

FREQUENTLY ASKED QUESTIONS

Named Insured: The Member Agents and Agencies of The Society of Financial Service Professional
Insurer: American Automobile Insurance Company
Policy Period: July 1, 2009 to July 1, 2010

1. What Professional Services does the policy cover?

Coverage under the policy applies to Claims arising out of the rendering or failing to render Professional Services for others as a licensed life, accident and health agent, broker, or field manager or as a financial planner, financial consultant, or Registered Representative. Professional Services shall mean:

Those services identified below, rendered in connection with a Covered Product by the Agent or its Agency/Agency Staff to a Client in the conduct of such agent's profession as a properly licensed life or A&H insurance agent, general agent or broker or a Notary Public;

1. Soliciting, negotiating, placing, recommending, selling or servicing a Covered Product; but not including the sale, surrender, conversion or any alteration of a Covered Product, in order to acquire or invest in anything other than a Covered Product;
2. Providing advice or consultation solely related to a Covered Product, including financial planning or consulting solely related to a Covered product; but not including any advice or recommendation to, in any way, sell, convert, surrender, or alter a Covered Product, in order to acquire or invest in anything other than a Covered Product;
3. Assisting a client in obtaining premium financing for a Covered Product through an entity not affiliated with any Insured;
4. Plan Administration;
5. The supervision or training of Agency/Agency Staff or of another Agent contracted with the Sponsoring Company in connection with the Professional Services described in 1. through 4. above.

Covered Product shall include

1. Life Insurance (other than Variable Life Insurance products);
2. Accident and Health Insurance;
3. Disability Income Insurance;
4. Fixed Annuities (other than variable products);
5. Medicare Supplemental Insurance;
6. Long Term Care Insurance;
7. Group Employee Benefit Plans, other than MEWAs, Life, Accident & Health Plans or Disability Plans, provided such plans are fully insured at all times; but not including Group or Ordinary Pension or Profit Sharing Plans, Individual Retirement Accounts, Keogh Plans, 401(k), 403(b) or 501(b) or similar plans;
8. Expert witness testimony.

Optionally, if selected at the time of enrollment, Covered Product will include, for an additional premium, Variable Products, Mutual Funds and Group Financial Plans.

Securities*

Property & Casualty Insurance Products*

*Solely with respect to these optional **Covered Products**, the maximum limit of liability is \$1,000,000 and the minimum deductible is \$5,000 each Claim each Agent. See policy for details.

Covered Products do not include any plan or arrangement operating as a multiple Employer Welfare Arrangement (as defined in the Employee Retirement Income Security Act of 1974 including any amendments thereto).

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

2. Am I covered for life, accident and health products with any carrier?

Yes, provided you have a valid contract in effect with that carrier, you are appropriately licensed, and the act occurred after the Retroactive Date.

3. 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 "A-" or better by A.M. Best Company at the time the business was placed or renewed. (Please see the exclusions section for a complete copy of this exclusion.)

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

You must elect coverage for Property and Casualty Insurance Products (P&C) at the time of enrollment. There is an additional charge for this coverage. P&C Products are subject to a \$1,000,000 per claim/ \$1,000,000 aggregate sub-limit and \$5,000 minimum deductible.

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

You must elect coverage for Mutual Funds at the time of enrollment. Provided you have the appropriate registration, Professional Services shall also include the sale and servicing of Mutual Funds registered with the SEC.

6. Am I covered for the sale and servicing of Securities other than Mutual Funds or Variable Products?

You must elect coverage for Securities at the time of enrollment. Provided you have the appropriate registration, Professional Services shall also include the sale and servicing of Securities, but only through a properly licensed Broker Dealer.

Be aware that a \$5,000 minimum deductible applies to the sale of these products.

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

Yes, providing advice or consulting solely related to a Covered Product, including financial planning or consulting solely related to a Covered Product.

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

If you are a state or SEC Registered Investment Advisor, please contact CalSurance for appropriate coverage options.

9. What is the Prior Acts Coverage under the policy?

The prior acts coverage (Retroactive Date), provided under the policy is the:

- the inception date of your first claims-made Life Agents Professional Liability policy which has been maintained in force without interruption, or

10. How do I obtain coverage for my staff?

The coverage extends to the Agent and Agent/Agency Staff. Agent/Agency Staff either in the singular or the plural, means the following persons or entities, but solely when acting on behalf of the Agent:

1. Any corporations, partnership or other business entity owned and controlled by such Agent;
2. Any natural person who was, now is, or shall be a duly elected or appointed director, officer, manager, member, partner or employee of such Agent or a duly elected or appointed director, officer, manager or employee of any entity identified in 1. above; or
3. Any employee of any business entity of which the Agent is also an employee.

11. Does the policy pay for the expenses to defend a Claim?

The Insurer has the right and duty to defend you when a Claim is made against you seeking Damages for a negligent act, error or omission while rendering or failing to render Professional Services.

The cost to defend you is not included in your per Claim and per Aggregate Limit of Liability and is subject to a deductible. The cost to defend you will not reduce your available limit. For example if you elect a \$1,000,000 limit of liability and the cost to defend you on a single Claim is \$500,000, that cost will not reduce the \$1,000,000 limit of liability to pay the Damages on your Claim.

