

Cover-Prosm Colorado Mortgage Broker

PROFESSIONAL LIABILITY INSURANCE POLICY

THIS IS A CLAIMS MADE POLICY - PLEASE READ IT CAREFULLY

In consideration of the payment of the premium and in reliance upon all statements and information furnished to **us** including all statements made in the application form, its attachments and the material incorporated therein, which are incorporated herein and deemed to be a part of this policy, **we** agree as follows:

I. INSURING AGREEMENTS

A. Professional Liability Coverage

We shall pay on **your** behalf all sums, not exceeding the Limits of Liability and in excess of the applicable Deductible set forth in the Declarations, for which **you** shall become legally obligated to pay as **damages** resulting from any **claim** first made against **you** during the **policy period** or any subsequent extended reporting period arising out of a **wrongful act** committed after the **retroactive date** stated in Item 6. of the Declarations and prior to the end of the **policy period** and reported to us during the **policy period** or any subsequent extended reporting period.

B. Defense And Settlement

We, in **your** name and on **your** behalf, shall have the right and duty to investigate, defend, and conduct settlement negotiations, including selection of defense counsel, in any **claim** or suit.

We shall not settle any **claim** without **your** consent, such consent not to be unreasonably withheld. Should **you** refuse to consent to any settlement recommended by **us**, and acceptable to the claimant, and elect to further contest the **claim**, **our** liability for such **claim** shall not exceed the amount for which the **claim** could have been settled, including **claim expenses** incurred, up to the date of such refusal, plus 50% of covered **damages** and **claim expenses** in excess of such settlement amount, it being a condition of this insurance that the remaining 50% of such **damages** and **claim expenses** excess of the first settlement amount shall be borne by **you** at **your** own risk and be uninsured. Notwithstanding the foregoing, this paragraph shall not apply until the settlement amount exceeds the Deductible amount stated in Item 5. of the Declarations.

You shall not admit liability for, or make any voluntary settlement, or incur any costs or expenses in connection with any **claim** except with **our** written consent.

We shall not be obligated to pay any **claim** or judgment or **claim expenses** or to defend any suit after the applicable Limits of Liability have been exhausted.

C. Supplemental Payments

We will pay up to two hundred and fifty dollars (\$250) per **Insured** per day for each day any such **Insured** is required to appear at a trial, hearing or arbitration proceeding involving a **claim** against such **insured**, subject to a five thousand dollar (\$5,000) sublimit of liability ("Trial Sublimit of Liability"). The Trial Sublimit of Liability shall be in addition to the Limits of Liability as shown in Item 4. of the Declarations.

II. DEFINITIONS

THE FOLLOWING WORDS AND PHRASES APPEARING IN BOLD HAVE SPECIAL MEANING WHENEVER USED IN THIS POLICY:

- A. **Bodily injury** means physical injury, sickness, disease, disability, mental anguish, mental injury or emotional distress sustained by a person, including death resulting therefrom at any time.
- B. **Borrower** means any person who consults with or retains a **mortgage broker** in an effort to obtain or seek advice or information on obtaining or applying to obtain a **residential mortgage loan** for himself, herself, or persons including himself or herself, regardless of whether the person actually obtains such a loan.
- C. **Claim** means a written demand received by **you** for money or services, including the service of suit or institution of arbitration proceedings involving **you** arising from any alleged **wrongful act**. **Claim** shall also include any request to toll the statute of limitations relating to a potential **claim** involving an alleged **wrongful act**.
- D. **Claim expenses** means fees charged by any lawyer designated by **us** and all other fees, costs, and expenses resulting from the investigation, adjustment, defense, and appeal of a **claim**, if incurred by **us**. **Claim expenses** shall also include:
1. Premiums on bonds to release attachments and appeal bonds, limited to that portion of such bonds that does not exceed the Limits of Liability of this policy, but without any obligation by **us** to apply for or furnish such bonds;
 2. Costs taxed against **you** in any suit except for any contempt citations;
 3. Interest accruing after the entry of judgment, but only for that portion of the judgment which does not exceed the applicable Limits of Liability, and only until **we** have tendered to the court or paid to **you our** portion of such judgment as does not exceed **our** Limit of Liability thereon; and
 4. Reasonable expenses incurred by **you** at **our** request in assisting in the investigation and defense of any **claim**, other than loss of earnings.
- Claim expenses** shall not include:
- a. any amounts incurred in defense of any **claim** for which any other insurer has a duty to defend, regardless of whether or not such other insurer undertakes such duty; or
 - b. salaries, wages, overhead or benefit expenses associated with any **insured** except as specified in Section **I. INSURING AGREEMENTS**, Paragraph **C.** above; or
 - c. salaries, wages, overhead or benefit expenses associated with your employees.
- E. **Continuity Date** means the date listed in Item 7. of the Declarations.
- F. **Damages** means a monetary judgment, award or settlement, including punitive damages or exemplary damages where insurable by law, but does not include the multiple part of multiplied damages, fines, taxes, sanctions or statutory penalties, including those based upon legal fees whether imposed by law, court or otherwise.

