



Errors & Omissions Highlights Guide



This guide has been prepared to provide general information regarding the coverage provided by the Protective Life, West Coast Life and ProEquities Sponsored E&O Program. Certain policy terms and conditions may vary depending on the individual Insured's state of domicile. This guide is not part of the policy, nor does it modify or serve as a conclusive statement of policy terms. It is not intended to interpret the terms of the Policy nor be legal advice. In any event, the actual policy language will prevail.

Policy Period

February 15, 2020 to March 1, 2021

Insurer

Markel American Insurance Company

Broker

Aon

Table of Contents

2

Program Highlights

9

Exclusions

13

Frequently Asked Questions

16

What to Do in the Event of a Claim

18

Claim Examples

21

Important Contacts

22

Claim Reporting Form

Program Highlights

Insurer

Markel American Insurance Company
An Admitted Carrier, Rated A (Excellent): XV by A.M. Best*
Policy No. MKLM7PLCA00023

**A.M. Best Rating provided above is current only as of the publication date and is not in any way Aon's guarantee of the Insurer's financial strength, stability, or solvency.*

What's new this year?

- **New E&O Broker: Aon.** Aon is one of the largest brokers in the world, and the team that places our E&O coverage has over 30 years of experience in this specialized line of coverage
- **New E&O Carrier: Markel.** Markel is an admitted company rated A (Excellent): XV by A.M. Best
- **Enhanced Cyber Liability** coverage now includes business interruption, data restoration services, data reconstruction and network extortion. Aggregate limit for cyber related claims increased from \$500K to \$2M All Insureds. Deductible applicable to cyber claims is now \$5K
- **Pre-Claims Assistance, Subpoena Assistance and Reimbursement for Travel Expenses.** see Coverage section for details and sublimits (where applicable)
- **New Policy Expiration Date** the policy period this year is February 15, 2020 to March 1, 2021
- **Midterm Contract Termination.** In the event your contract terminates during the policy period, coverage will cease on your contract termination date (vs. continuing until the end of the policy period)
- **Trade Error/Cost of Corrections** sublimit has been increased from \$10K to \$50K
- **Regulatory Matters** claims brought by regulators involving the Insured Agent/Rep's performance of Professional Services is now included subject to a sublimit of \$50K per Claim
- **Class Action Exclusion Removed**
- **Modified Extended Reporting Periods** which have been updated as follows:
 - 1 Year automatic ERP provided to agents who terminate for general reasons now also extends to non-sponsored products
 - 2 Year automatic ERP provided to agents who retire/become disabled or die during the policy period has been extended to an Unlimited ERP at no cost
 - There is now a 90-day ERP applicable to Agents/Reps who are terminated for disciplinary reasons



Limits of Liability Options

\$ 2,000,000 Each Claim
\$ 2,000,000 Aggregate Each Insured Rep

\$ 3,000,000 Each Claim
\$ 3,000,000 Aggregate Each Insured Rep

\$ 5,000,000 Each Claim
\$ 5,000,000 Aggregate Each Insured Rep

Defense Costs are in addition to the limits of liability. Sublimits apply to claims involving certain products, services or circumstances.

Sublimits of Liability

Sublimits of Liability are included within and not in addition to the Limit of Liability elected by the Insured Agent/Rep at the time of enrollment.

Covered Cyber Events

\$250,000 Each Claim
\$250,000 Aggregate Each Insured Rep
\$2,000,000 Policy Aggregate all Insureds

Covered Life Settlement Referrals

\$1,000,000 Each Claim
\$1,000,000 Aggregate Each Insured Rep

Covered Claims involving non-publicly traded Tenants in Common (TIC)/1031 Exchanges or REITs

\$ 500,000 Each Claim
\$1,000,000 Aggregate Each Insured Rep

Reimbursement of Expenses

\$ 250 per Day
\$ 2,500 Aggregate each Insured Rep

Regulatory Matters

\$ 50,000 Each Claim
\$ 50,000 Aggregate each Insured Rep

Deductibles

\$ 500 Each Claim involving products of Protective Life and West Coast Life
\$ 2,500 Each Claim involving ProEquities, Inc. products and covered products of other companies
\$ 5,000 Each Claim involving a Cyber Event
\$ 0 Each Claim involving covered Regulatory Matters

Deductibles apply only to the payment of Damages.

