

**INSURANCE COMPANY COVERAGE
FOR INSURANCE AGENTS AND BROKERS
PROFESSIONAL LIABILITY**

**BCS INSURANCE COMPANY
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181**

THIS IS A CLAIMS MADE POLICY - PLEASE READ CAREFULLY

DECLARATIONS

Policy No.

Item 1. Named Insured:

Item 2. Address

Item 3. Policy Period:

From:

Item 4. Deductible: \$1,000.00 each claim Blue Cross Blue Shield policies
 \$2,500.00 each claim on other life and health
 insurance policies & mutual funds

Item 5. Limit of Liability: (See Premium Endorsement)

Item 6. Premium: (See Premium Endorsement)

Item 7. Name of Plan Represented:

Item 8. Endorsement Form Numbers:

- 92.501 - Premium Endorsement
- 92.502 - Prior Acts Coverage
- 92.503 - Individual Agent Extended Reporting Period Endorsement
- 92.504-1 - Mutual Funds Representative Endorsement

Notice:

"This insurance coverage contains claims-made coverage. Except as may be otherwise provided herein, specified coverages of this insurance are limited generally to liability for injuries for which claims are first made against the insured while the insurance is in force. Please read and review the insurance carefully and discuss the coverage with your agent."

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BCS Insurance Company, hereinafter called the Company, agrees with hereinafter called the Plan in consideration for the payment of the premium and in reliance upon the statements in the Declarations and subject to all of the terms of this policy, as follows:

SECTION I

COVERAGE. The Company does hereby agree to pay on behalf of the Insured such loss in excess of the applicable deductible and within the limit of liability specified in the Declarations sustained by the Insured by reason of liability imposed by law for damages caused by any negligent act, error or omission by the Insured arising out of the conduct of the business of the Insured in rendering services for others as a licensed Life, Accident and Health Insurance Agent, a licensed Life, Accident and Health Insurance General Agent or a licensed Life, Accident and Health Insurance Broker as respects claims first made against the Insured and reported to the Company during the policy period, while there is in effect a contract between the Plan and the Insured.

SECTION II

DEFENSE AND SETTLEMENTS. The Company, in the Insured's name and behalf, shall have the right and duty to investigate, defend, conduct settlement negotiations and enter into settlements for any claim or suit for which coverage is provided under the terms of this policy.

The Insured shall cooperate with the Company, and, upon the Company's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in conducting litigation.

The Insured shall not admit liability for, nor make any voluntary settlement, nor incur any costs or expenses in connection with any claim involving payment by the Company, except with the written consent of the Company.

SECTION III

DEFENSE EXPENSES AND SUPPLEMENTARY PAYMENTS. With respect to such insurance as is afforded by this policy, the Company shall pay, in addition to the applicable limit of liability, provided the limit of liability has not been exhausted:

- (a) all expenses incurred in the defense of any claim or suit against the Insured alleging such negligent act, error or omission, and seeking damages on account thereof, even if such claim or suit is groundless, false, fraudulent, or for an amount less than the Insured's deductible;
- (b) all premiums on bonds to release attachments and appeal bonds, limited to that portion of such bond that does not exceed the limit of liability of this policy, but without any obligation to apply for or furnish such bonds;
- (c) all costs taxed against the Insured in any suit and all expenses incurred by the Company;
- (d) all interest accruing after the entry of judgment, but only for that portion of the judgment which does not exceed the applicable limit of liability, until the Company has tendered or paid such part of such judgment as does not exceed the Company's limit of liability thereon;

- (e) all reasonable expenses incurred by the Insured at the Company's request in assisting the Company in the investigation and defense of any claim or suit, other than loss of earnings.

SECTION IV

LIMIT OF LIABILITY AND DEDUCTIBLE. The limit of liability of the Company for loss on account of claims first made against an Insured and reported to the Company (1) during the policy period, or (2) during the policy period together with the extension period, shall apply with respect to "each claim" specified in the amount in Item 5 of the Declarations subject to an aggregate limit "each agent each policy period" in the amount specified in Item 5 of the Declarations.

