



## **HIGHLIGHTS OF THE ERRORS AND OMISSIONS INSURANCE PROGRAM**

**For the Agents of Midland National Life Insurance Company  
and the Agents of North American Company for Life and  
Health Insurance  
2009-2010**

**Insurer**

**Zurich American Insurance Company  
1 Liberty Plaza  
New York, NY 10006**

**Policy Number**

**EOC 9216352-04**

**Policy Period**

**12:01 a.m. November 1, 2009 to 12:01 a.m. November 1, 2010**

**Broker**

**Aon Risk Services Northeast, Inc.  
199 Water Street  
New York, NY 10038**

**THIS OUTLINE PROVIDES GENERAL INFORMATION REGARDING THIS PROFESSIONAL LIABILITY PROGRAM. IT IS NOT PART OF THE POLICY, NOR DOES IT MODIFY OR SERVE AS A CONCLUSIVE STATEMENT OF ITS TERMS. IT IS NOT INTENDED TO INTERPRET THE TERMS OF THE POLICY NOR BE LEGAL ADVICE, BUT RATHER TO SUMMARIZE THE COVERAGE PROVIDED BY THIS PROGRAM.**

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**HIGHLIGHTS OF THE ERRORS AND OMISSIONS PROGRAM  
FOR THE AGENTS OF MIDLAND NATIONAL LIFE  
INSURANCE COMPANY AND THE AGENTS OF NORTH  
AMERICAN COMPANY FOR LIFE AND HEALTH INSURANCE**

**Insurer:** Zurich American Insurance Company  
1 Liberty Plaza  
New York, NY 10006

**Policy Number:** EOC-9216352-04

**Policy Period:** November 1, 2009 to November 1, 2010

**Limits of Liability:  
(Defense Costs  
Included in the  
Limits)** **Option 1**  
\$1,000,000 each Claim/\$1,000,000 Aggregate; or  
**Option 2**  
\$1,000,000 each Claim/\$2,000,000 Aggregate

**Deductibles:  
(Damages only)** \$500 each Claim for the products of Midland National  
and North American  
\$2,500 each Claim for all other covered products

# QUESTIONS AND ANSWERS

## I. Who is the Insurer?

Zurich American Insurance Company, which is a member of Zurich Financial Services, is the insurer of this program. Zurich American Insurance Company (hereinafter "Zurich") has been assigned an A.M. Best Rating of A (Excellent) as of September 30, 2009.

## II. Who is Covered?

### Agents

You, the agent of Midland National Life Insurance Company (hereinafter "Midland") and North American Company for Life and Health Insurance (hereinafter "North American"), provided you have enrolled in the program and paid the appropriate premium.

### Your Corporation

Any corporation, partnership, or other business entity, which is owned or controlled by you would be covered. Coverage, however, only applies to those operations of the business entity directly related to the professional services covered herein and provided by you or an employee acting on your behalf and within the scope of his/her duties.

### Your Employees

Any of your secretarial, clerical or administrative employees, solely for services performed within their capacity as such and on your behalf, and provided that they do not receive any commission income.

**Important Note: Employees and Corporations do not have their own limits; they share the coverage afforded to the Agent.**

## III. What Professional Services are covered?

Professional Services shall include the sale, attempted sale or servicing of:

1. Life insurance, accident and health insurance, 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. Employee benefit plans funded with covered products;
4. Mutual Funds registered with the Securities and Exchange Commission.

#### **IV. What are my Limits of Liability?**

The limits of liability are either \$1,000,000 each Claim/\$1,000,000 aggregate or \$1,000,000 each Claim/\$2,000,000 aggregate (depending on which option you elected), which is the total amount that Zurich will pay (Loss and Defense Costs) for any one Claim.

#### **V. What is my deductible?**

The deductible schedule is:

- \$500 per Claim for Midland and North American Products
- \$2,500 per Claim for all other covered products

The deductible applies to Damages only.

#### **VI. What are some of the important conditions on policy coverage?**

##### **Claims Made and Reported**

Coverage is on a "Claims Made and Reported" basis, which covers claims first made against you and reported in writing to Zurich during the policy period.