- G. **Insured** means the individual **mortgage broker** specified in Item 1. of the Declarations.
- H. **Mortgage Broker** means an individual who negotiates, **originates**, or offers or attempts to negotiate or **originate** for a **borrower**, and for a commission or other thing of value, a **residential mortgage loan** to be consummated and funded by a **mortgage lender**.
- I. **Mortgage lender** means a lender who is in the business of making **residential mortgage loans**.
- J. **Originate** means to submit an application or documentation to a **mortgage lender** or underwriter in an attempt to obtain a **residential mortgage loan**.
- K. **Personal Injury** means wrongful entry or eviction or other invasion of private occupancy, the publication or utterance of a libel or slander or other defamatory or disparaging material, false arrest or imprisonment, malicious prosecution, or any invasion of an individual's right of privacy.
- L. **Policy Period** means the period from the inception date of this policy to the expiration date as set forth in Item 2. of the Declarations or such earlier termination date, if any.
- M. **Professional Services** means **your** services as a **mortgage broker**.
- N. **Property Damage** means physical injury to tangible property, including all resulting loss of use of such property or loss of use of tangible property that is not physically injured.
- O. **Residential Mortgage Loan** means a loan that is primarily for personal, family, or household use and that is secured by a mortgage or deed of trust on residential real estate upon which is constructed or intended to be constructed a single-family dwelling or multiple-family dwelling of four or fewer units.
- P. **Retroactive Date** means the date listed in Item 6. of the Declarations.
- Q. **We, us, our** means the insurance company shown in the Declarations (a stock insurance company).
- R. **Wrongful Act** means a negligent act, error, or omission committed or alleged to have been committed by **you** in the rendering of **professional services**.
- S. **You, your, insured** means the **Insured**.

III. EXCLUSIONS

THIS POLICY DOES NOT APPLY TO ANY CLAIM OR CLAIM EXPENSES:

- A. arising out of, resulting from, based upon or in consequence of, any dishonest, fraudulent, criminal or malicious act, error or omission, or any intentional or knowing violation of the law, or gaining of any profit or advantage to which **you** are not legally entitled; however, **we** will defend **suits** alleging the foregoing until there is a judgment, final adjudication, adverse admission, plea *nolo contendere* or no contest or finding of fact against **you** as to such conduct.
- B. arising out of, resulting from, based upon or in consequence of, any **bodily injury, personal injury or property damage**.
- C. arising out of any costs of corrections, costs of complying with non-pecuniary relief, fines or penalties imposed by law or other matters which may be deemed uninsurable under the law pursuant to which this policy may be construed.
- D. arising out of any disciplinary proceeding against **you**.