Multiple insureds, claims or claimants: The inclusion herein of more than one Insured or the making of claims or the bringing of suits by more than one person or organization shall not operate to increase the Company's limit of liability. Two or more claims arising out of a single act, error, omission or personal injury or a series of related acts, errors, omissions or personal injuries shall be treated as a single claim. All such claims, whenever made, shall be considered first made and reported to the Company during the policy period or extended reporting period in which the earliest claim arising out of such acts, errors, omissions or personal injuries was first made and all such claims shall be subject to the same limit of liability.

The deductible, as stated in Item 4 of the Declarations, shall apply to payment of loss on each claim instituted against the Insured.

Should the Company, for any reason, pay the entire amount of loss without regard to the deductible the Insured will reimburse the Company, within 30 days of the Company's request for such reimbursement, for that part of the deductible which has been paid.

The limit of liability as stated in Item 5 of the Declarations shall apply in excess of the deductible.

SECTION V

DEFINITIONS. Whenever used in this policy:

- (a) The unqualified term "Insured" shall mean licensed agents of the Plan on the Roster filed with the Company, or subject to inclusion on the next Roster, including:
 - (1) any employee of the Insured while acting on behalf of the Insured within the scope of their duties as such; however, such coverage does not include employees acting as agents, sub- agents, brokers or sub-brokers who are licensed by any insurance or other regulatory authority to sell Life and Accident & Health Insurance;
 - (2) any heir, executor, administrator, assignee or legal representative of the Insured in the event of the Insured's death, incapacity or bankruptcy;
 - (3) the agency under which the Insured is doing business or is employed, but only as respects such agency's liability as it might arise out of the Insured's activities specified as covered elsewhere in this policy;

- (b) The word "loss" includes such amounts payable by the Insured in settlement of claims or in satisfaction of judgments up to the policy limits;
- (c) The term "claim" shall mean:
 - (1) the earliest notice of legal process received by the Insured, the earliest demand for money or services made against the Insured; or
 - (2) a proceeding, event or development which could in the future result in the institution of a claim or suit against the Insured;
- (d) the phrase "claims first made against the Insured and reported to the Company" shall mean:
 - (1) the Insured has first become aware of the claim; and
 - (2) the Insured has reported the claim to the Company during the policy period.

SECTION VI

EXCLUSIONS. This policy does not apply to:

- (a) any dishonest, fraudulent, criminal or malicious act, or assault or battery committed by or contributed to by the Insured or Insureds;
- (b) bodily injury to, or sickness, disease or death of any person arising out of the acts of the Insured;
- (c) injury to or destruction of any property, including the loss of use thereof;
- (d) any liability assumed by the insured agent under contract, unless the Insured would have been legally liable in the absence of such contract;
- (e) claims arising out of or in connection with the financial inability to pay, insolvency, receivership, bankruptcy or liquidation of any insurance plan, any reinsurer, any IPA, HMO, PPO, DSP or any pool, syndicate, association or other combination formed for the purpose of providing health care, insurance or reinsurance;
- (f) claims for commissions, taxes, fees, reimbursement or the failure to collect, pay or return premium, or commingling of, or use of, clients' funds;
- (g) any loss arising out of the Insured's promises or guarantees as to:
 - (1) interest rates, or
 - (2) fluctuations in interest rates, or
 - (3) future premium payments, or
 - (4) market value(s);
- (h) any claim arising out of services performed by the insured agent as an actuary, accountant, attorney, tax advisor, real estate agent or real estate broker or property and casualty agent or property and casualty broker;

- (i) claims arising out of the termination or discipline of any employee or agent of the Insured, including but not limited to wrongful termination or breach of an employment or agency contract;
- (j) any liability arising out of any duties or activities assumed under contract by an Insured as a plan administrator or fiduciary under the Employee Retirement Income Security Act of 1974 (ERISA), the Pension Benefits Act or the Consolidated Omnibus Budget Reconciliation Act of 1986 (COBRA) including any amendments, regulations or enabling statutes pursuant thereto, or any other similar federal, state or provincial statute or regulation;
- (k) any claim made against the Insured based upon or arising out of any pension, profit sharing, health or welfare or other employee benefit plan or trust sponsored by the Insured as an employer;
- (l) any claim based solely on the Insured's status as a named fiduciary or under power of attorney;
- (m) any proceedings against or fines or penalties levied against the Insured by a state or federal regulatory agency or self-regulatory body;
- (n) claims made against the Insured arising out of the 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 for no fee;
- (o) claims arising out of or alleging the unauthorized use of trade secrets or confidential or proprietary information;
- (p) any claim brought against the Insured by a securities broker/dealer;
- (q) any claim arising out of the development, placement or sale of structured settlements;
- (r) any claim arising out of or in connection with a fraudulent or nonexistent entity;
- (s) claims arising out of the referral of individuals or entities to individuals or entities selling or servicing or purporting to sell or service property and casualty insurance or securities products;
- (t) any loss arising out of or based upon:
 - (1) the quality of care rendered by or lack of care rendered by or the alleged malpractice of a participating provider of services its employees, physician or other practitioner, of any IPA, HMO, PPO, or DSP or other health care provider; or
 - (2) the failure of an IPA, HMO, PPO or DSP or other health care provider to pay the salaries or fees of any practitioner.
- (u) any claims arising from, based upon or in connection with a viatical settlement.

