

NEB Preferred Risk E&O Insurance

Frequently Asked Questions and Answers

1. *What is Preferred Risk E&O insurance?*

Preferred Risk E&O is the NEB-sponsored professional liability insurance program designed especially for financial professionals with clean records. The program is underwritten by CNA Insurance and administered by Marsh Consumer.

2. *Why did NEB decide to sponsor this program?*

NEB sponsored this program to help financial professionals with clean records to achieve substantial savings on their E&O insurance.

3. *What kinds of savings are possible?*

Qualified financial professionals pay 20% to 50% less than comparable coverage for higher risk individuals. This represents a potential savings of hundreds of dollars for the typical insured.ⁱ

4. *How can I qualify for this program?*

Currently, you must either be:

- a current NEB member or
- a non-member who successfully answers NEB's E&O screening questions and pays an additional rate of \$100.

5. *How is Preferred Risk E&O different from traditional E&O programs?*

It allows you to pay a premium commensurate with your E&O risk profile. Since NEB members have passed stringent eligibility questions, CNA's premium is substantially lower than the premium charged for non-qualifying risks.

6. *What are the policy's limits of liability?*

The Limits of Liability are:

- \$ 1 million each claim
- \$ 2 million individual insured annual aggregate
- \$10 million total policy aggregate for all insureds

7. *What are the policy's deductibles?*

The policy's deductibles are:

- \$ 500 – life, health, accident, long-term care
- \$2,500 – disability income, fixed, or indexed annuities
- \$5,000 – mutual funds, variable annuities, investment advisor (RIA)

8. *What basic coverages are available under the policy?*

Preferred Risk E&O provides protection against your liability for wrongful acts in the rendering of, or failure to render, professional services. This includes (but is not limited to) activities related to the sale, attempted sale, or servicing of term life insurance, fixed universal life insurance, fixed whole life insurance, accident and health insurance, managed health care organizations contracts, long-term care insurance, and Medicare supplemental insurance.

9. *What coverage options are available?*

A. Coverage for activities relating to the sale, attempted sale, or servicing of disability income insurance.

B. Activities relative to the sale, attempted sale or servicing of variable annuities or mutual funds, (if purchased) that are registered with the Securities Exchange Commission, if required, through a Broker/Dealer that is a member of the Financial Industry Regulatory Authority. Also activities relative to the sale, attempted sale or servicing of stocks and bonds by a Registered Investment Adviser, (if purchased).

10. *What is the total cost for basic package options?*

Total cost depends on whether the individual is an NEB member or non-member. NEB member costs break down as follows.

- Coverage Package A: For life, accident, and health coverage: \$395 per year
- Coverage Package B: For life, accident, and health coverage, plus fixed and indexed annuities: \$495 per year
- Coverage Package C: For life, accident, health, fixed and indexed annuities, plus variable annuities/variable life and mutual funds: \$595 per year

If you're a non-member, your cost is an additional \$100 to be added to each package shown above.

11. *Can I get coverage for disability insurance and, if so, how much does it cost?*

Yes, you can purchase disability insurance coverage. It costs an additional \$50, regardless of whether you're an NEB member or non-member and may be added to any of the three coverage packages shown above.

12. *Can I purchase coverage for my activities as a registered investment advisor representative (Series 65) and, if so, how much does it cost?*

If you are an RIA representative, you can purchase coverage for an additional \$400, regardless of whether you're an NEB member or non-member. However, you must also purchase coverage for life, accident, health, fixed/indexed annuities, variable products and mutual funds (Coverage Package C).

13. *What coverage is provided to me as Registered Investment Advisor Representative?*

Activities relative to the sale, attempted sale or servicing of variable annuities or mutual funds, (if purchased) that are registered with the Securities Exchange Commission, if required, through a Broker/Dealer that is a member of the Financial Industry Regulatory Authority. Also activities relative to the sale, attempted sale or servicing of stocks and bonds by a Investment Adviser Representative, (if purchased).

14. *Are there any additional costs added to the costs quoted above?*

No, they represent your total cost of coverage, including the insurance premium plus NEB's administrative fee.

15. *What are my payment options?*

Preferred Risk E&O offers three different payment options. You can either:

- Pay annually by credit card,
- Pay annually by check, or
- Pay monthly by checking account or credit card. First payment will represent payment for the first two months, with ten subsequent monthly payments.

16. *Does Preferred Risk E&O offer an extended claim reporting period?*

Yes, the policy features unlimited extended reporting for no additional premium. In other words, you (or your heirs) can still file a claim for an event that occurred while you were covered under NEB's program even if you retire, become disabled, change careers, or die. You must have been an insured in the Program for a minimum of six months and paid applicable premium to qualify. However, this coverage will cease if you secure replacement E&O coverage from another carrier. This coverage is not available if your coverage is cancelled for non-payment of premium.

17. *Is the policy's coverage retroactive to the date of your first continuous E&O?*

Prior acts are dependent on your designation.