Coverage

The Insurer shall pay on behalf of an Insured Agent, Registered Representative, Investment Advisor Representative or Wholesaler, Damages which such the Insured becomes legally obligated to pay because of a Claim that is both made against an Agent and reported to the Insurer in writing during the Certificate Period, or during an Extended Reporting Period (if applicable) for a Wrongful Act or Interrelated Wrongful Act committed solely in the rendering of or failing to render Professional Services by an Insured Agent, Registered Representative, Investment Advisor Representative or Wholesaler, provided:

1. Such Wrongful Act or any Interrelated Wrongful Act occurred on or after the Retroactive Date and before the end of the Certificate Period; and
2. As of the inception date of the Policy, or the effective date of the Insured Agent, Registered Representative, Investment Advisor Representative or Wholesaler's enrollment for coverage hereunder as shown in the Certificate of Insurance, no Insured had knowledge or reasonable basis upon which to anticipate that the Wrongful Act or any Interrelated Wrongful Act could result in a Claim.

Other Coverage Extensions

Cyber Liability

Cyber Liability protects you and your practice against Claims made by third parties, typically clients or regulatory authorities, as well as expenses incurred after the discovery of a privacy breach (in the absence of an actual Claim).

This coverage extensions is subject to a \$250,000 each Claim and Aggregate sub-limit per Insured Agent/Rep and a \$2,000,000 Total Policy Aggregate sublimit, regardless of the number of Claims or Privacy Events. A \$5,000 deductible applies to each Claim or Privacy Event.

- **Privacy Injury Liability & Privacy Regulation Proceedings** (third party losses) resulting from Wrongful Acts by an Insured Agent/Rep or by someone for whose acts the Insured Agent/Rep is legally liable, including Third-Party Custodians (as defined by the policy as a third party to whom the Insured Agent/Rep entrusts non-public personal information). Third party claims are those that a customer or regulator bring against you for the loss of non-public information.
- **Privacy Events** (first party losses) includes but is not limited to notification costs, computer forensic investigations, or attorney/expert expenses required in responding to a breach. First party claims are those that you as the Insured Agent/Rep report to your E&O carrier (Markel) when you discover a possible Privacy Event.
- **Business Interruption** reimbursement for lost net income (EBITDA); ordinary operating expenses; costs/expenses to update, upgrade, enhance or replace the Insured Agent/Rep's network which are incurred during the network down time resulting from Network Impairment
- **Network Extortion** reimbursement for amounts incurred by the Insured Agent/Rep with the Insurer's prior written consent in order to respond to an Extortion Demand which may include incidents where the Insured Agent/Rep receives a threat to launch an attack on; to suspend; or to otherwise disrupt a Network; disrupt or deface the Insured Agent/Rep's website or release/use Protected Information in the

Insured Agent/Rep's care and the Insured Agent/Rep believes there is an imminent and probable danger of such action); and

- **Data Reconstruction and Data Restoration Services**

WHAT TO DO IN THE EVENT OF CYBER EVENT

If you know or suspect that your network may have been compromised, time is of the essence. Follow the steps below:

- A. **Do Not** incur any expenses, pay any extortion demands or hire an outside firm to assist you with detecting or resolving a cyber event.
- B. **Do** report the incident or potential incident to Markel right away. Early intervention is key in mitigating damage and responding to cyber events.
 - i. If you are currently experiencing a potential cyber breach or privacy event, call the Markel hotline at 844-4MARKEL (844-462-7535) to speak with a live operator.
 - ii. If you experienced a potential cyber breach but do not require immediate assistance, report the incident/potential incident to Markel via email at newclaims@markelcorp.com.
- C. **Do** report the incident to ProEquities by contacting Luke McCreless by email at luke.mccreless@proequities.com or by phone at 205-268-5202.

Subpoena Assistance

The Insurer shall pay legal fees, such as attorney's fees, excluding any disbursements, in the event the Insured receives a subpoena for documents or sworn testimony, during the Policy Period, arising out of Professional Services rendered by the Insured. The Insurer, at its sole discretion upon receipt of the subpoena may retain an attorney to provide advice regarding the production of documents, to prepare the Insured for sworn testimony, and to represent the Insured at the Insured's deposition, provided that: the subpoena arises out of a lawsuit the Insured is not a party to; and the Insured has not been engaged to provide advice or sworn testimony in connection with the lawsuit, nor has the Insured provided such advice or sworn testimony in the past.

Pre-Claims Assistance

The Insurer shall pay all reasonable and necessary legal fees and expenses it incurs as a result of representing, and if necessary, defending an Insured in connection with a potential Claim that the Insured reports to the Insurer. Such payments shall be made by the Insurer at its sole discretion until the date a Claim is made. If such potential Claim later becomes a Claim, this sublimit shall be included within and not in addition to the Insured's Limits of Liability and Deductible if any Loss or Defense Costs payments are made.

Reimbursement of Expenses

A sublimit of \$250 per day and \$2,500 per Insured Rep applies to Travel Expenses incurred by an Insured Rep in connection with such Insured's attendance at a trial, deposition, mediation, or arbitration with respect to a covered Claim.

Who is an Insured?