- E. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any failure to effect or maintain any insurance or bond.
- F. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any infringement of copyright, patent, trademark service mark, trade name, or misappropriation of ideas or trade secrets.
- G. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any violation of the Securities Exchange Act of 1933 as amended, the Securities Exchange Act of 1934 as amended, any state Blue Sky or Securities Law or any rules, regulations or amendments issued in relation to such acts, or any similar state, federal or foreign statutes or regulations.
- H. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any express warranties or guarantees or any liability **you** assume under contract unless **you** would have been legally liable in the absence of such contract.
- I. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any securitization, sale or servicing of mortgage loans.
- J. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any pending or prior litigation as of the **continuity date** of this policy, as well as all future **claims** or litigation based on the pending or prior litigation derived from the same or essentially the same facts (actual or alleged) that gave rise to the prior or pending litigation.
- K. alleging, arising out of, resulting from, based upon or in consequence of, directly or indirectly, any employment practices or any discrimination against any person or entity on any basis, including but not limited to: race, creed, color, religion, ethnic background, national origin, age, handicap, disability, sex, sexual orientation or pregnancy.
- L. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any discharge, dispersal, release or escape of any solid, liquid, gaseous, biological, radiological or thermal irritant or contaminant, including smoke, vapor, dust, fibers, spores, fungi, germs, soot, fumes, asbestos, acids, alkalis, chemicals and waste (including, but not limited to, materials to be recycled, reconditioned or reclaimed and nuclear materials) into or upon land, the atmosphere or any water-course or body of water or any cost or expense arising out of any direction, request or voluntary action to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize any pollutants.
- M. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any services as an attorney, accountant, actuary, tax preparer, tax consultant, real estate broker, securities broker, securities dealer, registered representative of a securities broker or dealer, financial planner, nurse, doctor of medicine, veterinary medicine or dentistry, architect or engineer.
- N. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any disputes involving **your** fees, commissions or charges.
- O. arising out of, resulting from, based upon or in consequence of, directly or indirectly, any **wrongful act** committed prior to the **policy period** and subsequent to the **retroactive date** for which you gave notice under any prior insurance policy or which you had any basis to believe might reasonably be expected to give rise to a **claim** under this Policy.
- P. arising out of, resulting from, based upon or in consequence of, directly or indirectly, conversion, misappropriation or commingling of funds.

IV. LIMITS OF LIABILITY

Regardless of the number of persons or entities who allege **damages** or **claims** made or suits brought, **our** liability is limited as follows:

- A. **We** shall be liable to pay that portion of any **damages** and **claim expenses** in excess of the applicable Deductible as stated in the Declarations for any one **claim** up to the Limits of Liability as stated in Item 4. of the Declarations. A Deductible shall apply to each and every **claim**, including **claim expenses**, and such Deductible shall be borne by **you**. The Deductible shall be uninsured and be at **your** own risk.
- B. **Our** maximum aggregate liability for all **damages** and **claim expenses** arising out of all **claims** made during the **policy period** shall be the Limit of Liability stated in the Declarations. The Limit of Liability during any Extended Reporting Period added to this policy shall be the remaining portion, if any, of the aggregate Limit of Liability provided by this policy as stated in Item 4. of the Declarations.
- C. **Claims** based on or arising out of the same act or circumstance, or a series of similar or related acts or circumstances shall be considered a single **claim** and shall be considered first made during the **policy period** or the Extended Reporting Period (if applicable), of the policy in which the earliest **claim** arising out of such act(s) or circumstance(s) was first made and all **damages** and **claim expenses** shall be subject to the same Each **Claim** Limit of Liability.
- D. If a **claim** involves coverage issued to two or more **mortgage brokers**, the amount paid by **us** on behalf of covered **mortgage brokers**, shall be prorated in relationship to the amount awarded against each such **mortgage broker**, but in no event shall that amount paid by **us** for all **insureds** combined under each **mortgage broker's** coverage exceed the per claim Limits of Liability shown on the Declarations of this policy.

V. GENERAL CONDITIONS

A. Policy Territory:

1. This policy shall extend to any **wrongful act** committed anywhere in the world provided you are domiciled in the State of Colorado, are duly licensed by the state in which the services were performed, and the claim was brought within the United States of America.
2. If you are not domiciled in the State of Colorado, then this policy shall only apply to **professional services** rendered within the State of Colorado.

B. Notice and Claim Reporting Provisions:

Notice hereunder shall be given by **you** or on **your** behalf in writing to **us** at One Bala Plaza, Suite 100, Bala Cynwyd, PA 19004 Attn: Claims Department.