(v) any loss, costs or expense arising out of, based upon or in connection with the actual or alleged failure, malfunction, or inadequacy of:

(1) any of the following, whether belonging to any insured or to others:

- a. Computer hardware, including microprocessors;
- b. Computer application software;
- c. Computer operating systems and related software;
- d. Computer networks;
- e. Microprocessors (computer chips) not part of any computer system; or
- f. Any other computerized or electronic equipment or components; or

(2) any other products, and any services, data, or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph (1) of this exclusion,

due to the inability to correctly recognize, process, distinguish, interpret, or accept the year 2000 and beyond.

SECTION VII

PREMIUM. The program administrator will provide the Company with an affidavit certifying the number of rostered agents and necessary statistical information on coverages to be provided hereunder at the beginning of each policy period ("Beginning Roster") and of the new agents six months thereafter ("Mid-Term Roster"). As of the effective date thereafter, the program administrator shall pay to the Company an annual premium for each agent listed on the beginning roster. There will be a mid-term premium adjustment of an additional pro rata premium for each new agent added to the mid-term roster.

The roster shall be maintained by the program administrator and subject to audit by the Company.

SECTION VIII

POLICY PERIOD. This policy shall be in force during the policy period as stated in Item 3 of the Declarations. This policy may be continued in force for successive policy periods of 12 months subject to both the Company offering to renew by issuing a renewal endorsement and the program administrator paying the specified renewal premium in advance of the applicable expiration date. Each policy and extension period, if any, shall begin and end at 12:01 a.m. standard time at the address of the Plan.

SECTION IX

EXTENSION PERIOD. If this policy is cancelled or non-renewed by either the Plan or the Company, the Plan shall have the right to purchase an extension period by paying within 30 days of the termination date 100% of the annual premium as stated in the Declarations or the latest renewal endorsement. Such extension period will begin immediately following the date of termination and will run for one year, covering claims first made against the Insureds and reported to the Company during the extension period caused by such negligent acts, errors or omissions occurring during any prior consecutive policy periods covered by this policy, renewal thereof, or any policy issued by the Company which this policy replaced. For the purpose of the Company's limit of liability, any Extension Period will be combined with and considered a continuation of the last policy period.

The extension period will apply only to claims made against those agents listed in the most recent roster of agents supplied by the program administrator and any agents added subsequently but prior to the termination date of this policy. Making a change in the premium for, or other terms of, this policy shall not be deemed a refusal to renew it.

SECTION X

NOTICE. The Insured shall give prompt notice to the Company of:

- (a) any claim made and of any action or suit commenced against the Insured, and
- (b) any proceeding, event, or development which might result in a claim against the Insured;

and shall forward promptly to the Company copies of such pleadings and reports as may be requested by the Company. But in no event shall such a claim, proceeding, event or development be subject to coverage under this policy if notice is given to the Company after the termination date, or the last day of the extension period, if applicable, of this policy.

SECTION XI

OTHER INSURANCE. If the Insured has other insurance against the loss covered by this policy, this policy shall be excess over any other valid and collectible insurance and shall then apply only in the amount by which the applicable limit of liability of this policy exceeds the sum of the applicable limit of liability of all such other insurance. This provision will not apply if the Insured has similar coverage with the Company, or one of its affiliates. In this event only one limit of liability shall be available to the Insured, and such limit shall be the greater of the available limits irrespective of under which policy such limit is provided.

