



## The Cambridge Alliance, LLC

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# Financial Advisors Professional Liability Insurance Policy

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Underwriting Manager: The Cambridge Alliance, LLC

### Insurer:

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-  **EVANSTON INSURANCE COMPANY**

[A stock insurance company, herein called the Company, which except in Illinois is a non-admitted insurer, writing pursuant to the surplus lines laws and not under the jurisdiction of the Insurance Commissioner.]

-  **ESSEX INSURANCE COMPANY**

[A stock insurance company, herein called the Company, which except in Delaware, is a non-admitted insurer, writing pursuant to the surplus lines laws and not under the jurisdiction of the Insurance Commissioner.]

# FINANCIAL ADVISORS PROFESSIONAL LIABILITY INSURANCE POLICY

THIS IS A CLAIMS MADE AND REPORTED POLICY. PLEASE READ IT CAREFULLY.

In consideration of and subject to the payment of the premium, the agreement of the Named Insured to pay the Deductible amount stated in the Declarations and described herein, in reliance upon the statements in the application attached hereto and made a part hereof and the underwriting information submitted on behalf of the **Insured**, and subject to all the terms, conditions, limitations and any endorsements to this policy, the Company and **Insureds** agree as follows:

## INSURING AGREEMENTS

### 1. COVERAGE

The Company will pay on behalf of the **Insured** all sums in excess of the Deductible amount stated in the Declarations which the **Insured** shall become legally obligated to pay as **Damages** and **Claims Expenses** resulting from **Claims** first made against the **Insured** during the **Policy Period** or **Extended Reporting Period**, if applicable, and reported to the Company during the **Policy Period** or the **Extended Reporting Period**, if applicable, or within sixty (60) days after the expiration of the **Policy Period** or **Extended Reporting Period**, if applicable, as a result of a **Wrongful Act** by the **Insured** or someone for whose acts the **Insured** is legally responsible, happening on or after the **Retroactive Date** and before the end of the **Policy Period**, provided such **Claims** are reported in writing to the Company as soon as practicable but in no event later than sixty (60) days after termination of the policy or the **Extended Reporting Period**, if applicable, provided that prior to the effective date of this policy the **Insured** did not know or could not have reasonably foreseen that such **Wrongful Act** might give rise to a **Claim**. This policy shall only apply to **Claims** resulting from a **Wrongful Act** or **Interrelated Wrongful Acts** which take place in their entirety on or after the **Retroactive Date**.

### 2. DEFENSE, CONSENT, SETTLEMENT AND COOPERATION

The Company shall have the right and duty to defend and investigate any **Claim**, to which coverage under this policy applies, brought against the **Insured** seeking **Damages** as a result of a **Wrongful Act** even if such **Claim** is groundless, false or fraudulent pursuant to the following provisions:

- a. **Claims Expenses** incurred in defending and investigating such **Claim** shall be a part of and shall not be in addition to the Limits of Liability stated in Item 3. of the Declarations. Such **Claims Expenses** shall reduce the Limits of Liability and shall be applied against the Deductible. The Company shall have no obligation to pay any **Damages** or to defend or continue to defend any **Claim** or to pay **Claims Expenses** after the Limits of Liability as stated in Item 3. of the Declarations have been exhausted by payment(s) of **Damages** and/or **Claims Expenses**.
- b. The Company shall select defense counsel; provided, however, that if the law of the state of the Named Insured's domicile (as stated in Item 1. of the Declarations) allows the **Insured** to control the selection of defense counsel where a conflict of interest has arisen between the **Insured** and the Company, the Company will provide a list of attorneys or law firms from which the **Insured** may designate defense counsel who shall act solely in the interest of the **Insured**, and the **Insured** shall direct such defense counsel to cooperate with the Company. Such cooperation shall include:
  - (i) providing on a regular basis, but not less frequently than every three (3) months, written reports on claimed **Damages**, potential liability, progress of any litigation, any settlement demands, or any investigation developments that materially affect the **Claim**;
  - (ii) providing any other reasonable information requested;
  - (iii) fully itemized billing on a periodic basis; and

(iv) cooperating with the Company and the **Insured** in resolving any discrepancies;

and the fees and costs incurred by such defense counsel, including those fees and costs generated by cooperation with the Company, as set forth above, shall be included in **Claims Expenses**. Such **Claims Expenses** shall be a part of and shall not be in addition to the Limits of Liability as stated in Item 3. of the Declarations. Such **Claims Expenses** shall reduce the Limits of Liability and shall be applied against the Deductible.

The Company shall not settle any **Claim** without the prior written consent of the **Insured**, but the Company shall have, at all times, the right to recommend a settlement of any **Claim**. If the **Insured** shall refuse to settle such **Claim** pursuant to the Company's recommendations, then the Company's liability in regard to such **Claim** shall not exceed: (1) the amount for which the **Claim** could have been settled for an amount acceptable to the claimant; and (2) the amount of any **Claims Expenses** incurred up to the date of the **Insured's** refusal to settle the **Claim**. Such amounts are subject to the provisions of the Section Conditions 3., Limits of Liability.

