 1031 Exchanges or Hedge Funds Coverage: \$1,000,000 each Claim / \$10,000,000 Policy Aggregate

MEWA (Multiple Employer Welfare Arrangement) Coverage: \$500,000 each Claim / \$500,000 Agent Aggregate

Claim Expenses Coverage: Capped at \$1,000,000 each Claim / each Insured

Cyber Management Coverage:

\$250,000 each Claim / \$500,000 Insured Aggregate / \$1,000,000 Policy Aggregate

Extortion Coverage:

\$250,000 each Claim / \$500,000 Insured Aggregate / \$1,000,000 Policy Aggregate

First Party Loss Coverage:

\$250,000 each Claim / \$500,000 Insured Aggregate / \$1,000,000 Policy Aggregate

Total Policy Aggregate as to all Cyber Management Claims, Extortion Demands, Exploits and Network Impairments: \$1,000,000

Social Engineering Coverage: \$250,000 each Claim / \$500,000 Insured Aggregate / \$1,000,000 Coverage 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.

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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?

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.

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).

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### 11. What is the Retroactive Date under the Policy?

1. With respect to a Claim arising out of or based upon the rendering of or failing to render any Professional Services defined in Paragraphs U.1. (Subsections a., b., c., d., g. and h.), U.2., U.3., U.5., U.7. and U.8. of the definition of Professional Services above, the earlier of the date of the Agent's and/or Registered Representative's first:
  - a. Continuously renewed life insurance agents or registered representatives 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
  - b. First uninterrupted and continuously effective agent contract with the Sponsoring Company or Broker/Dealer.
2. With respect to a Claim arising out of or based upon the rendering of or failing to render any Professional Services as defined in Paragraphs U.1. (Subsections e. and f.) and U.4. of the definition of Professional Services above, the date of the Agent's and/or Registered Representative's first uninterrupted and continuously effective contract with the Broker/Dealer.
3. With respect to a Claim against a Managing Agent for a Management Wrongful Act, the date of the Managing Agent's first uninterrupted and continuously effective general agent, compliance officer, registered principal or manager contract with the Sponsoring Company.
4. With respect to the Broker/Dealer, July 31, 1995.

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 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 have an effective date of 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.

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

**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.

**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.

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### 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 is an Insured)?

Insured means:

1. An Agent shown as such in a Certificate Of Insurance;
2. A Managing Agent shown as such in a Certificate Of Insurance;
3. A Registered Representative shown as such in a Certificate Of Insurance;
4. A corporation, partnership or other business entity owned by and in which an Agent, Managing Agent or Registered Representative has an ownership interest, or in which an Agent, Managing Agent or Registered Representative is an employee, but solely with respect to the liability of such organization as it arises out of an Agent, Managing Agent or Registered Representative rendering of or failing to render Professional Services; Coverage hereunder shall not be afforded for any actual or alleged Wrongful Act or Management Wrongful Act of such organization, but shall only apply to a Claim arising out of the actual or alleged Wrongful Act of an Agent or Registered Representative or the Management Wrongful Act of a Managing Agent;
5. A person acting on behalf of an Agent, Managing Agent or Registered Representative, who was or is a partner, officer, director, stockholder or an employee of an Agent, Managing Agent or Registered Representative, or the business entity of an Agent, Managing Agent or Registered Representative, provided such person is not a party to an agent, general agent or registered representative contract with any insurance company or broker-dealer and only with respect to the Professional Services of an Agent, Managing Agent or Registered Representative;
6. Heirs, executors, administrators or legal representatives of an Agent, Managing Agent or Registered Representative, in the event of death, incapacity or bankruptcy;
7. A Pre-Contract Career Builder, but solely in connection with Professional Services provided by an Agent and while under an Agent's supervision;
8. Past enrollers of an Agent acting in his or her capacity as such on behalf of an Agent, but solely if such past enroller does not earn any commission under an agent/broker contract with any insurance company as a result of the provision of Professional Services provided by an Agent;
9. The lawful spouse or domestic partner of any individual who qualifies as an Insured under Subsections 1., 2., 3., 5., 6., 7., and 8., above, for a Claim arising solely out of his/her spousal or domestic partner status, and not any independent Wrongful Acts of such individual;
10. The Broker/Dealer;



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

11. Any former, current or future principal, partner, executive officer, director or employee of the Broker/Dealer, but solely in connection with Professional Services provided on behalf of the Broker/Dealer and any subsidiary or affiliate;
12. The Sponsoring Company shown as such in the Master Policy Declarations, but only with respect to coverage provided under Section I – Insuring Agreement C. Sponsoring Company Vicarious Liability;
13. An individual who makes referrals to an Agent through the Professional Advisors Alliance created by the Sponsoring Company, only for products approved in writing by the Sponsoring Company; Coverage shall be afforded only if such individual is named as a co-defendant with an Agent and such individual maintains his/her own professional liability insurance; and
14. An affiliated Associated Person of an Outside Registered Investment Advisor. The Outside Registered Investment Advisor shall be specifically approved, and designated by name, by the Broker/Dealer, and in compliance with the outside investment advisory procedures of the Broker/Dealer.