SECTION XII

TERRITORY. This policy applies to any act, error or omission which takes place anywhere in the world, provided that the claim is made and suit is brought against the Insured in the United States of America, its territories or possessions and the District of Columbia, Puerto Rico or Canada.

SECTION XIII

SUBROGATION. In case of payment of loss by the Company hereunder, the Company shall be subrogated to the amount of such payment to the Insured's right of recovery against any other person or organization for such loss, and the Insured shall execute all papers required, and shall cooperate with the Company to secure such rights.

Any recovery (after expenses) shall be used to reduce the loss, and so much of such recovery shall be paid to the Company as will reduce the loss ultimately borne by the Company to what it would have been had the recovery preceded any payment of such loss by the Company.

SECTION XIV

CHANGES. Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy or keep the Company from asserting any right under the terms of this policy, nor shall the terms of this policy be waived or changed, except by endorsements issued to form a part of this policy.

SECTION XV

ASSIGNMENT. No assignment of interest under this policy shall be valid, unless the written consent of the Company is endorsed hereon.

SECTION XVI

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

Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under this policy to the extent of the insurance afforded by this policy. No person or organization shall have any right under this policy to join the Company as a party to any action against the Insured to determine the Insured's liability, nor shall the Company be impleaded by the Insured or his legal representative. Bankruptcy or insolvency of the Insured or of the Insured's estate shall not relieve the Company of any of its obligations hereunder.

SECTION XVII

CANCELLATION. The coverage afforded to any Insured under this policy may be cancelled by the Plan as designated in Item 7 of the Declarations or the Company by such party mailing to the other at the address of such plan's home office, written notice stating when not less than 60 days thereafter such cancellation shall be effective. Such mailing of notice shall be sufficient proof of notice and the effective date of cancellation stated in the notice shall be the end of the policy period. Delivery of such notice either by the Plan or the Company shall be equivalent to such mailing. If the Plan cancels, earned premium shall be the short rate amount of the annual premium. If the Company cancels this policy, earned premium shall be the pro rata amount of the annual premium. Premium adjustment may be made as soon as practical after cancellation becomes effective. The Company's check or the check of its representative mailed as aforesaid shall be sufficient tender of any refund of premium due to the Plan.

SECTION XVIII

DECLARATIONS. By acceptance of this policy the Plan agrees that the statements in the Declarations are its agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between the Plan and the Company or any of its agents relating to this insurance.

The Plan is not in its own right a party to this policy and is acting only as an agent for its agents in securing coverage of this policy. The Original said policy shall be kept by the Plan at its home office. All notices and communications concerning said policy shall be directed by the Company to the Plan as the agent of the Insureds covered herein, at the address shown in the Declarations.

IN WITNESS WHEREOF, the Company has caused the facsimile signatures of its President and Secretary to be affixed hereto, and has caused this policy to be signed on the Declarations page by an authorized representative of the Company.

**BCS INSURANCE COMPANY
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181**

PREMIUM ENDORSEMENT

IT IS AGREED that, notwithstanding any provision in the policy to the contrary, each individual agent shall elect the limit of liability applicable to claims made against them from those limits set out as follows at the premium indicated.

OPTION A) Limit of Liability: \$1,000,000 each claim subject to an Annual
Aggregate of
\$1,000,000 each Agent each policy period

Premium Per Agent \$

OPTION B) Limit of Liability: \$1,000,000 each claim subject to an Annual
Aggregate of
\$ 2,000,000 each Agent each policy period

Premium Per Agent \$

All other terms and conditions of this policy shall remain unchanged.

This endorsement forms a part of the policy to which attached, effective on the inception date of the policy unless otherwise stated herein.

(The information below is required only when this endorsement is issued subsequent to the preparation of the policy.)

Endorsement Effective

Policy No.

Endorsement No.

1

Named Insured

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**BCS INSURANCE COMPANY
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181**

PRIOR ACTS COVERAGE ENDORSEMENT

NOTWITHSTANDING any provision to the contrary in Section I of this policy it is agreed that "Prior Acts" (negligent acts, errors, or omissions committed prior to the inception date of this policy) are covered, but only if:

- a. such negligent acts, errors or omissions took place while the insured agent was covered by professional liability or errors or omissions insurance which was continuously in force prior to the inception date of coverage provided by this policy;
- b. the insured agent shall provide to the Company a copy of continuously in force prior professional liability or errors or omissions insurance or other proof of such insurance acceptable to the Company; and
- c. the Insured had no knowledge of such claim arising out of a prior act as of the inception date of coverage provided by this policy.

