

ENDORSEMENT

This endorsement, effective 12:01AM: **Date**
Forms a part of Policy No.: **Policy Number**
Issued to: **Issued To**
By: **Writing Company**

FRAUDULENTLY-INDUCED CLIENT FUNDS TRANSFER

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

LIFE AGENT BROKER DEALER PROFESSIONAL LIABILITY

In consideration of the premium for this policy, it is hereby understood and agreed that the policy is amended as follows:

1. **SECTION I. INSURING AGREEMENTS** is amended by appending the following to the end thereof:

FRD. Fraudulently-Induced Client Funds Transfer

The **Insurer** shall reimburse the **Insured** for **Loss of Client Funds** resulting directly from a **Fraudulent Transfer** that occurred, and was first discovered by the **Insured**, during the **Policy Period** and reported to the **Insurer** as required by this policy.

2. **SECTION III. DEFINITIONS** is amended by appending the following to the end thereof:

FRD-1 “**Client Funds**” means **Funds** of a **Client** maintained in an account by an **Insured** at a financial institution from which the **Insured** can initiate the transfer, payment or delivery of such **Funds**.

FRD-2. “**Fraudulent(ly) Transfer(red)**” means the transfer of **Client Funds** resulting directly from an **Insured** having, in good faith, transferred **Funds** from a **Client’s** account in reliance upon any instruction communicated to such **Insured** by any means directing or transferring **Funds** and/or updating **Client** bank account information, that was purportedly communicated by a **Client**, but which instructions were not actually made by the **Client**.

FRD-3. “**Funds**” means **Money** and **Securities**.

FRD-4. “**Money**” means **Cash**, demand and savings deposits at financial institutions, and Travelers checks, register checks and money orders held for sale to the public.

FRD-5. “**Securities**” means negotiable and nonnegotiable instruments or contracts representing either **Money** or property.

FRD-6. "Cash" means United States bills and coins in current use and having a face value that are accepted by the United States as legal tender for the payment of debts.

3. **SECTION III. DEFINITIONS** is further amended by deleting paragraph **30. "Related Wrongful Acts"** in its entirety and replacing it with the following:

29. "Related Wrongful Acts" means all **Wrongful Acts, Breaches** and **Fraudulent Transfers** that are logically or causally connected by any fact, circumstance, situation, event, transaction, cause or series of related facts, circumstances, situations, events, transactions or causes.

4. Solely for purposes of the coverage provided in this endorsement, **SECTION III. DEFINITIONS** is amended by deleting paragraphs **15. "Insured"** and **20. "Loss"** in their entirety and replacing them with the following:

15. "Insured" means any:

- a. **Agent;**
- b. **Registered Representative** or **Registered Investment Adviser;** or
- c. **Sponsor Broker-Dealer.**

20. "Loss" means the actual amount of **Client Funds** that were **Fraudulently Transferred** as determined by the **Insurer** as of the date the **Fraudulent Transfer** was discovered. **Loss** shall not mean, and this policy shall not apply to:

- a. any costs, fees or other expenses incurred or paid by any **Insured** in establishing the existence or amount of the alleged **Fraudulently Transferred Client Funds;** or
- b. any expenses related to any legal action against the **Insured.**

5. Solely for purposes of the coverage provided in this endorsement, **SECTION IV. EXCLUSIONS** is amended by appending the following to the end thereof:

This policy shall not apply to **Loss** resulting from:

FRD-1. any dishonest or fraudulent act committed by the **Insured** or any employee thereof, whether acting alone or in collusion with others;

FRD-2. war, whether or not declared, warlike action, insurrection, rebellion or revolution, or any related act or incident.

6. **SECTION X. NOTICE** is amended to the extent necessary to include the following:

The **Insured** shall, as a condition precedent to the coverage under **Insuring Agreement FRD.:**

- i. give the **Insurer** written notice of any **Fraudulent Transfer**, as soon as practicable after the **Insured** discovers such **Fraudulent Transfer**, but no later than 30 days after the end of the **Policy Period;**
- ii. give the **Insurer** a sworn proof of loss within 120 days after discovery of the **Fraudulent Transfer;** and
- iii. cooperate with the **Insurer** in the investigation and settlement of such claimed amount.

7. It is further understood and agreed as follows:

- i. The maximum liability of the **Insurer** under **Insuring Agreement FRD.** for all **Loss** for all **Fraudulent Transfers** and **Insureds**, combined, shall be \$<XXXX> herein "**Fraudulent Transfer Aggregate**"), which amount shall be part of, and not in addition to, the **Policy Aggregate** set forth in **Item 6.** of the **Declarations.** Further, the

maximum liability of the **Insurer** for each **Fraudulent Transfer** for each **Insured** shall be \$<XXXX> which amount shall be subject to a \$<XXXX> aggregate for each **Insured**, which amounts shall in all cases be part of, and not in addition to, the **Fraudulent Transfer Aggregate**, the applicable each **Claim** and aggregate Limits of Liability set forth in **Item 7.** and the Policy Aggregate set forth in **Item 6.** of the Declarations.

- ii. The Retention for each **Loss** under **Insuring Agreement FRD.** shall be \$<XXXX> and not the amount stated in **Item 8.** of the Declarations for any **Insured.** The **Insurer's** liability with respect to each **Loss** shall be excess of the Retention stated in this subparagraph **ii.** and such Retention shall be borne by the **Insured**

All other terms and conditions of this policy remain unchanged.

SPECIMEN