1. Agents, General Agents, Registered Representatives, or Wholesale Agents who are party to a written contract with Protective Life or ProEquities on the effective date of the policy and are licensed by the appropriate authority to solicit and sell life, accident and health insurance products or services.
2. Any corporation, partnership or other business entity which engages in Professional Services and which is either owned or controlled by the Insured Rep or on whose behalf the Insured Rep provides Professional Services for others and then only with respect to those operations of the business entity related to the Professional Services provided by the Insured Rep.
3. A person acting on behalf of the Insured Rep who was or is a partner or employee of the Insured Rep's business entity, but only with respect to Professional Services provided by the Insured Rep.
4. Heirs, executors, administrators or legal representatives of the Insured Rep in the event of death, incapacity or bankruptcy.

Note: Your entity, employees and heirs do not have to have their own separate limits; they share your coverage and limit of liability.

Prior Acts

Coverage is provided on a "Claims Made and Reported" basis, which covers claims first made against the Insured during the policy period or applicable Extended Reporting Period and reported to the carrier in writing during the policy period or applicable Extended Reporting Period.

Coverage for claims based on activities which occurred before policy inception is included so long as the actual or alleged wrongful act took place after the date of your first continuously maintained E&O coverage which has been maintained in force without interruption.



Professional Services

The sale, attempted sale, or servicing of:

1. life insurance, accident and health insurance, workers compensation insurance as part of a 24-Hour Accident and Health Insurance product, disability income insurance and annuities;
2. variable insurance products, including but not limited to variable annuities, flexible and scheduled premium annuities and variable life insurance;
3. Securities and call options for which ProEquities, Inc. acted as Broker/Dealer in connection with the specific sale out of which the Claim arose, and mutual funds registered with the Securities and Exchange Commission and sold by a Registered Representative through a Broker/Dealer, so long as, at the time of the sale, the Registered Representative had a contract with such Broker/Dealer and was licensed and

authorized to sell such Securities. Securities sold through a prior Broker/Dealer may be covered under the following circumstances: i) the Broker/Dealer is a member firm of FINRA; ii) the Insured Registered Representative had a contract with the prior Broker/Dealer to sell Securities at the time the sale took place; and iii) the Securities were sold on a national exchange;

4. Employee Benefit Plans funded with those products listed in paragraphs 1-3 above;
5. Mutual Funds registered with the Securities and Exchange Commission and sold by a Registered Representative through a Broker/Dealer so long as at the time of sale, the Registered Representative had a contract with such Broker/Dealer and was authorized to sell such Securities;
6. Investment Advice provided as a Fiduciary Advisor to a Plan established or maintained under section 3(21)(A)(ii), 29 U.S.C. 18 1002 of ERISA, as amended. This provision does not apply; however, if the Insured has been appointed as a Named Fiduciary;
7. Fee-based financial planning or tax advice, provided that it is incidental to the services described in paragraphs 1-5 above;
8. The supervision and training by a General Agent over the conduct of any Insured;
9. Providing advice to clients regarding life settlements arranged through a provider approved by Protective Life/ProEquities and referring clients to such providers, provided, however, that if a life settlement is arranged, the following conditions must be met: 1) all beneficiaries of the life insurance policy must agree and sign a waiver acknowledging that the life settlement will occur; 2) all policyholders of the life insurance company must agree and sign a waiver stating their agreement with the purchase and sale agreement of the life settlement; 3) the life settlement transaction complies with the rules and guidelines of ProEquities, Inc's Compliance Department; and 4) the life settlement does not involve a terminally ill client(s). This coverage is subject to sublimits of \$1,000,000 Each Claim/\$1,000,000 Aggregate Each Insured Agent/Rep; and
10. Outside Independent RIAs provides coverage for the provision of investment or financial advice, fee-based financial planning services, administration or services for a client pursuant to a written contract with the client defining the scope of such services, provided the Investment Advisor is an Associated Person of Protective Life/ProEquities' corporate RIA.

Extended Reporting Periods

Coverage under the Policy ceases on your date of termination from Protective Life Insurance Company, West Coast Life Insurance Company or ProEquities, Inc.

Automatic Extended Reporting Period (ERP) for General Terminations

A one (1) year automatic ERP is provided at no cost to Agents/Reps who terminate their contract for any reason. The Automatic ERP begins on the date of contract termination and ceases one year thereafter.



Automatic Extended Reporting Period (ERP) for Termination Due to Retirement, Disability or Death

An unlimited automatic ERP is provided at no cost to Reps who terminate their contract for retirement, disability or death; however, such ERP is only applicable to products of Protective Life Insurance Company, West Coast Life Insurance Company and ProEquities, Inc. The Automatic ERP begins on the date of contract termination and ceases one year thereafter.

Automatic Extended Reporting Period (ERP) for Terminations for Cause

A ninety (90) day automatic ERP is provided at no cost to Reps who terminate their contract for disciplinary reasons.