The **Insured** shall not, with respect to any **Claim** covered under this policy, except at his/her own cost, make payment, admit any liability, settle any **Claim**, assume any obligation, agree to arbitration or any similar means of resolution of any dispute, waive any rights or incur any **Claims Expenses** without the Company's prior written consent, such consent not to be unreasonably withheld. However, the **Insured** must take all reasonable action within the **Insured's** ability to prevent or mitigate any damages or **Claim** which would be covered under this policy. Any costs and expenses incurred by the **Insured** prior to the **Insured** giving written notice of the **Claim** to the Company shall be borne by the **Insured** and will not constitute satisfaction of the Deductible.

The Insured shall cooperate with the Company and upon the Company's request the Insured shall: (1) submit to examination and interview by a representative of the Company, under oath if required; (2) attend hearings, depositions, and trials; (3) assist in effecting settlement, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits; (4) give a written statement or statements to the Company's representatives and meet with such representatives for the purpose of determining coverage and investigating and/or defending, and all without cost to the Company. The Insured shall further cooperate with the Company and shall do whatever is necessary to effect any right of indemnity, contribution or apportionment which the Insured may have.

## DEFINITIONS

1. "**Broker**" shall have the meaning assigned to that term by the Securities Exchange Act of 1934, as amended; but **Broker** does not mean a person who is a **Registered Representative**.
2. "**Claim**" means the **Insured's** receipt of:
  - a. a demand for **Damages** made on the **Insured** arising out of a **Wrongful Act** which is specifically within the scope of coverage as set forth elsewhere in this policy;
  - b. a notice of an investigation of violation(s) of law or regulation initiated by any governmental body or self regulatory organization, but only if a **Claim** arises out of a **Wrongful Act** which is specifically within the scope of coverage as set forth elsewhere in this policy; or
  - c. a notice of a proceeding commenced by the filing of a notice of charges, or formal investigative order or similar document, but only if a **Claim** arises out of a **Wrongful Act** which is specifically within the scope of coverage as set forth elsewhere in this policy.
3. "**Claims Expenses**" means reasonable and necessary amounts incurred by the Company or by the **Insured** with the prior written consent of the Company in the defense of that portion of any **Claim** for which coverage is afforded under this policy, including costs of investigation, court costs, costs of bonds to release attachments and similar bonds, but without any obligation of the Company to apply for or furnish any such bonds, and costs of appeals; provided, however, **Claims Expenses** do not include: (1) salary, wages, overhead, or benefit expenses of or associated with any employees or officials of the Named Insured or employees or officials of the Company; or (2) salary, wages, administration, overhead, benefit expenses, or charges of any kind attributable to any in-house counsel or captive out-of-house counsel for the Named Insured or the Company.

4. "**Damages**" means a compensatory monetary judgment (including any pre- or post-judgment interest) or settlement negotiated with the approval of the Company, arising from **Wrongful Acts** in the **Insured's** rendering of **Professional Services** for others; provided, however, **Damages** shall not include: (1) punitive or exemplary damages or any multiplied portions of damages in excess of actual damages including trebling of damages; (2) taxes, criminal or civil fines, or attorneys' fees of a party other than an **Insured** or other penalties imposed by law; (3) sanctions; (4) matters which are uninsurable under the law pursuant to which this policy shall be construed; (5) the value of any **Professional Services** rendered or expense incurred by the **Insured** for modification or correction of previous work, as necessitated by a **Claim**, or any return, withdrawal, or reduction of professional fees; or (6) damages assessed under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C., Section 1961, et seq. or similar federal or state law.
5. "**Dealer**" shall have the meaning assigned to that term by the Securities Exchange Act of 1934, as amended, but **Dealer** does not mean a person who is a **Registered Representative**.
6. "**Extended Reporting Period**" shall have the meaning assigned to that term by Section Conditions 6., **Extended Reporting Period**.
7. "**Financial Advisor**" means an individual who is in the business of providing **Financial Planning Services** as a **Financial Planner** or **Investment Management Services** as a **Registered Investment Adviser** or providing general financial education courses and seminars including, but not limited to, courses in support of Section 404(c) of the Employee Retirement Income Security Act of 1974 ("ERISA").
8. "**Financial Institution**" means an institution that collects funds from the public to place in financial assets including, but not limited to stocks, bonds, money market instruments, bank deposits, insurance products, or loans.
9. "**Financial Plan**" means a written plan identifying a client's assets, liabilities, financial objectives and risk appetite and which recommends a course of activities or specific actions, consistent with the client's risk tolerance, to achieve the client's goals and objectives.
10. "**Financial Planner**" means an individual in the business of providing **Financial Planning Services** to others. It includes a **Registered Representative**, **Registered Investment Adviser** and **Life Insurance Agent** while they are providing **Financial Planning Services** as part of a **Financial Plan** or an **Investment Management Contract**.
11. "**Financial Planning Services**" means financial or investment advice given to individuals or their owned business organizations as part of a **Financial Plan**, comprehensive or modular, including advice with respect to personal risk management, investments, estate planning, retirement planning, and taxes; or **Investment Management Services** provided pursuant to an **Investment Management Contract** as well as the implementation of the **Financial Plan** or the **Investment Management Contract** through the purchase or sale of **Securities** or life insurance products or other appropriate implementation strategies.
12. "**Insured**" means:
  - a. The Named Insured stated in Item 1. of the Declarations;
  - b. Any **Predecessor In Interest**;
  - c. Any person who is, was, or hereafter becomes a partner, principal, officer, director or employee of the Named Insured, but only for **Professional Services** rendered on behalf of the Named Insured or **Predecessor In Interest**, during such time such person is a partner, principal, officer, director or employee of the Named Insured or **Predecessor In Interest**;

