National Association of Insurance and Financial Advisors Highlights

Coverage Highlights

(for policies issued 11/1/2013 and later)

Insurance Carrier:

Aspen American Insurance Company
An Admitted Carrier
Rated: A (Excellent) XV A.M. Best

As respects MN
Aspen Specialty Insurance Company
A Non Admitted Carrier
Rated A (Excellent): XV A.M. Best

Aspen Specialty Insurance Company is a Surplus Lines Company. Insurance Coverage written is not subject to the protection and benefits of the Insurance Guaranty Association.

The information obtained from A.M. Best dated 10/15/202 is not in any way CalSurance Associates' warranty or guaranty of the financial stability of the insurer in question, and that the information is current only as of the date of the publication."

Endorsed Program for:

The Members of the National Association of Insurance and Financial Advisors.

Program Administrator:

CalSurance Associates
A Division of Brown & Brown Program Insurance Services, Inc.
California License # 0B02587

Limits of Liability Options:

$1,000,000/$2,000,000
$2,000,000/$2,000,000
$3,000,000/$3,000,000
(AL, LA & TX only qualify for $1MM/$2MM)

Other Limit Options available for Agents:

$100,000/$300,000
$250,000/$500,000
$500,000/$1,000,000

(Defense costs are outside the Limit of Liability)

Deductible Options:

$ 1,000

$ 2,500

$ 5,000

(Defense costs are applied to the deductible)

Higher deductible options are available subject to underwriter approval.

KEY POINTS:

Coverage Description - Claims made and reported

Coverage is "Claims Made and Reported" which covers claims first made against the agent and reported to the Insurance Carrier during the policy period and any applicable extended reporting period. It is important to report all potential claims as soon as possible even if suit has not been filed. Failure to report potential claims may jeopardize coverage.

Prior Acts

"Prior Acts" coverage is provided if:

- The act took place subsequent to the first date an agent had uninterrupted errors and omissions coverage.
- As of the date of the agent's inception of coverage under this policy, the agent had no knowledge of any act, error, or omission that could reasonably be expected to result in the claim.

(Full prior acts coverage is available to qualified applicants who have had three or more consecutive years of continuous coverage).

Professional Services

Coverage extended for the sale and servicing of:

- Life insurance, including variable products;
- Annuities, including variable annuity products;
- Accident and health, including long term care and disability;
- Life Settlements, (see the Frequently Asked Questions)

Optional Coverage's (Additional Premium)

- Mutual Funds;
- Financial Products (stocks, bonds, Unit Investment trusts and Mutual Funds);
- Property & Casualty

Extended Reporting Period (ERP)

An automatic ERP or "Tail" Coverage will be provided for a period of sixty days following the effective date of cancellation or nonrenewal of this policy in respect to Claims for Wrongful Acts committed prior to the expiration of the policy subsequent to the Retroactive Date of the policy.

An Optional ERP will be available for purchase.

Deductible

A single deductible amount shall apply to Damages and Defense Costs arising from claims alleging the same Wrongful Act or a series of interrelated Wrongful Acts. A Damages only deductible option is also available for an additional premium.

Defense costs

Defense Costs are in addition to the Limit of Liability. This means that your limits are not eroded by defense costs in the event of a claim. However, there is no obligation to defend or continue to defend the Insured after the Limits of Liability have been exhausted by judgments or settlements.

Exclusions (including, but not limited to)

This Policy does not apply to any **Claim** based upon, arising out of, directly or indirectly, or in any way involving:

A. Any intentional wrongdoing, criminal, fraudulent, malicious, dishonest or discriminatory act, if a judgment or other final adjudication adverse to the Insured establishes such conduct, or the Insured admits such conduct. The Insurer shall continue to defend the Insured, if these allegations arise out of Wrongful Acts otherwise covered under this Policy, but the Insured shall reimburse the Insurer for Defense Costs if such conduct is established as a matter of fact in a civil, arbitration, criminal or other proceeding, or is admitted to by an Insured;

B. Any actual or alleged gaining in fact of any profit or advantage to which an Insured was not legally entitled;

C. Any actual or alleged fact, circumstance, or situation which has been the subject of any written notice given under any insurance policy issued by any insurer, including any policy of which this Policy is a renewal or replacement;

D. Any Claim, demand, suit, litigation or other proceeding against any Insured which was pending on or existed prior to the inception of the Policy Period, or the same or substantially the same facts, circumstances or allegations which are the subject or the basis for such Claim;

E. For Bodily Injury;

F. For injury to or destruction of any property, including the loss of use thereof;

G. Any Claim brought by or on behalf of, or instigated or continued with the solicitation, assistance, participation or intervention of, any state or federal regulatory or administrative agency or bureau or any other governmental, quasi-governmental or self-regulatory entity, whether directly or indirectly, and whether brought in its capacity as receiver, conservator, liquidator, or assignee of an Insured or in any other capacity and whether brought in its own name or in the name of any other entity; however, this Exclusion shall not apply to any Claims brought by or on behalf of such entity in its capacity as a client of an Insured or to the extent it is inconsistent with Section II.A.EXTENSIONS OF COVERAGE.