Optional ERPs

An optional, non-cancelable ERP will be available to Insured Reps who terminate for general reasons during the policy year. Such agents may choose to purchase a 3-year, 5-year or Unlimited ERP term for an additional charge of 150%, 300% and 400% respectively of their last annual E&O cost. Such request for an optional ERP must be received in writing along with the applicable additional premium within 60 days of contract termination. Automatic ERPs, if applicable, are included within and not in addition to the Optional ERP if purchased.

Note:

1. The Automatic Extended Reporting Periods referenced above shall not apply if the Insured Rep cancels coverage following termination of their contract with Protective Life or ProEquities.
2. ERPs apply to Claims first made and reported during the ERP term which arise out of covered acts, errors or omissions committed or alleged to have been committed prior to your contract termination and on or after your Prior Acts Date.
3. Neither the automatic or optional ERPs apply to any Claim that is covered by any subsequently issued insurance to the Insured Rep, or that would be covered but for the exhaustion of the Limits of Liability applicable to such insurance.
4. Extended Reporting Periods do not reinstate, increase or otherwise affect the applicable limit of liability nor does it extend the Certificate Period.

Exclusions

This Policy does not apply to any Claim:

- A. For any actual or alleged sickness, disease, death or other bodily injury, including, but not limited to, damage to or destruction of property, including loss of use thereof;
- B. Arising out of any act, error or omission of the Insured committed with dishonest, fraudulent, malicious or knowingly wrongful purpose or intent; however, notwithstanding the foregoing, the Insured shall be afforded a defense, subject to the terms of the Policy, until the allegations are subsequently proven by a final adjudication. In such event, the Insured shall reimburse the Company for all Defense Costs incurred by the Company.
- C. Alleging bodily injury, sickness or death of any person or injury or destruction of any tangible property, including loss of use thereof.
- D. Alleging the liability of others assumed by the Insured under any contract or agreement unless such liability would have attached to the Insured even in the absence of such agreement.
- E. By an enterprise which one or more Insured's own, operate, control or manage; or any Claim by an enterprise which owns, operates, controls or manages an Insured.
- F. Arising out of services performed by the Insured as an actuary, accountant, attorney, tax advisor (except as an incidental part of Professional Services rendered by the Insured), attorney, real estate agent or broker or third-party claims administrator.
- G. Arising out of, or contributed to by, any commingling of, or use of client funds.
- H. Arising out of, directly or indirectly, the insolvency, receivership, bankruptcy inability or refusal to pay of any organization in which the Insured has placed or obtained coverage, or in which an Insured has placed the funds of a client or an account. Notwithstanding the foregoing, this exclusion shall not apply in the event the Claim is based upon the insolvency, receivership, liquidation or inability to pay of any life, accident, or health insurer that was rated B+ or better by A.M. Best Company at the time the business was placed, or for Claims arising solely out of the inability of Protective Life Insurance Company's, Protective Life and Annuity Insurance Company's, or West Coast Life Insurance Company's ability to pay or perform with regard to their products.
- I. Arising out of the Insured's activities in computer programming or processing if the resulting programs or software are sold or distributed or if a fee is charged for use of such program or software.
- J. Made against any Insured or Protective Life/ProEquities by: Any Insured; Protective Life/ProEquities; Any Broker/Dealer; Any other insurance company; Any other insurance agency, brokerage or intermediary; Any person or entities who in the past were, but are not currently, parties to an agent contract with Protective Life/ProEquities or Any subsidiary or affiliate of the Insured; Protective Life/ProEquities or Named Insured.
- K. Arising out of the use of confidential information by the Insured, including but not limited to such use for the purpose of replacement coverage.