##### **Defense Obligations**

The Insurer has a 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 if there are other covered allegations.

**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 Zurich.**

**Defense costs are included in the Limits of Liability.**

##### **Prior Acts Coverage**

You are covered for claims regarding the sale and/or servicing of insurance products, mutual funds and variable products back to the earlier of: (1) your date of contract with Midland or North American; or (2) the inception date of your first continuously maintained claims made Agent or Registered Representative Professional Liability coverage.

## **VII. What happens if my Agent's contract is terminated with Midland or North American during the policy period?**

If your contract is terminated during the policy period, coverage automatically ceases on the date your contract terminates.

However, a conditional automatic unlimited Extended Reporting Period (ERP) is provided at no cost to you. This will cover claims first made and reported during the ERP arising out of act, errors or omissions alleged or committed prior to the termination date of your contract with Midland or North American. This conditional automatic unlimited ERP is available as long as Zurich is the insurer on the E&O program. For more information about this ERP or other options, please contact Aon.

No ERP is available if you have other applicable insurance.

## **VIII. What are the exclusions in the policy?**

This Policy does not apply to any "Claim":

1. 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 this 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;
2. Alleging bodily injury, sickness or death of any person, or to injury or destruction of any tangible property, including loss of use thereof;
3. 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;
4. By an enterprise which one or more "Insureds" own, operate, control or manage; or any "Claim" by an enterprise which owns, operates, controls or manages an "Insured";
5. 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;
6. 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);
7. Arising out of services performed by the "Insured" as an actuary, accountant, attorney, real estate agent or real estate broker, named fiduciary or third party claims administrator;
8. Arising out of, or contributed to by, any commingling of, or use of client funds;

9. Arising out of, directly or indirectly, the insolvency, receivership, bankruptcy, or inability to pay of any organization in which the "Insured"
  1. Has placed or obtained a client's coverage;
  2. Has placed a client's funds; or
  3. Has recommended a client invest.

However, this exclusion shall not apply if the "Claim" is based upon the insolvency, receivership, liquidation or inability to pay of any insurance company that was rated as A- or better by A.M. Best Company at the time the business was placed, obtained or recommended;

10. 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;
11. Made against any "Insured" or the "Additional Insured" by:
  1. Any "Insured";
  2. Any "Additional Insured";
  3. Any "Broker/Dealer";
  4. Any other insurance company;
  5. Any other insurance agency; or
  6. Any person or entities who in the past were, but are not currently, parties to an agent contract with the "Additional Insured";
12. Arising out of the use of confidential information by an "Insured", including but not limited to such use for the purpose of replacement of coverage;
13. 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;
14. Arising out of or involving investment products partially or totally owned by the "Insured";
15. Arising from or 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;
16. Arising out of the brokering of structured settlements; however, this exclusion does not apply to any "Claim" arising from or contributed to the sale of annuity products used to fund the structured settlements;
17. Arising out of the ownership, formation, operation, administration, advice, referral, recommendation or placement of coverage with any health maintenance organization, preferred provider organization, risk retention group, self insurance program or purchasing group;

18. 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";
19. Arising out of the purchase, sale or the giving of advice regarding:
  1. Commodities, commodity future contracts, or option contracts other than covered call option contracts;
  2. Any security priced under five dollars (\$5.00) at the time of purchase;
  3. Promissory notes or other non-securitized evidence of debt; or
  4. Viatical settlements, life settlements or any security backed by either viatical or life settlements;
20. Brought by, or on behalf of, the Securities Investor Protection Corporation, or any 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 "Additional Insured";
21. Brought by, or on behalf of, any clearing agency or arising out of any function of any "Insured" or "Additional Insured" as a clearing agency;
22. Arising out of the "Insured's" activities in exercising discretionary authority, management or control over a customer's account;
23. Arising out of or based upon infringement of patent, copyright, trademark, service mark, trade dress or trade name, unfair competition or piracy, theft or wrongful taking of concepts including using another's advertising ideas or other intellectual property;
24. For "Personal Injury":
  1. Sustained by any "Insured" or "Additional Insured";
  2. Caused by or at the direction of the "Insured" with the knowledge that the offense would violate the rights of another and would inflict "Personal Injury";
  3. Arising out of oral or written publication of material, if done or at the direction of the "Insured" with knowledge of its falsity;