1. **You** shall, as a condition precedent to **our** obligations under this policy, give written notice to **us** as soon as practicable during the **policy period**, or during the Extended Reporting Period (if any) of any **claim** made against **you**.
2. If during the **policy period**, or during the Extended Reporting Period (if any), but not during the Automatic Extension, **you** shall become aware of any circumstance which could reasonably be expected to give rise to a **claim**, **you** shall give written notice to **us** regarding all particulars of said incident as soon as practicable after **you** become aware of said circumstance. Such written notice of any circumstance must include:

- a. the specific **wrongful act**; and
- b. the **damages** which have or may result from such **wrongful act**; and
- c. the circumstances by which **you** first became aware of such **wrongful act**.

Any **claim** then arising out of such **wrongful act** will be considered to have been first made at the time of the original notice.

C. Extended Reporting Period:

1. If **we** or **you** cancel or refuse to renew this policy for reasons other than non-payment of premium, **we** will provide to **you** a 60 day Automatic Extension of the coverage granted by this policy, at no additional charge, for any **claim** first made against **you** and reported to **us** during the 60 day extension period but only as respects **wrongful acts** committed after the **Retroactive Date** (if any) stated in the Declarations and prior to the date of cancellation or non-renewal. In the event you purchase replacement coverage for this policy or a Supplemental Extended Reporting Period under **2.** below, said 60 day Automatic Extension period will terminate upon the effective date of said replacement coverage or Extended Reporting Period.
2. If **we** or **you** cancel or refuse to renew this policy for reasons other than non-payment of premium, **you** shall have the right to purchase, a Supplemental Extended Reporting Period of one, two or three years for 75%, 125% or 150% of the full annual premium, respectively. This extension will provide coverage granted by this policy for any **claim** first made against **you** and reported to **us** during the Supplemental Extended Reporting Period. This Supplemental Extended Reporting Period only applies to **wrongful acts** committed after the **Retroactive Date** (if any) stated in the Declarations and prior to the date of cancellation or non-renewal. **You** must apply for this extension in writing accompanied by payment of the appropriate premium prior to the expiration of the 60 day Automatic Extension period under **1.** above.
3. All premium paid with respect to an extension period shall be deemed to be fully earned as of the first day of the extension period. For the purpose of this clause, any change in premium, retention, Limits of Liability or other terms on renewal shall not constitute a refusal to renew.
4. Limits of Liability available during any Extended Reporting Period shall not exceed the balance of the Limits of Liability in effect at the time the policy terminated.
5. In the event similar insurance is in force covering any **claims** first made during the 60 day extension period or during any Extended Reporting Period, coverage provided by this policy shall be excess over any such other insurance

D. Deductible:

It is **your** responsibility to pay the Deductible amount as stated in Item 5. of the Declarations as the result of each **claim**. **We** may pay part of or the entire Deductible amount to effect a settlement of any **claim**, however, upon notification of any such action taken, **you** shall promptly reimburse **us** for all of the Deductible amount as has been paid by **us**. In the event the Insured does not reimburse **us** within 60 (sixty) days, **we** will be entitled to recover reasonable costs and attorney fees incurred in collecting such reimbursement.

E. Your Duties in the Event of a Claim:

1. Pursuant to **B. Notice and Claim Reporting Provisions**, Paragraph **1.** above, **you** shall give written notice containing particulars sufficient to identify the **insured**, time, place and underlying circumstances of the **claim** to **us**.

2. **You** shall admit no liability, make no payments, assume no obligation and incur no expense related to such **claim** without **our** written consent.
3. When a **claim** is made against **you**, **you** shall immediately forward to **us** every demand, notice, summons, or other process received by **you** or **your** representatives.
4. **You** shall cooperate with **us** and, upon **our** request, assist in making settlements and in the conduct of suits. **You** shall attend hearings, trials and depositions and shall assist in securing and giving evidence and in obtaining the attendance of witnesses.
5. **You** shall not demand or agree to arbitration of any **claim** without **our** written consent. Such consent shall not be unreasonably withheld.