- L. Arising out of the Insured's inability or refusal to pay or collect premium, claim or tax monies, including surcharges or assessments of any kind.
- M. Arising from, contributed to by, the placement of client's coverage or funds directly or indirectly with any organization which is not licensed to do business in the state or jurisdiction with authority to regulate such business. However, this exclusion does not apply to any Claim arising from or contributed to by the placement of client's coverage or funds directly or indirectly with any organization which is an eligible surplus lines insurance company in the state or jurisdiction with authority to regulate such business.
- N. Arising out of the ownership, formation, operation, or administration of, or advice regarding, referral to, recommendation of or placement of coverage with any self-insured health maintenance organization (HMO), self-insured provider organization (PPO), risk retention group, self-insurance program, or purchasing group.
- O. Arising out of the purchase, sale of or advice regarding promissory notes, viatical settlements, viaticated insurance benefits or any security backed by viatical settlements.
- P. Arising out of or based upon: 1) The Federal Telephone Consumer Protection Act (47 U.S.C. sec 227), Drivers Privacy Protection Act (18 U.S.C. sec. 2721-2725) or Controlling the Assault of Non-Solicited Pornography and Marketing Act (15 U.S.C. sec. 7701, et seq.); or 2) Any other federal, state or local statute, regulation, or ordinance that imposes liability for the: a) unlawful use of telephone, electronic mail, internet, computer, facsimile machine or other communication or transmission device; or b) unlawful use, collection, dissemination, disclosure or redisclosure of personal information in any manner by an Insured or on behalf of any Insured.
- Q. Brought by, or on behalf of, the Securities Investor Protection Corporation (SIPC), or any other governmental, quasi-governmental, regulatory, or self-regulatory entity, whether directly or indirectly; however, this exclusion shall not apply to any Claim by such entity to enforce its rights as a direct customer of the Insured or Protective Life/ProEquities.
- R. Brought by, or on behalf of, any clearing agency or arising out of any function of any Insured or Protective Life/ProEquities as a clearing agency.
- S. 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 the activities of an Insured Agent/Rep who has been granted such authority in writing by the client with the consent of Protective Life/ProEquities.
- T. Arising out of or based upon infringement of patent, copyright, trademark, service mark, trade dress, trade secret or trade name, unfair competition or piracy, theft or wrongful taking of concepts including using another's advertising ideas or other intellectual property.
- U. For Personal Injury sustained by any Insured or Protective Life/ProEquities.
- V. Arising out of alleged discrimination of any kind.
- W. Claims the Insured Agent/Rep had knowledge or situations which could reasonably result in a claim which the Insured Agent/Rep was aware of prior to their first effective date of coverage.
- X. Based upon, arising out of, or attributable to: 1) the actual, alleged or threatened discharge, release, escape, seepage, migration or disposal of Pollutants into or on real or personal property, water or the atmosphere; or 2) any direction or request that the Insured tests for, monitors, cleans up, removes,

contains, treats, detoxifies or neutralizes Pollutants, or any voluntary decision to do so. This pollution exclusion applies whether or not such Pollutants have any function in the Insured's business, operations, premises, site or location and regardless of whether any other cause, event, material or product contributed concurrently or in any sequence to any Damages and Defense Costs associated with such Pollutants.

- Y. Based upon or arising out of any Pension, Profit Sharing, Health and Welfare or other Employee Benefit Plan or Trust sponsored by the Insured as an employer.
- Z. Arising out of the Insured making representations, promises or guarantees as to the future value of any investment including but not limited to, representations, promises or guarantees as to interest rates, fluctuation in interest rates, future premium payments or market value(s).
- AA. Arising out of or involving investment products partially or totally owned by the Insured.
- BB. Arising out of the brokering of structured settlements; however, this exclusion does not apply to any Claim arising from or contributing to the sale of annuity products used to fund the structured settlements.
- CC. Arising out of an act, error or omission of an Insured who has been appointed with the authority to hire and/or fire/terminate investment managers and/or service providers or who has full discretion for investment selection or monitoring of any Plan governed by the Pension Protection Act of 2006.
- DD. Arising out of the Insured's activities or Professional Services as a Named Fiduciary, Plan Fiduciary, Administrator, or Trustee as those terms are defined under ERISA.

The following Exclusions apply exclusively to the Cyber Liability Extension:

- 1. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any actual or alleged:
 - a. Costs or expenses for the reprinting, reposting, recall, removal or disposal of any online content or any other information, content or media, including any media or products containing such online content, information, content or media;
 - b. Wear and tear or gradual deterioration of any data saved on an Insured's Computer System or a Network;
 - c. Costs or expenses incurred by any Insured or others:
 - (1) To recall, repair, withdraw, replace, upgrade, supplement or remove the Insured's online content, products or services from the marketplace, including but not limited to products or services which incorporate the Insured's online content, products or services; or
 - (2) For any loss of use by any Insured or others that arises out of such recall, repair, withdrawal, replacement, upgrade, supplement or removal.
 - d. Failure to use best efforts to install commercially available software product updates and releases, or to apply security related software patches, to computers and other components of the Insured's Computer System or a Network;
 - e. Seizure, confiscation, destruction or nationalization of Insured's Computer System or a Network; or any data accessed by or on behalf of any governmental or public authority;