All other terms and conditions of this policy shall remain unchanged.

This endorsement forms a part of the policy to which attached, effective on the inception date of the policy unless otherwise stated herein.

(The information below is required only when this endorsement is issued subsequent to the preparation of the policy.)

Endorsement Effective

Policy No.

Endorsement No.

2

Named Insured

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**BCS INSURANCE COMPANY
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181**

INDIVIDUAL AGENT EXTENDED REPORTING PERIOD ENDORSEMENT

In the event an individual agent covered hereunder terminates his or her affiliation with the Plan an automatic Extended Reporting Period for the reporting of claims will be provided commencing on the termination date of such affiliation and will continue until the next anniversary date of this policy, but only with respect to negligent acts, errors or omissions committed prior to the termination date of said agency affiliation and for which coverage is afforded by this policy.

Any Insured Agent whose affiliation with the Plan ceases and who, at the time of such change of status is covered under this policy, may at his or her option purchase an Extended Reporting Period for the reporting of claims for one year commencing on the next succeeding anniversary date of this policy or this policy's termination date, if earlier. Such coverage is provided only for those claims arising out of negligent acts, errors or omissions committed during the period(s) the agent had coverage under this policy but prior to the date of termination. The agent must request continuation of coverage within 30 days of such cessation of such affiliation by paying to the Plan a premium equal to 100% of the current annual premium, and requesting that the Plan continue his or her name on the roster of Agents for Extended Reporting.

The limit of liability each policy period applying during the policy period immediately preceding such termination date shall apply to claims reported during the final policy period together with claims reported during the Extended Reporting Period.

All other terms and conditions of this policy shall remain unchanged.

This endorsement forms a part of the policy to which attached, effective on the inception date of the policy unless otherwise stated herein.

(The information below is required only when this endorsement is issued subsequent to the preparation of the policy.)

Endorsement Effective

Policy No.

Endorsement No.

3

Named Insured

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BCS INSURANCE COMPANY
2 Mid America Plaza, Suite 200
Oakbrook Terrace, Illinois 60181

MUTUAL FUNDS REPRESENTATIVE ENDORSEMENT

IT IS AGREED that for each insured agent named on the attached Mutual Funds roster and any subsequent rosters, and subject to all the terms of this policy not inconsistent herewith, the Company does hereby agree to pay on behalf of the insured agent such loss as is sustained by the insured agent by reason of liability imposed by law for damages caused by an negligent act, error or omission of the insured agent arising out of the rendering of services as a registered representative in the sale and servicing of mutual funds through a NASD registered broker/dealer organization.

The following exclusions apply only to the coverage provided by this Endorsement and are in addition to the Exclusions otherwise set forth in the policy:

This policy does not apply to:

- (a) Any act, error or omission if, at the time of such act, error or omission, the insured agent is engaged in the sale of mutual funds other than through a NASD Registered broker/dealer organization;
- (b) Any claim for loss sustained or alleged to have been sustained by any person, firm or organization that is not either a customer of the insured agent or a customer's appointed administrator, executor, receiver or trustee in bankruptcy;
- (c) A willful violation of any statute or any rule or regulation of any federal, provincial or state securities regulatory agency;
- (d) Any claim brought against the insured agent by a broker/dealer organization or any investment company;
- (e) Any claim based upon a loss or alleged loss sustained from fluctuations in the market value of any mutual fund;
- (f) Any loss arising out of the insured agent making promises or guarantees as to the rate of return and/or future value of any mutual fund;
- (g) Any claim arising out of the insolvency, receivership, bankruptcy, liquidation or financial inability to pay of any company, entity or other investment vehicle in which any customer has invested.

Regardless of the number of Agents covered, the liability of the Company for loss on account of all claims arising out of the coverage provided by this endorsement during the policy period shall be the Limit of Liability stated in Item 5 of the Declarations.

All other terms and conditions of this policy shall remain unchanged.

This endorsement forms a part of the policy to which attached, effective on the inception date of the policy unless otherwise stated herein.

(The information below is required only when this endorsement is issued subsequent to the preparation of the policy.)

Endorsement Effective

Policy No.

Endorsement No.

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Named Insured

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