4. Arising out of an electronic chatroom or bulletin board the "Insured" hosts, owns or over which the "Insured" exercises control; or
  5. Arising out of the unauthorized use of another's name or product in the "Insured's" email address, domain name or metatag, or any other similar tactics to mislead another's potential customer;
25. Arising out of alleged discrimination of any kind;
26. Prior to the first effective date of coverage issued to the "Named Certificate Holder", no "Insured" had any basis:
1. To believe that any "Insured" had knowledge of any negligent act, error or omission or "Personal Injury";
  2. To foresee that any such negligent act, error or omission or "Personal Injury" or any related negligent act, error or omission or "Personal Injury" might reasonably be expected to be the basis of a "Claim";

## What to Do In The Event of a Claim

1. As soon as you are aware of any circumstances, regardless of whether a lawsuit has been commenced, which may lead to a claim being made, or as soon as an actual claim is made, complete a copy of the Claims Report on the next page and send it to the address on the form.
2. If a summons and complaint has been issued, send it along with the Claims Report (if not previously provided) **by overnight express mail** to:

Zurich North America  
Diversified Financial Institutions Claims  
P.O. Box 968041  
Schaumburg, IL 60196-8041  
(866) 255-2962 FAX

3. Once an incident has been identified or an errors and omissions claim has been made, great care should be exercised to avoid any disclosures or discussion of any facts or information relating to the claim with anyone, unless they identify themselves to be from Zurich or a designated representative appointed to handle your claim, or from the compliance or risk management department of Midland, North American or Aon.
4. Should you have questions about the coverage afforded under this policy, call:

Larry Trombino  
Aon Risk Services, Northeast Inc.  
(888) 592-9922  
(212) 441-1247  
Fax: (847) 953-4633

**Zurich American Insurance Company  
Agents of Midland National Life Insurance Company and  
Agents of North American Company for Life and Health Insurance  
Errors & Omissions Insurance Program  
(11/1/09-11/1/10)**

**CLAIM REPORT FORM**

Date: \_\_\_\_\_

Policy Number: EOC 92-16-352-04

Name: \_\_\_\_\_

Business Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_

1. Date you became aware of this claim: \_\_\_\_\_

2. Do you have any other Errors and Omissions Insurance? If so, give name of company, policy number, and limits: \_\_\_\_\_  
\_\_\_\_\_

3. What type of business does the claim involve? \_\_\_\_\_

4. Who is making this claim against you?

Name: \_\_\_\_\_

Address: \_\_\_\_\_

Please attach a description of the circumstances leading to this claim and copies of all pertinent correspondence. If you have been served with a lawsuit, a copy of the suit must be enclosed.

**Send this report to:**

**Zurich North America  
Diversified Financial Institutions Claims  
P.O. Box 968041  
Schaumburg, IL 60196-8041  
FAX: 866-255-2962**

Do not discuss this matter with anyone other than a representative of Zurich, Midland, North American or Aon.

**IMPORTANT TELEPHONE NUMBERS  
& ADDRESSES**

**Reporting of Claims:**

Zurich North America  
Diversified Financial Institutions  
P.O. Box 968041  
Schaumburg, IL 60196-8041  
Mary Anne Koller  
(212) 553-5694  
(866) 255-2962 FAX

**Coverage Questions or Problems:**

Larry Trombino  
Aon Risk Services Northeast, Inc.  
199 Water Street  
New York, NY 10038  
(888) 592-9922  
(212) 441-1247  
(847) 953-4633 FAX

**Enrollment and Premium Payment Questions/  
Certificates of Insurance:**

Affinity Insurance Services  
159 County Line Road  
Hatboro, PA 11040-1218  
Phone: 800-621-0711  
Fax: 877-443-9183