- f. Interruption, suspension, failure or outage of any component of the Internet, including without limitation any hardware or software infrastructure supporting the Internet;
 - g. Fine or penalty arising out of any agreement by any Insured to comply with or follow the PCI Standard or any Payment Card Company rules, or to implement, maintain or comply with any security measure(s) or standards related to any payment card data;
 - h. Unsolicited electronic faxes, emails, telephone calls or unsolicited communications, including but not limited to unsolicited electronic messages, chat room postings, bulletin board postings, newsgroup postings, “pop-up” or “pop-under” Internet advertising or fax-blasting, direct mailing or telemarketing, or actual or alleged violations of the Telephone Consumer Protection Act, of 1991, as amended, the CAN-SPAM Act of 2003, as amended, and any other federal, foreign or state anti-spam statutes, or federal, foreign or state statute, law or regulation relating to a person’s right to seclusion; or
 - i. Unauthorized or illegal collection of Personal Information, including but not limited to the collection of Personal Information using cookies, spyware, or other malicious code, or the failure to provide adequate notice that Personal Information is being collected;
2. Arising out of, based upon or in consequence of, directly or indirectly resulting from or in any way involving any section 605 (requirements relating to information contained in consumer reports) or Section 616 (civil liability for willful noncompliance) of the Fair Credit Reporting Act, or any other similar federal, state or local laws or regulations, including but not limited to any laws or regulations requiring truncation of payment card numbers on, or the removal of the expiration date from, payment card receipts; or
3. Covered in whole or in part under any other insurance.

Frequently Asked Questions

1. Who is Aon?

Aon has been appointed by Protective Life Insurance Company, West Coast Life Insurance Company and ProEquities, Inc. as the insurance broker responsible for the placement of the E&O program. Aon is a leading global provider of risk management, insurance brokerage, and reinsurance brokerage solutions. Aon has been brokering Life Agents' and Broker Dealer professional liability programs for over 35 years.

2. Who is our Insurer?

Markel American Insurance Company, an admitted carrier, is the insurer of this program. Refer to page 2 for carrier A.M. Best rating.

3. What are my Limits of Liability?

There are several limit of liability options available (see page 2). Limits of Liability must be selected during the annual enrollment period, or for midterm enrollees, at the time of initial enrollment.

The Each Claim limit is the most Markel will pay on any one claim. The Aggregate Each Rep is the most Markel will pay in Damages for all Claims reported during the Policy Period for each Insured Rep, regardless of the number of claims. The payment of Defense Costs is in addition to the limits of liability for all claims.

Certain sublimits apply to certain products, services or claim types. Sublimits are included within and not in addition to the Limits of Liability.

4. What is my deductible?

\$ 500	Each Claim involving products of Protective Life and West Coast Life
\$ 2,500	Each Claim involving ProEquities, Inc. products and covered products of other companies
\$ 5,000	Each Claim involving a Cyber Event
\$ 0	Each Claim involving covered Regulatory Matters

Deductibles apply only to the payment of Damages.

4. What does "Claims Made and Reported" mean?

Coverage is written on a Claims Made and Reported basis which means that the policy applies to claims first made against you, and reported to the Insurer, in writing during the Policy Period. You may not select counsel or incur any expense prior to advising Markel, as this may jeopardize coverage under the policy. Please refer to "What to do in the Event of a Claim" for further details.

5. What is considered a Claim?

A Claim is considered to be a written demand for monetary damages alleging a Wrongful Act. A Claim is not limited to a formal complaint or lawsuit.

If you become aware of a circumstance which has or may eventually give rise to a Claim, even if you feel that the claim is unjustified, report the available particulars immediately. Should the circumstances or “potential” Claim develop into an actual Claim at a future date, your reporting of a possible incident will serve as a notice of claims under this policy period.

1. Does the Insurer have a duty to defend me?

Yes, the Insurer has the right and duty to defend any Claim made against you within the terms of the policy. If a claim alleges dishonest, fraudulent or malicious acts, a defense will be provided only if there are covered allegations as well.

Please remember that your coverage under the policy could be jeopardized if you admit liability, agree to any settlement or incur any expense without the prior consent of the E&O Carrier.

Defense Costs are in addition to the Limits of Liability.

2. Am I Covered for the Sale, Attempted Sale or Servicing of Variable Products, Mutual Funds or Securities?

You are covered for the sale, attempted sale, or servicing of variable products sold through any company.

You are also covered for the sale, attempted sale or servicing of mutual funds that are sold through ProEquities, Inc. or any other Broker/Dealer registered with the SEC.

Coverage for the sale, attempted sale or servicing of Securities is limited to products sold through and approved by ProEquities, Inc. For claims involving products sold/recommended prior to your contract date with ProEquities, the Securities must have been on the approved product list of your prior Broker/Dealer at the time of sale/attempted sale.

3. Do I have Cyber Coverage?

Yes, please refer to page 4 for the summary of the coverage extension.

4. Am I Covered for Acts Committed Prior to the Inception Date of the Policy?

Coverage for Claims involving actual or alleged errors which took place prior to the inception date of the Policy is based on whether the Claim or potential claim is alleged to have occurred on or after your Prior Acts Date (Retroactive Date) and on or before your Termination Date (if applicable). Please see page 6 for additional details regarding Prior Acts coverage.