You may not without the 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 Named Insured Limit of Liability is exhausted by any settlement or judgment of any Claim, the Insurer's obligation under this Policy shall be terminated.

12. How does my Deductible work?

Your deductible is applicable to Damages and Defense.

- There are several deductible options in the program starting at \$1,000 per claim.

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- There is a \$5,000 minimum per Claim deductible for variable products, mutual funds, securities and P&C Insurance products.

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

Coverage is provided to you on a "Claims Made and Reported" basis. This means the policy applies to the Named Insured's negligent acts, errors or omissions or Personal Injury provided that:

- the Claim is first made against you during the Policy Period and is reported to the Insurer in writing during the same Policy Period, or the extended reporting period (if applicable); and
- the act, error or omission or Personal Injury occurred on or after the Retroactive Date (this is defined in Question 9); and
- prior to the effective date of this policy, you did not have knowledge of any act, error or omission or Personal Injury which could reasonably be expected to result in a Claim; and
- if the act, error or omission or Personal Injury occurred prior to the effective date of this Policy Period, there is no other valid and collectible insurance available to you.

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

14. What happens if my membership with The Society of Financial Service Professionals terminates during the Policy Period?

Coverage will continue until the end of the policy period. You will not be eligible to renew your coverage in this program.

15. What happens if I retire, become disabled or in the event of my death?

Extended Reporting Period

If the Agent or, if the Agent is deceased, his or her estate, or if the Agent is totally and permanently disabled or retired from providing Professional Services, they shall have the right, upon payment of the additional premium stated above, to purchase an Extended Reporting Period of the duration stated below. This Extended Reporting Period must be requested within 90 days.

Term (Years)	Rate (% of Expiring Annual Premium)
1	100%
2	150%
3	200%
4	250%
5	300%
10	500%

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

The first limit stated is a per Claim limit and the second limit is the total aggregate per Policy Period for each Named Insured (i.e. agent or agency). This means the carrier will pay up to \$1,000,000 on any single Claim made against a Named Insured or anyone covered under the agent's limit. The total limit available to the Named Insured regardless of the number of Claims made against the Named Insured during the Policy Period is \$1,000,000.

In other words, if a Named Insured has one Claim during the Policy Period for \$1,000,000, the Named Insured would have no additional limits left under the Policy after the payment of that Claim. If instead the Named Insured had one Claim during the Policy Period for \$600,000, the Named Insured 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 10 to learn more about how payment of Defense Costs impacts your selected Limit of Liability.

17. Can I purchase additional limits of liability?

Yes. Agents may purchase a \$2,000,000 each Claim / \$2,000,000 annual aggregate and multiple producer agencies can purchase a \$2,000,000 each Claim / \$2,000,000 annual aggregate or \$3,000,000 each Claim / \$3,000,000 annual aggregate for an additional premium.

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

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18. What is a Claim?

A Claim is considered to be any written demand for money made against you or someone covered under your policy. Some examples of what is considered a Claim include:

- 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
- NASD statement of claim.

19. Who is American Automobile Insurance Company?

The policy is with Fireman's Fund Group and the issuing carrier American Automobile Insurance Company. The new policy continues to be written on a surplus lines basis. American Automobile is rated "A" by A.M. Best.

The information obtained from A.M. Best dated December 18, 2008 is not in any way CalSurance's warranty or guaranty of the financial stability of the insurer in question, and that the information is current only as of the date of publication.

20. What is the Financial Sales Professional Risk Purchasing Group?

Certain states require that a group policy must be purchased through a Risk Purchasing Group, (RPG). At no additional charge, CalSurance provides for your membership in "Financial Sales Professionals Risk Purchasing Group", a 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 Professional insured under CalSurance programs.

21. Who is Brown & Brown of California?

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 sixth largest such organization in the United States by *Business Insurance* magazine.

CalSurance Associates, a division of Brown & Brown of California, is the broker selected by The Society of Financial Service Professionals to administer and place coverage with the underwriting marketplace on behalf of the members of the FSP. 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.

Lancer Claims Services, a division of Brown & Brown of California, has been selected by American Automobile Insurance Company as the administrator of all Claims that occur under the Agents and Agencies of The Society of Financial Service Professionals sponsored 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.

22. Important Contact Information

These resources are available to producers seeking information regarding their professional liability coverage:

For Proof of Coverage:

Visit the CalSurance website at www.calsurance.com/fsp – 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
Orange, CA 92868
Phone: 866-893-1097 / Fax: 800-607-6875
Monday to Friday, 7 a.m.–5 p.m., Pacific Standard Time.

Questions Regarding How to Report a Claim:

Lancer Claims Services
First Reports Desk
681 S. Parker Street, 2nd Floor
Orange, CA 92868
Phone: 800- 821-0540, ext. 569 / Fax: 714-978-8023
Email: FirstReports@CalSurance.com

Questions Regarding Your Membership:

Member Services
The Society of FSP
Phone: 610-526-2500, ext 2555
Email: info@financialpro.org

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