F. Subrogation:

If **we** pay any amount hereunder as **damages, claim expenses** or any combination thereof, **we** shall be subrogated to **your** rights of recovery against any person, firm or organization. **You** shall execute and deliver instruments and papers and do whatever is necessary to secure such rights. **You** shall not waive or prejudice such rights prior to or subsequent to any **claim**.

G. Changes:

Notwithstanding anything to the contrary, no provision of this policy may be amended, waived or otherwise changed except by endorsement issued by **us** to form part of this policy.

H. Action Against Us:

1. No action shall lie against **us** unless, as a condition precedent thereto, there shall have been compliance with all terms of this policy, and until the amount of **your** obligation to pay shall have been finally determined either by judgment entered in a court of law against **you** or by **your** written agreement with the claimant or claimant's legal representative and **us**.
2. Any person or the legal representatives thereof who has secured such a 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 entity shall have any right under this policy to join **us** as a party to any action against **you** to determine **your** liability, nor shall **we** be impeded by **you** or their legal representatives. **Your** bankruptcy or insolvency or that of **your** successors in interest shall not relieve **us** of **our** obligations hereunder.

I. Cancellation or Non-Renewal:

1. This policy may not be cancelled by you and all premium shall be fully earned as of the inception of this policy,
2. **We** may cancel the policy solely in the case of cancellation for non-payment of premium or Deductible by mailing to **you** at the address stated in the Declarations written notice stating when not less than ten (10) days thereafter, such cancellation shall become effective. If the policy is canceled by **us**, premium shall be returned on pro-rata basis.
3. In the event **we** refuse to renew this policy, **we** shall mail to the **Insured**, at the address stated in the Declarations, not less than forty-five (45) days prior to the expiration of this policy, written notice of non-renewal. Such notice shall be conclusive on all **insureds**.

4. The mailing of Notice of Cancellation or Non-Renewal as aforementioned shall be sufficient notice of the intent to cancel or non-renew. The effective date of cancellation or non-renewal specified in the notice shall terminate this **policy period**.

J. Conformity to Statutes:

Terms of this policy which are in conflict with the statutes of the state wherein this policy is issued are hereby amended to conform to such statutes.

K. Assignment:

Assignment of interest under this policy shall not bind **us** unless **our** consent is endorsed hereon.

L. Authorization Clause:

By acceptance of this policy, **you** agree that the statements in the application are **your** agreements and representations and that this policy is issued in reliance upon the truth of such representations. This policy embodies all existing agreements between **you** and **us** relating to this insurance.

M. Other Insurance:

This insurance is excess over any other valid and collectable insurance available to **you** except as respects such insurance written to apply specifically in excess of this insurance.

N. Liability Coverage Disputed and Reservation of Rights:

If a controversy or dispute arises with regard to whether coverage exists with respect to a **claim** submitted by **you** under the coverage sections of this policy, **we** may elect to provide a defense under a Reservation of Rights whereby **we** reserve **our** rights to deny and reject any **claim** for **damages**. In the event it is finally established by judgment or agreement that **we** have no liability with respect to such a **claim**, **you** shall reimburse **us** upon demand all sums and monies paid by **us** to defend and/or settle such **claim**.

O. False or Fraudulent Claims:

If any **insured** shall commit fraud in presenting any **claim** as regards amounts or otherwise, this insurance shall become void as to such **insured** from the date such fraudulent **claim** is presented.

P. Headings

The descriptions in the headings of this policy and any endorsements attached hereto are solely for convenience, and form no part of the terms and conditions of coverage.

Q. License Status

In the event **your** license is revoked, suspended, placed on inactive status during a the **policy period**, the policy will remain in effect for the remainder of the **policy period**, however, no coverage will be provided for any wrongful acts which occur during any period in which your license is inactive, suspended or revoked.

IN WITNESS WHEREOF, WE HAVE CAUSED THIS POLICY TO BE SIGNED BY OUR PRESIDENT AND SECRETARY. THIS POLICY SHALL NOT BE VALID UNLESS COUNTERSIGNED ON THE DECLARATIONS PAGE BY OUR DULY AUTHORIZED REPRESENTATIVE.

SPECIMEN