5. What happens if my Rep Contract with ProEquities or Protective Life or affiliated companies is terminated?

If your Rep contract is terminated with ProEquities, Inc. during the Policy Period, coverage ceases on your date of termination, unless you continue to maintain a contract with Protective Life. There will be no return of premium from Markel for any reason. Certain Extended Reporting Periods (ERPs) may apply, please refer to page 7 for details.

What to Do in The Event of a Claim

I. What are my obligations under the Policy for Reporting Claims or Potential Claims?

Coverage is on a “Claims Made and Reported” basis which covers claims first made against you, the Insured, during the current policy period, and must be reported to the carrier in writing during the **current** policy period.

II. What should I do if I have a Claim?

1. Make a copy of the E&O CLAIM REPORT FORM located on the last page of this guide. Complete the claim report and send it to the address indicated on the form. Please note: Late reporting can potential result in denial of coverage, timely reporting of claims is essential.
2. All circumstances or allegations that you believe may reasonably result in a claim should be reported to Markel during the same policy period in which you become aware of the circumstance or allegation. Should the circumstance or “potential” claim develop into a claim at some future date, your reporting of the possible incident will serve as notice of a claim under the policy period in which you reported it.
3. If the claim is a lawsuit, send a copy of the complaint with the claim report by overnight express mail, fax or email.
4. Develop a written chronology of events giving rise to the claim.
5. Be prepared to provide a copy of your file.

III. What should I NOT do if I have a Claim?

1. Do not, except at your own cost, voluntarily make any payment, assume any obligation or incur expense. You will be solely responsible for any such expenses you incur and may jeopardize your coverage.
2. Once an incident has been identified or an E&O claim has been made, great care should be exercised to avoid any disclosures or discussions of any facts or information relating to the claim with anyone, unless they identify themselves to be from Markel American Insurance Company, ProEquities, Inc., Aon or a designated representative appointed to handle your claim
3. Do not admit liability.

IV. What happens after a claim is reported?

A representative from the Insurer will contact you within a few days to acknowledge the receipt of the claims and discuss the particulars of the situation. Additional information or documents may be requested. Coverage under the ProEquities Sponsored E&O program will be determined and you will be advised of any coverage issues. If necessary, an attorney will be retained. In order to ensure the best possible defense, you should cooperate completely with the individual retained, provide full details and be candid.

V. What Should I do if I need Proof of Coverage?

You may reprint your Certificate online 24/7 at: <https://proequities.agents-eo.com/>

Please note, the first time logging on to this site, you will need to register yourself and email address. You may also contact Aon Affinity by phone at (800) 539-9284 or by email at info@agents-eo.com

Claim Examples

1. Beneficiary Errors

The agent fails to make a change of beneficiary prior to the death of the customer. The beneficiary under the policy files suit and the agent gets drawn into the litigation with both the named beneficiary the alleged proper beneficiary fighting over the proceeds of the contract.

2. Cancellation Errors

The agent becomes involved in the billing process and becomes involved in reminding his customer when to send payments in to the carrier. The customer relies on the agent and, when the agent fails to continue the reminder, the policy is canceled in error.

3. Conditional Receipt

The agent obtains a premium from the customer and fails to give the customer a conditional receipt or explains it incorrectly, leading the customer to believe that he has coverage effective immediately. The prior life company has the right to review information before coverage is effective. If the customer dies, the beneficiary argues that based on the agent's actions in accepting the premium, the policy is in force.

4. Delay Errors

This would involve a delay on the part of the agent in obtaining medical information, processing coverage or delivering the policy. For example, the agent places the policy in his files and does not deliver it until three months later. The life policy is not effective until delivered to the customer. The customer has to remain in the same health, as he was when the application was taken. In the interim between the date of delivery and the date that the customer receives the policy a health condition for the customer has changed and the carrier would no longer write the policy. This change in health condition before delivery would prevent the customer from having insurance and allow the carrier to deny coverage. If the delay was on the part of the agent, the agent would be found responsible for the loss.

5. Disclosure Error at the Time of Sale

The agent fails to advise his customer that he is earning a commission on the sale of the product and later, when the customer discovers that this information was not revealed to him on the sale, the customer becomes dissatisfied with the price of the premium he was charged.

6. Disclosure Errors on the Application

The agent fails to properly record on the application all of information given to him by the customer. For example, the agent is told that his customer has been having numbness in her fingertips, but believes that this information is not important. Therefore, he does not disclose this on the application to the carrier. Later his customer is diagnosed with neuropathy and when the customer turns this claim into the insurance carrier, the carrier denies coverage, stating that the earlier complaint of numbness was not disclosed on the application. The customer alleges that this information was disclosed to the agent, but the agent failed to properly record it on the application.