With respect to an agent or general agent, it is the date the agent or general agent became continuously insured without interruption under any claims made professional liability policy (subject to written proof of such coverage at the time the insured gives written notice to the insurer of a claim under the policy).

With respect to a Registered Representative or a Registered Investment Adviser, it is the latest date the Registered Representative or Registered Investment Adviser contracted with the Broker/Dealer.

18. *Do I have protection as a notary public?*

Yes.

19. *Does the policy cover legal fees and related costs relating to your E&O claim?*

Defense costs are included within the limit of liability.

20. *Does the policy cover the actions of employees or administrative personnel acting on your behalf, and are there any restrictions?*

Yes, it does cover those actions. For example, if your secretary makes an error servicing one of your clients and it results in an E&O claim, you would be covered. However, the policy does *not* cover the activities of other financial professionals with whom you work. If another licensed professional in your office makes an error with your client, you would *not* be covered.

21. *Does the policy offer coverage for failure to supervise, manage, or train your staff?*

Yes. Coverage is provided to a General Agent in the supervision, management and training of an insured agent. In other words, if someone who is employed by you commits an error or omission, in conjunction with activities covered under the policy, that results in a claim, you will be covered under this policy.

22. *Am I protected if I act as a fiduciary advisor to an ERISA plan?*

No. Administration of 401(k) and any other retirement plans are not covered activities under this policy.

23. *Am I covered if I provide fee-based financial planning services ancillary to my other professional services?*

Yes, as long as the financial planning activities are in conjunction with the professional services you purchased, i.e. sale, attempted sale, or servicing of life insurance, accident and health insurance,

managed health care organization contracts, disability income insurance (if coverage is purchased), indexed/fixed annuities (if coverage is purchased).

For a Registered Representative or Registered Investment Adviser financial planning activities in conjunction with the sale, attempted sale or servicing of variable annuities or mutual funds (if purchased) that are registered with the Securities Exchange Commission if required, through a Broker/Dealer that is a member of the Financial Industry Regulatory Authority and the sale or servicing of stocks and bonds by a Registered Investment Adviser (if purchased)

24. *Why did NEB select CNA as the program's underwriter?*

CNA met NEB's standards for product design and cost. In addition, the firm met our standards for financial strength and solvency. Specifically, CNA is the 7th largest U.S. commercial insurer and the 13th largest U.S. property & Casualty insurer. CNA provides insurance protection to more than 1 million businesses and professionals in the U.S. and internationally.ⁱⁱ

Key CNA statistics include:

- \$10 billion in revenues
- 100+ years in business
- 9,400 employees
- "A" rated for financial strength by A.M. Best.

25. *Why did NEB select Marsh Consumer as the program's administrator?*

Marsh Consumer, a service of Seabury & Smith, has extensive experience managing insurance programs for trade and professional associations. With 26,000 employees and annual revenues approaching \$5 billion, Marsh Consumer serves more clients than any other firm in the industry. Marsh works with businesses, public entities, organizations, and private clients in over 100 countries.

26. *I had continuous E&O coverage for Life, Accident & Health and now I want to switch over to the NEB program, with optional Series 65 coverage. Will I be covered for Series 65 claims from business I wrote prior to signing up with NEB?*

Please refer back to #17 for the prior acts definition for a Registered Investment Advisor.

27. *The policy refers to “retentions” instead of “deductibles”. Are these the same thing?*

Yes, those are synonymous terms.

28. *Does your RIA coverage protect my firm?*

The policy provides coverage for your corporation or business entity with respect to the liability of your firm arising out of failing to render professional services. Please be aware that your RIA coverage only covers your work on behalf of the RIA firm. All licensed advisers/agents in your firm must purchase their own E&O coverage.

29. *Do you offer any other limits of coverage other than \$1 million/\$2 million and do you offer any other deductible options?*

No, those are the only limits and deductibles available.

30. *What series license do I need in order to be eligible for the optional RIA coverage?*

You need a Series 65 securities license.

31. *I've sold Unit Investment Trusts (UITs) and Real Estate Investment Trusts (REITs) in the past. Are my activities covered under any of the policy options?*

No. The policy excludes coverage for activities relating to those products.

32. *If I fax in my application on the weekend or a holiday, will I covered that same day?*

Yes, you are covered or “bound” the same day you submit the application and pay for your policy.

ⁱ According to a 2008 NEB marketing analysis, most advisors pay from \$800 to \$1,200 annually for Life, Accident, Health, and Fixed Annuity E&O coverage. Therefore, the NEB equivalent total annual cost of \$495 (member) and \$595 (non-member) represents a potential annual savings of 20% to 50%.

ⁱⁱ Disclaimer: One or more of the CNA companies provide the products and/or services described. The information is intended to present a general overview for illustrative purposes only. It is not intended to constitute a binding contract. Please remember that only the relevant insurance policy can provide the actual terms, coverages, amounts, conditions and exclusions for an insured. All products and services may not be available in all states and may be subject to change without notice. CNA is a service mark registered with the United States Patent and Trademark Office. Copyright © 2008 CNA. All rights reserved.