- d. If the Named Insured stated in Item 1. of the Declarations is a limited liability company, any past or current manager thereof, but only for **Professional Services** rendered on behalf of the Named Insured or **Predecessor In Interest** and within the scope of their duties as manager of such limited liability company and any past or current member thereof, but only for **Professional Services** rendered on behalf of the Named Insured or **Predecessor In Interest** and within the scope of their duties as a member of such limited liability company;
  - e. Any person who is, was, or hereafter becomes the appointed Chief Compliance Officer pursuant to Rule 206(4)-7 of the Investment Advisers Act of 1940 solely while acting in such a capacity for the Named Insured or **Predecessor In Interest**;
  - f. Any individual professional or professional organization while rendering **Professional Services** on behalf of or under contract with the Named Insured; provided that any such individual or organization shall be an **Insured** only if listed on the application for this policy and specifically endorsed by name onto this policy;
  - g. The estate, heirs, executors, administrators, and legal representatives of each **Insured** hereinabove, in the event of death, disability, incapacity, insolvency or bankruptcy of such **Insured**, but only with respect to liability arising out of **Professional Services** rendered on behalf of the Named Insured or **Predecessor In Interest**, prior to such **Insured's** death, disability, incapacity, insolvency, or bankruptcy, and only to the extent such **Insured** would have otherwise been provided coverage under this policy; and
  - h. The lawful spouse of any **Insured** hereinabove, but only to the extent that such person is a party to a **Claim** solely in that person's capacity as a spouse of an **Insured** hereinabove and only with respect to any **Claim** which seeks **Damages** recoverable from marital community property, property jointly held by such **Insured** and their spouse, or property transferred from such **Insured** to their spouse.
13. "**Interrelated Wrongful Act**" means **Wrongful Acts** that have as a common nexus any fact, circumstance, situation, event, transaction, cause or series of causally connected facts, circumstances, situations, events, transactions or causes.
14. "**Investment Management Contract**" means a written agreement wherein a client agrees to goals and strategies for the investment of the client's money, assisted by the **Registered Investment Adviser**, following a process which specifies investment goals, risk tolerance, allocation of investments among diversified asset classes and guidelines for the selection of money managers and ongoing monitoring and reporting.
15. "**Investment Management Services**" means advising and/or supervising the purchase or sale of **Securities** for a client by a **Registered Investment Adviser** pursuant to an **Investment Management Contract**.
16. "**Life Insurance Agent**" means an individual licensed, as required by law, to sell life, health, disability or accident insurance including activities as a licensed life insurance consultant. It does not include anyone while acting as a general agent or in any similar capacity for a life insurance company.
17. "**Material Change**" means:
- a. A change in legal name of the Named Insured;
  - b. Any consolidation, acquisition or merger of the Named Insured with any other organization or the creation of any subsidiary or affiliated organization;
  - c. A cumulative change of fifty percent (50%) or more in the numbers of owners, partners, shareholders, members, managers or employees as reported on the application for this policy;
  - d. The creation of an affiliation, association or relationship not disclosed on the application for this policy, with an otherwise unaffiliated organization which renders **Professional Services** on behalf of or under contract with the Named Insured; or

- e. A material change in the risk accepted by the Company in the Named Insured's business as described on the application for this policy and any and all supplemental attachments including the Form ADV.
18. **"Personal Injury"** means false arrest, detention or imprisonment, or malicious prosecution; the publication or utterance of a libel or slander or of other defamatory or disparaging material; a publication or utterance in violation of an individual's right of privacy; wrongful entry or eviction; or the invasion of the right of private occupancy.
19. **"Policy Period"** means the period stated in Item 2. of the Declarations or any shorter period that may occur as a result of a cancellation of this policy, and specifically excludes any **Extended Reporting Period** hereunder.
20. **"Pollutants"** means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals, odors, noise, asbestos, or asbestos-containing products and waste. Waste includes but is not limited to materials to be recycled, reconditioned or reclaimed.
21. **"Predecessor In Interest"** means any organization, some or all of whose shareholders, members or partners have joined the Named Insured, provided that the prior organization is listed on the application for this policy, and is specifically endorsed by name hereon.
22. **"Professional Services"** means services rendered for or advice given to others by the **Insured** for a fee, remuneration or other consideration in the **Insured's** practice as a **Financial Advisor**. **Professional Services** shall not include: (1) any services rendered during the period of any suspension or revocation of the **Insured's** certification, licensure, accreditation, appointment or other right to practice as a **Financial Planner, Registered Representative, Registered Investment Adviser** or **Life Insurance Agent**; or (2) activities as a partner, principal, officer, director, manager, member or employee of any organization or public office other than the Named Insured or an organization specifically endorsed by name onto this policy.
23. **"Registered Investment Adviser"** means an **Insured** who meets the definition of investment adviser as defined in the Investment Advisers Act of 1940, as amended, and who is registered as required by law with either the Securities Exchange Commission ("SEC") or the appropriate state authority.
24. **"Registered Representative"** means a person who: (1) is registered with the National Association of Securities Dealers, Inc. or its successor the Financial Industry Regulatory Authority as a **Registered Representative** of a **Broker** or **Dealer** pursuant to the provisions of the Securities Exchange Act of 1934; and (2) is in the business of buying and selling **Securities** for the account of others, including but not limited to, direct participation products such as limited partnerships, shares in mutual funds, unit investment trusts and variable annuities. It does not include any person while acting in the capacity of a principal of a **Broker** or **Dealer**, including but not limited to a General Securities Principal or Limited Principal General Securities Sales Supervisor.
25. **"Retroactive Date"** means the date stated in Item 6. of the Declarations.
26. **"Securities"** shall have the meaning assigned to that term by the following: (1) the Securities Exchange Act of 1934; (2) the Securities Act of 1933; (3) the Investment Advisers Act of 1940 as amended; and/or (4) any rules issued pursuant to any of these acts.
27. **"Underwriter"** shall have the meaning assigned to that term by the Investment Advisers Act of 1940, as amended, and any rules issued pursuant thereto.
28. **"Wrongful Act"** means any actual or alleged act, error, omission or breach of duty in the rendering or failure to render **Professional Services**.