H. Any actual or alleged liability assumed by an Insured under contract, unless the Insured would have been legally liable in the absence of such contract;

I. Any actual or alleged financial inability or refusal to pay, insolvency, bankruptcy, conservatorship, receivership, rehabilitation or liquidation or of any entity in which an Insured has placed or recommended to be placed, coverage or the funds of a client, provided that this Exclusion shall not apply to any insurer that was rated A- or better by A.M. Best at the time of the Insured's acts.

J. Any actual or alleged financial inability to pay, insolvency, bankruptcy, conservatorship, receivership, rehabilitation or liquidation or of any Multiple Employer Trust, Multiple Employer Welfare Arrangement, pool, syndicate, association or other combination formed for the purpose of providing insurance or benefits, when they are not fully funded by an insurance product;

K. Any actual or alleged services as, or which may only be provided by, an accountant, attorney, tax advisor or preparer, title insurance agent, abstractor/searcher or closing agent, or third-party claims administrator;

L. Any commissions or taxes; or the failure to collect, pay or return, premium; or the commingling or use of client funds;

M. Any actual or alleged Insured promise or guarantee as to the effect of fluctuations of interest rates with respect to future premium payments or as to market values;

N. Any pension, welfare, or benefit plan in which any Insured is, or was at relevant times, a participant, named fiduciary, administrator, plan sponsor, or trustee as those terms are used in the Employment Retirement Income Security Act of 1974 (ERISA), the Pension Benefits Act and the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) including any amendments thereto, regulations or enabling statutes pursuant thereto, or any other similar federal, state or provincial statute or regulation;

O. Any pension, profit sharing health or welfare or other employee benefit plan or trust sponsored by the Insured as an employer or by any firm in which any Insured has a financial interest;

P. Any Claim involving an Insured in its capacity as a named fiduciary;

Q. Any Insured's activities as the third-party administrator of any plan, whether insured or self-insured, and whether the Insured performs such activities for a fee or not;

R. Any unauthorized use of trade secrets or confidential or proprietary information;

S. Any Claim brought against an Insured by or on behalf of a Broker/Dealer;

T. Any (1) failure of a HMO or PPO to pay the salaries or fees of any practitioner; (2) insolvency, receivership or liquidation of an HMO or PPO or; (3) quality of care rendered by, or any alleged malpractice of a participating provider of services of, any HMO or PPO;

U. Any actual or alleged: (1) failure of a HMO or PPO to pay the salaries or fees of any practitioner; (2) insolvency, receivership or liquidation of an HMO or PPO or; (3) quality of care rendered by, or any alleged malpractice of a participating provider of services of, any HMO or PPO;

V. Any Claim brought by or on behalf of an Insured against any other Insured, or brought by any individual or entity which is controlled by, affiliated with, or subsidiary to, an Insured; or brought by any entity of which an Insured is a director, officer, partner or principal stockholder;

W. Any actual or alleged promise or guarantee as to interest rates, market values, earnings, future values or future premiums or payments in connection with variable life insurance, universal life insurance, whole life insurance, variable annuities, scheduled premium annuities or mutual funds;

X. Any actual or alleged design of any employee benefit plan;

Y. Any actual or alleged placement of a client's coverage or funds directly or indirectly with any entity which is not licensed to conduct business in the state or jurisdiction with authority to regulate such business; provided that this Exclusion shall not apply to the placement of a client's coverage or funds directly or indirectly with an eligible surplus lines insurer in the state or jurisdiction with authority to regulate such business;

Z. Any actual or alleged ownership, formation, sale, servicing, operation, or administration of, or administration of claims for any insurance company, health maintenance organization, preferred provider organization, captive, risk retention group, self-insurance group/program, purchasing group (including those formed under the Federal Liability Risk Retention Act of 1981 and 1986, as amended or any amendment thereto), Professional Employer Organization (PEO), or any pool, syndicate, association or other similar group combination formed for the purpose of providing insurance or benefits;

AA. Any "Stranger Originated Life Insurance (STOLI)" or "Speculator Initiated Life Insurance (SPINLIFE)" or any other type of policies where the purchaser of the life product does not have an insurable interest in the Insured under such life product; or

BB. Any Section 412 or Section 419 plan of the Internal Revenue Code of 1986, as amended.

CC. Any activities of an Insured, or any other individual or entity, as a Navigator or Assister as defined under the Affordable Care Act, unless such Navigator or Assister is appropriately certified under the Act.

This document is a summary of coverage provided. All statements contained herein are subject to the terms, conditions and exclusions of the actual policy.

Frequently Asked Questions

Who is CalSurance Associates & Lancer Claims Services?
Brown & Brown is one of the largest and most respected independent insurance intermediaries in the nation, with over 67 years of continuous service. The company is ranked as the seventh largest such organization in the United States by Business Insurance magazine.