The Limits of Liability available to Insureds defined in Subsections 4. through 9., 12., 13., and 14., above, shall be shared with and shall not be in addition to the Limits of Liability of the Agent, Registered Representative or Broker/Dealer whose Wrongful Act gave rise to the Claim or the Agent, Registered Representative or Broker/Dealer who is responsible for the Wrongful Act of such other Insured.

### 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.



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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)

#### 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.

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.

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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)**

#### **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.

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?**

- 1. The solicitation, sale or servicing of the following:
  - a. Life insurance, accident and health insurance, workers' compensation insurance as part of a 24-Hour accident and health insurance product, managed care organization contracts, long term care products, disability income insurance and fixed annuities;
  - b. Variable insurance products, including, but not limited to, variable annuities, flexible and scheduled premium annuities and variable life insurance through a broker-dealer;
  - c. Mutual funds and unit investment trusts that are registered with the SEC and authorized or approved by and distributed through a broker-dealer;
  - d. 529 plans sold through a broker-dealer that is a member of FINRA;
  - e. Registered Securities (other than variable annuities, variable life insurance and mutual funds) that are authorized or approved by and actually processed through the Broker/Dealer, except for those products specifically referenced in Subsection f., below;
  - f. Private Placements, limited partnerships, non-trade Real Estate Investment Trusts ("REITS"), Tennant-In-Common/IRS 1031 Exchanges or hedge funds, all of which are approved in writing at the time of the transaction and sold through the Broker/Dealer, provided that Registered Representative who solicited, sold or serviced such product was specifically authorized in writing to do so by the Broker/Dealer at the time of the transaction;
    - In addition, coverage for Claims based upon, arising out of or in any way involving, in whole or in part, the solicitation, sale or servicing of the foregoing products shall be subject to the following Sub-Limits of Liability (which are part of and not in addition to, the other Limits of Liability provided by the Policy):
    - Each Claim: \$1,000,000
    - Policy Aggregate: \$10,000,000

## 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: MKLM7PLCA00125

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

Policy Period: August 1, 2025 to August 1, 2026

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

- g. Employee benefit plans, including, but not limited to, Placement of Coverage with Multiple Employer Welfare Arrangements, Self-Funded Plans, group plans, group or ordinary pension or profit sharing plans, retirement annuities, KEOGH retirement plans, life, accident and health and/or disability plans;
- However, coverage for Claims based upon, arising out of or in any way involving, in whole or in part, Placement of Coverage with Multiple Employer Welfare Arrangements is subject to the following Sub-Limits of Liability (which are part of an not in addition to the other Limits of Liability provided by the Policy) and Deductible, unless Placement of Coverage with Multiple Employer Welfare Arrangements is made in accordance with the Sponsoring Company's written procedures for such placement and same is funded in whole or in part, by insurance products issued by the Sponsoring Company:
- Each Claim: \$500,000
  - Agent Aggregate: \$500,000
  - Deductible (Damages only): \$5,000
  - In addition, coverage for Claims based upon, arising out of or in any way involving Self-Funded Plans is applicable to Claims Expenses only, and not Damages; and
- h. Pharmacy benefit management plans either approved by the Centers for Medicare and Medicaid Services or that are sold in conjunction with a group or individual medical plan;
2. Providing advice, consultation, administration and/or services in connection with any of the products listed in Paragraph 1., above, whether or not a separate fee is charged;
  3. 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;
  4. Provision of financial, investment or economic advice as a: (a) Registered Investment Advisor or Associated Person while acting on behalf of the Sponsoring Company's Subsidiary Registered Investment Advisor or (b) an Outside Registered Investment Advisor or an affiliated Associated Person of an Outside Registered Investment Advisor; An Outside Registered Investment Advisor and affiliated Associated Person shall be specifically approved, and designated by name, by the Broker/Dealer, and in compliance with the outside investment advisory procedures of the Broker/Dealer;
  5. Provision of financial planning services including, but not limited to, the recommendation or preparation of a financial program for a client involving the client's present and anticipated assets and liabilities, and shall include recommendations regarding savings, investments, insurance, anticipated retirement, estate planning or other employee benefits, whether or not a separate fee is charged;
  6. Due Diligence Services and Supervisory Services by the Broker/Dealer;
  7. Notary Public Services; or
  8. The purchase, sale or giving advice regarding life settlements arranged through a provider approved by the Sponsoring Company provided:
    - a. On or before the life insurance policy is settled, the Insured obtained a signed and dated waiver from all beneficiaries of the life insurance policy acknowledging that the life settlement will occur;
    - b. 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;
    - c. The Insured was approved in writing by the Sponsoring Company or the Broker/Dealer to engage in life settlement transactions;
    - d. The life settlement transaction complies with the Sponsoring Company's or the Broker/Dealer's policies and procedures for life settlement transactions; and
    - e. The life settlement does not involve terminally ill clients in accordance with the definition of "terminally ill" by the relevant state.

## 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: MKLM7PLCA00125

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

Policy Period: August 1, 2025 to August 1, 2026

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

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

### 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.)

## 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")

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### 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.