## EXCLUSIONS

This policy does not apply to, and the Company shall not be liable for, **Damages** or **Claims Expenses** resulting from **Claims** made against an **Insured** for, based upon, arising from, attributable to, related to, or in any way involving, directly or indirectly:

1. any intentional wrongdoing, fraud, dishonesty, criminal or malicious **Wrongful Act** or the gaining in fact of any personal profit, remuneration or advantage to which the **Insured** is not legally entitled, including but not limited to, any profit or advantage as a result of commingling funds or accounts. This exclusion shall not apply to an **Insured** if the **Insured** was unaware of such misconduct and, with the exercise of reasonable care, could not have been aware of such misconduct;
2. willful, wanton, or reckless misconduct committed by an **Insured** or at an **Insured's** direction which constitutes violation of law or breach of duty;
3. unlawful discrimination by any **Insured**;
4. the use of non-public information in a manner prohibited by applicable law, rule, or regulation;
5. **Personal Injury**, bodily injury, sickness, disease, emotional distress, humiliation, mental anguish or illness, outrage, or death of any person, or damage to or destruction of any tangible property including loss of use thereof;
6. any action brought by an employee, former employee or job applicant of the **Insured** in their capacity as such;
7. the liability of others assumed by an **Insured** under any contract or agreement unless such liability would have attached to the **Insured** even in the absence of such an agreement;
8. any action made against the **Insured** by or on behalf of any **Insured**, **Predecessor In Interest**, parent organization or any subsidiary, division or affiliated organization;
9. any action brought against an **Insured** by a person or organization that is not a client or customer of an **Insured** or a client's or customer's appointed administrator, executor, receiver, trustee in bankruptcy, beneficiary or heir;
10. any liability the **Insured** may have as a result of the **Insured's** activities in any profession other than **Financial Advisor**, including but not limited to, **Broker**, **Dealer**, accountant, actuary, enrolled agent, tax preparer, lawyer, mortgage broker, property or casualty insurance agent, real estate agent or broker, securities analyst, third party administrator or administrator of any employee benefit plan;
11. any **Insured's** activities as a partner, principal, officer, director, manager, employee, shareholder, member or trustee of any person or organization other than the Named Insured;
12. any action by or on behalf of any present, past or future shareholder, member or employee, in their capacity as such, of the Named Insured against any partner, principal, officer, director, manager or employee of the Named Insured;
13. the manufacture, leasing, distribution, preparation, design or sale of a tangible product by an **Insured**, including but not limited to, computer hardware and software;
14. direct or indirect loss, damage or destruction of any document, record, paper, account, data processing equipment or component part, computer or computer system or record, or mechanical or electronic failure, breakdown, or malfunction of any machine or system, including but not limited to, telephonic or data processing systems or machines or delay caused by systems' overload, or out of data processing services rendered for others;
15. the infringement or inducement of infringement of copyright, patent, trademark, service mark, trade name, or trade secret or unfair competition based upon infringement of copyright, patent, trademark, service mark, trade name or trade secret;