CalSurance Associates, a division of Brown & Brown Program Insurance Services, Inc. ("CalSurance®"), is the broker who has been selected to administer and place the coverage with the underwriting marketplace (Aspen) on behalf of the agents of NAIFA. Questions regarding coverage, when to file a claim, or copies of your policy can be obtained from CalSurance.

Lancer Claims Service, a division of Brown & Brown Program Insurance Services, Inc. has been selected by Aspen as the administrator of all claims that occur under the NAIFA Professional Liability Policy. Lancer Claims Services handles professional liability claims. Questions regarding when or how to file a claim or inquiries on claims already submitted under this program should be directed to Lancer Claims Services.

Are employees covered under my policy?
Under the definition of insured, the Named Insured is covered as well as any past, present or future principal, partner, officer, director, stockholder, trustee or employee of the Named Insured with respect to the defined professional services performed on behalf of the Named Insured.

Is coverage for Series 6 (mutual funds) and Financial Products (mutual funds, stocks/bonds, unit investment trusts, and limited partnerships) available under this program?
Yes. For an additional premium, coverage for these products is available by endorsement. You can select this coverage when you complete the on-line renewal or complete the manual application. Or, you can contact us for more information at 1-888-833-2304.

What is the turnaround time for a quotation once I manually submit my application?
The average processing time runs approximately three to seven business days.

If I cancel my policy will I receive a refund of unused premium?
Cancellation requests must be submitted in writing and return premium is the industry standard short rate cancellation. This is approximately 10%.

Do I have to place all of my business with A-rated carriers?
You are not restricted under this policy on where you can place business. However, there is no coverage for claims arising out of insolvency for carriers that are rated less than A- by A.M. Best at the time of placement.

As a new agent, how should I complete the application?
If you are newly licensed, please estimate your activities and revenue for the next year and use projected total revenue when providing your responses.

What is the Policy Period?
12 months from the Policy inception date.

How does my Deductible work?
Your deductible can be quoted as a "Damages only" deductible or a "damages and defense" deductible. A damages only deductible applies to indemnity payments made to settle a claim against you. A damages and defense deductible applies to indemnity payments and any costs associated with your defense, including attorney fees.

The Deductible will be reduced by 50% if all the following criteria are met:

- The Named Insured has been insured with the company continuously for three years as of the date of the claim;
- Named Insured is a member in good standing with NAIFA
- Named Insured completed NAIFA Risk Management Program within three years of the date of Claim reported

Does this policy pay for expenses to defend a Claim?
Defense Costs are in addition to the Limit of Liability. This means that your limits are not eroded by defense costs in the event of a claim. However, there is no obligation to defend or continue to defend the Insured after the Limits of Liability have been exhausted by judgments or settlements.

In Addition to Defense Expenses the Company will pay:

$15,000 per policy period for attorney fees, attorney costs and court costs in response to the following investigation:

- A state licensing board;
- A self regulatory board;
- A public oversight board; or
- A governmental agency with the authority to regulate Professional Services

$15,000 of Defense Costs for responding to a subpoena for documents or testimony.

The Company will not pay Defense Costs after limits of Liability are exhausted for payment of Damages or by deposit of applicable limits of Company's liability.

What are some activities that are NOT Covered?
See the exclusions shown on the highlights.

What Should an Agent do if Proof of Coverage is Required?
Provide a copy of the current declarations page.

Is coverage provided for Life Settlements?
Yes, subject to the terms and conditions of the Life Settlements Endorsement. However, coverage shall specifically not apply to life settlements involving term, variable, universal or whole life policies that were specifically sold for the purpose of performing a life settlement or for products in which the purchaser of the life product does not have an insurable interest such as corporate-owned life insurance (COLI), bank owned life insurance (BOLI), stranger owned life insurance (STOLI) products.

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Claims Procedures

How do I file a Claim?

Claims should be submitted to Lancer Claims Services using one of the following methods:

Electronically: FirstReports@CalSurance.com
Fax: (714) 978-8023
Phone: (800) 821-0540
Mail: First Reports Desk
Lancer Claims Services
681 S. Parker Street, Suite 300
Orange, CA 92868

What is a "Claims Made and Reported" Policy?

Coverage applies to claims first made against an insured during the Policy Period and is reported at the end of the Policy Period or any applicable Extended Reporting Period. The claim has to have occurred on or after the Retroactive Date. Also the Insured was not aware of any claim that could arise by an act, error or omission or Personal Injury prior to the effective date of the policy.

What is an Agent's Obligations under the Policy for Reporting Claims or Potential Claims?

What is considered a Claim?

Claim means:

1. a written demand for monetary relief; or
2. a civil or arbitration proceeding for monetary relief which is commenced by the service of a complaint or similar pleading or receipt of an arbitration demand or statement of claim,

against the insured for a wrongful act in the performance of, or failure to perform, professional services. Claim shall not include a Disciplinary Proceeding.

What should be done if there is a Claim?

The Insured shall give written notice to Lancer Claims Services as soon as practicable with full particulars as to dates, persons and entities involved. Be mindful of your automatic extended Reporting Period and contact Lancer Claims Services if you have any questions at (800) 821-0540.

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