7. ERISA Errors

The agent is deemed to be a fiduciary under ERISA because he has exercised discretionary control over ERISA plan assets. The customer alleges that it is a small entity and relied solely on the agent's advice for its investment activities although the agent was never named as a fiduciary in any contract. The investments deteriorate and the customer sues the agent for breach of duty.

8. Failure to Explain Coverages

The agent fails to fully explain the coverages under the policy being purchased. For example the agent fails to explain to his customer that the health policy he is selling provides only limited benefits for mental health coverage, limiting stays to 30 days in an institutional setting. After the customer spends 60 days in the hospital, he finds that 30 days of his bill for hospitalization will go unpaid. He accuses the agent that this coverage should have been explained to him in more detail. Typical areas of insurance, which agents fail to explain in detail, include maternity coverage, prescription coverage, mental health, drug abuse, AIDS and other riders put on health policies.

9. Failure to Explain Policy Provisions

The agent fails to explain that provisions in, for example, a group health policy requiring an employee to be actively at work on the date the program starts or claims will not be covered. An employee is not working at the time the policy incepts and later the employer who purchased the group health policy looks to the agent for payment as a result of the employee's unpaid health claim.

10. Failure to Explain Policy Values and Illustrations

The agent presents a policy illustration without a proper explanation. For example, the agent presents a life policy illustration, which suggests the policy will remain in force during the lifetime of the customer without additional premium payments being necessary beyond the 10th year. The illustrations are not explained properly as the agent fails to point out that the illustrations are based on current interest rate assumptions and are not guaranteed. As interest rates fall and the customer finds that premium payments are needed beyond the projected date, the customer makes claim against the agent.

11. Financial Product Error/Break Point Violations

The agent receives a commission on the sale of financial products. The commission increases at a certain level of investment. The agent works the investment so that he maximizes his commission, without any other justification for the level chosen. The customer later claims the agent was not acting in his or her best interests.

12. Financial Product Error/Suitability of Financial Products

The agent places the customer in a financial product that is not suitable for the customer's needs or income. For example, the agent recommends to his customer, a retired schoolteacher, that real estate limited partnerships are the best investment for the customer's needs. Real estate limited partnerships are extremely volatile and illiquid. The customer who needs liquidity and stability is dissatisfied when the condition of the financial product does not meet his or her needs.

Important Contacts

For Certificates of Insurance

You may reprint your Certificate online 24/7 at: <https://proequities.agents-eo.com/>

Please note, the first time logging on to this site, you will need to register yourself and email address. You may also contact Aon Affinity by phone at (800) 539-9284 or by email at info@agents-eo.com. Certificates will also be available on ProEquities' Advisor Portal.

For Questions on Coverage

Aon Affinity Insurance Services, Inc.
Phone: (800) 539-9284
Email: info@agents-eo.com

For Questions on Claim Reporting

Laura Miller, Legal Department
Protective Life Insurance Company; ProEquities, Inc.
2801 Highway 280 S., Legal 3-4, Birmingham, AL 35223
Phone: 205-268-1286
Email: Laura.Miller@proequities.com

For Questions on Enrollment or Payments

Contracting & Licensing
Protective Life Insurance Company and ProEquities, Inc.
Email: Licensing@proequities.com

**Agents of Protective Life Insurance Company & West Coast Life Insurance Company and the Registered
Representatives of ProEquities, Inc.
E&O Program Claim Report Form
Policy No. MKLM7PLCA00023 | February 15, 2020 – March 1, 2021**

Today's Date:		Date you became aware of this Claim:	
Name:	Rep ID#:	Branch #:	
Business Address:			
Email Address:			
Phone Number:		Fax Number:	
What type of business does this claim involve? If written through any company other than Protective Life, West Coast Life or ProEquities, Inc., provide the name of the company, policy number, and policy dates:			
Please attach a description of the circumstances leading to this Claim including copies of all pertinent correspondence. If you have been served with a lawsuit, a copy of the suit <u>must</u> be enclosed.			
Alleged Amount in Controversy (if any): \$			
Who is making this Claim against you: Name: Address:			
If you have discussed this matter with anyone at Protective Life/ProEquities, Inc.'s Home Office, please identify the individual below: Name: Phone Number: Email Address:			
Besides the policy referenced above, do you have any other Errors and Omissions Insurance? If yes, provide requested details below: Insurer Name: Policy Number: Limits of Liability:			
SEND THIS COMPLETED FIRST REPORT FORM TO: Protective Life Insurance Company; ProEquities, Inc. Attention: Laura Miller, Legal Department 2801 Highway 280 S., Legal 3-4, Birmingham, AL 35223 Email: Laura.Miller@proequities.com			

DO NOT DISCUSS THIS MATTER WITH ANYONE OTHER THAN A REPRESENTATIVE OF MARKEL, AON, OR PROEQUITIES