16. the actual or alleged insolvency, receivership, bankruptcy, liquidation, reorganization or financial inability to pay of the **Insured** or any **Financial Institution, Broker, Dealer**, clearing agency or **Registered Representative**;
17. trading or failure to trade in any **Securities** traded exclusively outside the United States of America, its territories, possessions, Puerto Rico or Canada; any function of any **Insured** as a specialist or market maker for any **Securities** or failure to make a market for any **Securities** or brought by or on behalf of any clearing agency or arising out of any function of any **Insured** as a clearing agency;
18. any actual or alleged or threatened discharge, dispersal, release or escape of **Pollutants** or any governmental or regulatory directive or request to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize **Pollutants**;
19. **Professional Services** rendered to or on behalf of or any recommendation to invest in any organization including but not limited to a corporation, company, limited liability company, limited liability partnership, partnership, sole proprietorship, not-for-profit organization, governmental entity, or other business organization including the subsidiaries thereof in which any **Insured** or **Insured's** spouse is a partner, principal, officer, director, manager, employee or a more than five percent (5%) shareholder or member at the time the **Wrongful Act** giving rise to said **Claim** took place;
20. disputes over the amount of, or for the return of or reimbursement of fees, commissions or other sums paid to an **Insured** for **Professional Services** rendered by an **Insured**;
21. any action against an **Insured** based upon or arising out of any pension, profit sharing, health or welfare or other employee benefit plan or trust sponsored by an **Insured** as an employer or in which any **Insured** is a participant;
22. any action brought by or against an **Insured** as a beneficiary or distributee of any trust or estate; or any **Claim** brought against an **Insured** as trustee, administrator, conservator, executor or guardian for others;
23. an **Insured's** warranties, promises or guarantees, express, implied or otherwise, as to interest rates, fluctuations in interest rates, future premium payments, market values, investment returns or income tax consequences;
24. disallowed deduction(s), credit(s) or other item(s) on a tax return; or for taxes which would be owed in any case by a client;
25. any action against a **Registered Representative** based upon, arising from, or in any way involving **Securities**, investment products or any services not approved or authorized by the **Broker** or **Dealer** with which the **Registered Representative** is affiliated at the time the **Wrongful Act** giving rise to the **Claim** took place;
26. options, futures, warrants, derivatives, master limited partnerships, limited partnerships, hedge funds or fund of hedge funds whether or not registered with the SEC, viatical agreements, life settlements, life settlement-backed securities (death bonds), senior settlements, private placements, unregistered securities, promissory notes, or any transaction involving real property, tangible property or tangible personal property; however, this exclusion shall not apply to employer granted stock options both non-qualified and incentive stock options, publicly traded mutual funds registered with the SEC, Real Estate Investment Trusts ("REITs") traded on a national exchange, or limited or master limited partnerships traded on a national exchange or Exchange Traded Funds ("ETF") traded on a national exchange;
27. ownership, formation, capitalization, syndication, operation, management or administration of a general or limited partnership, an investment related limited liability company, real estate syndicate, joint venture or any other type of ventures or syndicates, or any type of charitable enterprise or entity; or
28. acting as an **Underwriter**, syndicator, or investment banker and the associated counseling or investment activities for any of the foregoing, including but not limited to any aspect of any actual, attempted or threatened mergers, acquisitions, divestitures, tender offers, proxy contests, leveraged



buy-outs, going private transactions, reorganizations, capital restructurings, recapitalizations, spin-offs, primary or secondary offerings of **Securities** (regardless of whether the offering is a public offering or a private placement), business valuations, or efforts to advise, raise or furnish capital or financing for any enterprise or entity or any disclosure requirements in connection with any of the foregoing.

## CONDITIONS

### 1. NOTICE OF CLAIM

It is a condition precedent to coverage afforded by this policy that the **Insured** shall give to the Company written notice as stated in Item 8. of the Declarations as soon as practicable of any **Claim** first made against the **Insured** during the **Policy Period** or the **Extended Reporting Period**, if applicable. In any event, such **Claim** must be reported to The Cambridge Alliance, LLC, on behalf of the Company, within sixty (60) days after the end of the **Policy Period** or the **Extended Reporting Period**, if applicable.

In the event a suit is brought against the **Insured**, the **Insured** shall immediately forward to The Cambridge Alliance, LLC, on behalf of the Company, every demand, notice, summons or other process received by him/her or by his/her representatives.

### 2. NOTICE OF A WRONGFUL ACT THAT MAY GIVE RISE TO A CLAIM

If during the **Policy Period** the **Insured** first becomes aware of a specific **Wrongful Act** which is reasonably expected to result in a **Claim** within the scope of coverage of this policy, then the **Insured** must provide written notice as stated in Item 8. of the Declarations to the Company containing the information listed below. If such written notice is received by the Company during the **Policy Period**, then any **Claim** subsequently made against the **Insured** arising out of such **Wrongful Act** shall be deemed for the purpose of this insurance to have been first made on the date on which such written notice is received by the Company.

It is a condition precedent to the coverage afforded by this clause that written notice be given to the Company containing the following information:

- a. the description of the specific **Wrongful Act**;
- b. the date on which such **Wrongful Act** happened;
- c. the injury or damage which has or may result from such **Wrongful Act**;
- d. the identity(ies) of the **Insured(s)** who may be the subject of such **Claim**;
- e. the identity(ies) of any potential claimant; and
- f. the circumstances by which the **Insured** first became aware of such **Wrongful Act**.

Subject to the paragraph hereinabove, if during the **Policy Period** the **Insured** provides such written notice of a specific **Wrongful Act** which is reasonably expected to result in a **Claim** within the scope of coverage of this policy, the Company at its sole option, may investigate such specific **Wrongful Act**. Until such time that a **Claim** arising from such specific **Wrongful Act** has been made, such an investigation shall be at the Company's expense, shall not be subject to the Deductible and shall not reduce the Limits of Liability. In the event that the Company makes any payment of **Damages** and/or **Claims Expenses** as a result of the **Insured's** notice of a **Wrongful Act** pursuant to this provision, then such matter shall be deemed to be a **Claim** and shall be subject to all terms, conditions and provisions in this policy as applicable to a **Claim**.

### 3. LIMITS OF LIABILITY

The total liability of the Company for the combined total of **Claims Expenses** and **Damages** for each **Claim** first made against the **Insured** during the **Policy Period** or **Extended Reporting Period**, if applicable, shall not exceed the Limit of Liability stated in Item 3.(A) of the Declarations as applicable to each **Claim**.

Subject to the paragraph hereinabove, the total liability of the Company shall not exceed the aggregate Limit of Liability for all **Claims** as stated Item 3.(B) of the Declarations for all **Claims Expenses** and **Damages** arising out of all **Claims** first made against the **Insured** during the **Policy Period** and **Extended Reporting Period**, if applicable.

The inclusion herein of more than one **Insured** in any **Claim** or suit or the making of **Claims** or the bringing of suits by more than one person or organization shall not operate to increase the Limits of Liability stated in Item 3. of the Declarations. More than one **Claim** arising out of a single **Wrongful Act** or **Interrelated Wrongful Acts** shall be considered a single **Claim**. All such **Claims**, whenever made, shall be treated as a single **Claim**. Such single **Claim**, whenever made, shall be deemed to be first made on the date on which the earliest **Claim** arising out of such **Wrongful Act** is made or with regard to notice given to and accepted by the Company pursuant to Section Conditions 2., Notice of a Wrongful Act That May Give Rise to a Claim, on the date within the **Policy Period** on which such notice of potential **Claim** is first received by the Company.

The Limits of Liability of the Company for the **Extended Reporting Period**, if applicable, shall be part of, and not in addition to, the Limits of Liability of the Company for the **Policy Period**. The Limits of Liability available to pay **Damages** shall be reduced by **Claims Expenses**.

#### 4. DEDUCTIBLE

The Deductible amount stated in Item 4. of the Declarations shall be paid by the Named Insured and shall be applicable to each **Claim** and shall include **Damages** and **Claims Expenses**, whether or not any **Damages** payments are made. The Deductible shall not reduce or increase the Limits of Liability.

Such amounts shall, upon written demand by the Company, be paid by the Named Insured within ten (10) days. The total payments requested from the Named Insured in respect of each **Claim** shall not exceed the Deductible amount stated in Item 4. of the Declarations.

The determination of the Company as to the reasonableness of the **Claims Expenses** shall be conclusive on the Named Insured.

#### 5. MEDIATION OF CLAIMS

If a **Claim** is fully and finally resolved to the satisfaction of all parties, including the Company, through mediation, the **Insured's** Deductible obligation for such **Claim** shall be reduced by fifty percent (50%) up to a maximum reduction of \$12,500, provided such mediation is initiated and concluded and/or abandoned before and not subsequent to commencement of any litigation or arbitration. In the event such mediation does not fully and finally resolve the **Claim**, there shall be no reduction of the Deductible obligation, and all **Claims Expenses** incurred in the mediation proceedings shall be included in total **Claims Expenses** for the **Claim**.

#### 6. EXTENDED REPORTING PERIOD

If the Named Insured nonrenews this policy or cancels this policy pursuant to Section Conditions 14., Notice of Cancellation, or if the Company nonrenews this policy or cancels this policy pursuant to Section Conditions 14., Notice of Cancellation, for reasons other than nonpayment of premium or Deductible, the revocation, suspension, or surrender at the request of any regulatory authority of the **Insured's** license or other right to practice as a **Financial Planner, Registered Representative, Registered Investment Adviser, Broker, Dealer or Life Insurance Agent**, or non-compliance with the terms and conditions of this policy, the Named Insured shall have the right upon payment of additional premium, to extend the coverage granted under this policy to **Claims** first made against the **Insured** for a period of one (1) year and reported to the Company pursuant to Section Conditions 1., Notice of Claim, following immediately upon the effective date of such cancellation or nonrenewal, for any **Wrongful Act** that happened on or after the **Retroactive Date** and prior to the effective date of cancellation or nonrenewal. The premium for the **Extended Reporting Period** shall not exceed one hundred percent (100%) of the full annual premium for this policy. This period of months if exercised by the Named Insured and described in this paragraph shall be referred to as the **Extended Reporting Period**.

The offer of renewal terms, conditions, Limits of Liability and/or premium different from those of this policy shall not constitute a cancellation or nonrenewal.

The **Extended Reporting Period** shall terminate on the effective date and hour of any other insurance issued to the Named Insured or successor to the Named Insured which replaces in whole or in part the coverage afforded by the **Extended Reporting Period**.

As a condition precedent to the right to purchase the **Extended Reporting Period**, the Named Insured must have paid: (1) all Deductibles when due; (2) all premiums due for the **Policy Period**; and (3) all premium and deductibles due on any other policy(ies) issued by the Company or any of its affiliated companies in an uninterrupted series of policies for which this policy is a renewal or replacement. The right to purchase the **Extended Reporting Period** shall terminate unless a written request for the **Extended Reporting Period** is received by the Company within thirty (30) days after the effective date of cancellation or nonrenewal together with full payment for the **Extended Reporting Period**. If such written request and premium payment for the **Extended Reporting Period** are not so received by the Company, there shall be no right to purchase the **Extended Reporting Period** at a later date.

At the commencement of any **Extended Reporting Period**, the entire premium therefor shall be deemed earned and in the event the Named Insured terminates the **Extended Reporting Period** before its expiration date, the Company shall not be liable to return to the Named Insured any portion of the premium for the **Extended Reporting Period**.

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 stated in the Declarations. No **Extended Reporting Period** endorsement is renewable.

## 7. TERRITORY

The insurance afforded by this policy applies worldwide, provided the **Claim** is made in the United States of America, its territories and possessions, Puerto Rico or Canada.

## 8. OTHER INSURANCE

This insurance shall apply excess of the Deductible stated in Item 4. of the Declarations, any other insurance available to the **Insured**, whether such insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as a specific excess insurance over the Limits of Liability provided in this policy.

## 9. SUBROGATION

In the event of any payment under this policy, the Company shall be subrogated to all of the **Insured's** rights of recovery therefor against any person or organization, and the **Insured** shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The **Insured** shall do nothing to prejudice such rights.

The Company shall not exercise any such rights against any person or organization in its capacity as an **Insured**. Notwithstanding the foregoing, the Company reserves the right to exercise any rights of subrogation against an **Insured** with respect to any **Claim** brought about or contributed to by the intentional, dishonest, fraudulent, criminal or malicious act, error, or omission of such **Insured**.

Any amount so recovered shall be apportioned as follows:

Any recovery shall first be used for the repayment of expenses incurred toward subrogation; second, for **Damages** and/or **Claims Expenses** paid by the Company; third, for any loss and expense payment by the **Insured** in excess of any Deductible; fourth, for any loss and expense payments by an excess insurer on behalf of the **Insured**; fifth, for any loss and expense payments by any other primary insurer on behalf of the **Insured**; and last, for repayment of the **Insured's** Deductible.

## 10. ALTERATION AND ASSIGNMENT

Notice to or knowledge possessed by any agent or other person acting on behalf of the Company or any other person shall not effect a waiver or change in any part of this policy or prevent the Company from asserting rights under the terms of this policy. No change in, modification of, or assignment of interest under this policy shall be effective except when made by written endorsement to this policy signed by an authorized representative of the Company.

## 11. REIMBURSEMENT OF THE COMPANY

If the Company has paid any **Damages** or **Claims Expenses** in excess of the Limits of Liability or within the Deductible, the **Insured** shall be liable to the Company for any and all such amounts and, upon demand, shall pay such amounts to the Company promptly.

## 12. ENTIRE CONTRACT

The Declarations, representations and warranties in the application for this policy, and the applications for any policy issued by the Company of which this policy is a renewal or replacement, including all supplemental materials and the Form ADV submitted to the Company are relied on by the Company and are the basis on which the Company granted coverage under this policy, and are considered as incorporated into and constituting a part of the policy and are deemed a part of and attached hereto, as if physically attached hereto.

By accepting this policy, the **Insureds** agree that the Declarations, information and statements contained in the application and in all supplemental materials are complete and accurate and each is deemed material to the acceptance of the risk by the Company under this policy and that this policy embodies all agreements existing between the **Insureds** and the Company.

## 13. AUDIT

The Company shall have the right to require of the Named Insured audit by a duly authorized representative of the Company, who shall have the right and opportunity to examine the books and records of the Named Insured, and such examination may be made at any time during the **Policy Period** and within three (3) years thereafter.

## 14. NOTICE OF CANCELLATION

This policy may be cancelled by the Named Insured on behalf of all **Insureds** by mailing written notice to the Company stating when thereafter such cancellation shall be effective. If cancelled by the Named Insured, the earned premium shall be computed at the customary short rate. Payment or tender of unearned premium shall not be a condition precedent to the effectiveness of cancellation, but such payment shall be made as soon as practicable.

This policy may be cancelled by the Company or by The Cambridge Alliance, LLC, on behalf of the Company, by mailing to the Named Insured, at the address stated in Item 1. of the Declarations, written notice stating when, not less than thirty (30) days thereafter such cancellation shall be effective. However, if the Company cancels the policy because the Named Insured has failed to pay a premium or Deductible when due, including premium and deductibles due on any other policy(ies) issued by the Company or any of its affiliated companies in an uninterrupted series of policies for which this policy is a renewal or replacement, or the revocation, suspension, or surrender at the request of any regulatory authority of the **Insured's** license, or other right to practice as a **Financial Planner, Registered Representative, Registered Investment Adviser** or **Life Insurance Agent**, this policy may be cancelled by the Company or by The Cambridge Alliance, LLC, on behalf of the Company, by mailing a written notice of cancellation to the Named Insured stating when, not less than ten (10) days thereafter, such cancellation shall be effective. The mailing of notice as aforementioned shall be sufficient notice and the effective date of cancellation stated in the notice shall become the end of the **Policy Period**. Such notice shall be conclusive on all **Insureds**. Delivery of such written notice by the Named Insured, the Company or The Cambridge Alliance, LLC, shall be equivalent to mailing. If cancelled by the Company or The Cambridge Alliance, LLC, earned premium shall be computed pro rata. Premium adjustment may be made at the time cancellation is effected or as soon as practicable thereafter.

15. NAMED INSURED SOLE AGENT

The first Named Insured stated in Item 1. of the Declarations shall be the sole agent of all **Insureds** hereunder for the purpose of effecting or accepting any amendments to or cancellation of this policy, for the purpose of receiving such notices as may be required by law and/or any provision(s) of this policy, for the completing of any application and the making of any representations, for the payment of any premium and Deductible and the receipt of any return premium that may become due under this policy, and the exercising or declining to exercise any right under this policy, including declining or exercising any **Extended Reporting Period** and providing written notices of consent to settle.

16. ACTION AGAINST THE COMPANY

No action shall lie against the Company unless, as a condition precedent thereto, the **Insured** shall have fully complied with all of the terms and conditions of this policy, nor until the amount of the **Insured's** obligation to pay shall have been fully and finally determined either by judgment against the **Insured** after actual trial or by written agreement of the **Insured**, the claimant and the Company.

Nothing contained in this policy shall give any person or organization any right to join the Company as a co-defendant in any action against the **Insured** to determine the **Insured's** liability. Bankruptcy or insolvency of the **Insured** or of the **Insured's** estate shall not relieve the Company of any of its obligations hereunder.

17. NOTICE OF MATERIAL CHANGE

Any **Material Change** must be reported to the Company within fifteen (15) days of such change taking place. Within ninety (90) days of such report of a **Material Change**, the Company may, at its sole option, cancel the policy, or agree to appropriately endorse the policy subject to additional premium or terms and conditions that the Company deems appropriate.

18. SERVICE OF SUIT

Except with respect to any policy issued in any state in which the Company is licensed as an admitted insurer to transact business, it is agreed that in the event of the failure of the Company to pay any amount claimed to be due hereunder, the Company, at the request of the Named Insured, will submit to the jurisdiction of a court of competent jurisdiction within the United States and will comply with all requirements necessary to give such court jurisdiction and all matters arising hereunder shall be determined in accordance with the law and practice of such court. Nothing in this clause constitutes or should be understood to constitute a waiver of the Company's rights to commence an action in any court of competent jurisdiction in the United States, to remove an action to a United States District Court, or to seek a transfer of a case to another court as permitted by the laws of the United States or of any state in the United States. It is further agreed that service of process in such suit may be made upon President, The Cambridge Alliance, LLC, 20 Joy Drive, So. Burlington, Vermont 05403 and that in any suit instituted against the Company upon this policy, the Company will abide by the final decision of such court or of any appellate court in the event of an appeal.

Further, pursuant to any statute of any state, territory, or district of the United States which makes provision therefor, the Company hereby designates the Superintendent, Commissioner, or Director of Insurance or other official specified for that purpose in the statute, or his/her successor or successors in office, as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Named Insured or any beneficiary hereunder arising out of this policy, and hereby designates the above-named as the person to whom the said officer is authorized to mail such process or a true copy thereof.

**IN WITNESS WHEREOF**, the Company has caused this policy to be signed by its President and Secretary, but this policy shall not be valid unless countersigned on the Declarations by a duly authorized representative of the Company.

*SPECIMEN*

Secretary

*SPECIMEN*

President

# NUCLEAR ENERGY LIABILITY EXCLUSION (BROAD FORM)

This exclusion modifies the provisions of this policy.

It is agreed that:

## 1. This policy does not apply:

- A. Under any Liability Coverage, to bodily injury or property damage
  - (1) with respect to which an Insured under this policy is also an Insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an Insured under any such policy but for its termination upon exhaustion of its limit of liability; or
  - (2) resulting from the hazardous properties of nuclear material and with respect to which (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (b) the Insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.
- B. Under any Medical Payments Coverage, or any Supplementary Payments provision relating to first aid, to expenses incurred with respect to bodily injury resulting from the hazardous properties of nuclear material and arising out of the operation of a nuclear facility by any person or organization.
- C. Under any Liability Coverage, to bodily injury or property damage resulting from the hazardous properties of nuclear material, if
  - (1) the nuclear material (a) is at any nuclear facility owned by, or operated by or on behalf of, an Insured or (b) has been discharged or dispersed therefrom;
  - (2) the nuclear material is contained in spent fuel or waste at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an Insured; or
  - (3) the bodily injury or property damage arises out of the furnishing by an Insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any nuclear facility, but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to property damage to such nuclear facility and any property thereat.

## 2. As used in this exclusion:

"hazardous properties" include radioactive, toxic or explosive properties;

"nuclear material" means source material, special nuclear material or by-product material;

"source material", "special nuclear material", and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a nuclear reactor;

"waste" means any waste material (1) containing by-product material and (2) resulting from the operation by any person or organization of any nuclear facility within the definition of nuclear facility under paragraph (a) or (b) thereof;

"nuclear facility" means

- (a) any nuclear reactor,
- (b) any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing spent fuel, or (3) handling, processing or packaging waste,
- (c) any equipment or device used for the processing, fabricating or alloying of special nuclear material if at any time the total amount of such material in the custody of the Insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235.

(d) any structure, basin, excavation, premises or place prepared or used for the storage or disposal of waste.

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"property damage" includes all forms of radioactive contamination of property.