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BROKERAGE AGREEMENT

This Agreement is between Canon Insurance Service, a California corporation ("CANON") and

(hereinafter referred to as "Broker") whose address is

CANON and BROKER, in consideration of the mutual undertakings and covenants set forth below, hereby agree as follows:

- 1) BROKER hereby represents and warrants to CANON that BROKER is a duly licensed insurance BROKER by the Department of Insurance in each state where each client of BROKER may be located and shall maintain such licensure during the term of this Agreement. Broker further represents and warrants that BROKER shall comply with the laws of each State and the rules of that States' Department of Insurance regarding any insurance policies procured by or from CANON on applications submitted by BROKER.
- 2) During the term of this Agreement, BROKER may submit applications to CANON for specific risks on behalf of specific insureds. BROKER warrants and represents that, to the best of its knowledge, the information on each submitted application is complete and accurate. BROKER shall use all reasonable efforts to verify the information contained in each such application prior to its submission to Canon. BROKER understands and acknowledges that CANON shall rely on the information submitted to CANON by BROKER. In the event that BROKER subsequently learns that any such application contained a misrepresentation or omission of fact, BROKER shall promptly notify CANON in writing of such information and provide details thereof.
- 3) BROKER acknowledges that BROKER is the agent of each insured whose application it submits to CANON and is acting on behalf of such insured with reference to all such insurance policies issued based on such applications. BROKER acknowledges that it is not the agent of CANON and has no authority to bind CANON or any of its Principals. BROKER shall not bind any contract of insurance or change any coverages or limits of liability without prior written approval from CANON.
- 4) BROKER shall be liable to CANON for the full amount of premiums (including, but not limited to first paid premiums, any renewal thereof, any additional premiums resulting from audit or retrospective penalties and any further premiums on any reporting policies) and any applicable fees and State taxes, reduced only by the commissions due BROKER for each insurance policy issued based upon an application submitted by Broker. Payment of such premium amounts shall be due in accordance with the terms set forth on the invoices tendered by CANON. BROKER relinquishes all right or claim to subsequent expirations, renewals, additional or return premiums, or commissions as may be necessary to collateralize any sums due to CANON if BROKER violates any of the provisions of this Agreement.
- 5) Each policy or endorsement issued by CANON for an insured based on an application submitted by BROKER shall have attached thereto a premium bill, invoice, or statement showing the gross premium, the agreed commission rate, the net premium and a date when the premium net of commission is due to CANON. Unless specifically agreed to the contrary, each policy placed with CANON is subject to a

minimum earned premium that shall be shown on CANON'S written quotation form. Any policy issued by CANON that has been cancelled, or for which a Notice of Cancellation has been issued, shall be charged a fee if the policy is reinstated or the Notice of Cancellation is voided or revoked.

- 6) BROKER agrees to remit to CANON the full amount of each premium on or before the due date regardless of whether it is collected by the BROKER and regardless of whether the insured fails to pay BROKER. Uncollectible audit premiums can be returned for direct collection by BROKER to CANON only if CANON is notified in writing within 20 days of receipt of the audit that BROKER cannot collect. The final decision on direct collection rests with the actual insurance company and not with CANON.
- 7) BROKER shall promptly report to CANON all necessary information (e.g., gross receipts, payroll or other values) required on all reporting policies at least seven (7) days prior to any date by which such report is due under the terms of the policy.
- 8) BROKER shall provide immediate written notification to CANON of all claims, suits and losses made against any policy issued pursuant to an application submitted by BROKER to CANON. BROKER agrees to cooperate fully with CANON to facilitate any investigation, adjustment, settlement and payment when requested by CANON. BROKER shall have no authority to adjust losses or claims or advise an insured as to the disposition of a claim without written authorization provided by Canon and/or the insurer to which the claim was noticed.
- 9) BROKER shall not return any policy to CANON for flat cancellation, unless it is prior to the policy inception or effective date. Earned premiums shall be computed and charged on every policy canceled after the policy inception or effective date. BROKER shall promptly reimburse CANON for any unearned commission on any returned premium for a canceled policy at the same rate the commission was paid to BROKER.
- 10) CANON shall have no obligation or liability to notify BROKER or the insured, at any time, of any expiration of any policy procured by CANON. Any requests for renewal or extension of any existing policy shall be made in writing to CANON by BROKER.
- 11) This Agreement shall become effective on the date set forth above the signature of the parties hereto on page 3 of this Agreement. This Agreement may be terminated by either party upon 30 days written notice given by one party to the other. Any such termination shall not affect the continued application of this Agreement to policies effected prior to the date of such termination. This Agreement shall also apply to all current policies already placed and in force as of the date of this Agreement.
- 12) CANON shall be entitled to reimbursement from BROKER for Canon's costs of collection, including reasonable attorneys' fees and costs incurred, if any claim, demand or suit is brought against CANON to collect any unpaid premiums due from BROKER. BROKER hereby specifically assigns to CANON all of BROKER'S rights against any of its client insureds for any unpaid premiums due BROKER from such client insureds on policies procured by CANON, and hereby authorizes CANON to sue or bring other action against such client insureds in BROKER'S name. BROKER hereby waives and releases any claim or interest in any commission otherwise due BROKER with respect to any such unpaid premiums.
- 13) Broker shall maintain Errors & Omissions Insurance Coverage at all times with limits of liability of no less than \$1,000,000 per occurrence or claim. BROKER shall provide CANON with a copy of such policy of insurance upon the signing of this Agreement and shall promptly notify CANON if said coverage is discontinued, canceled or for any reason becomes not in effect during the term of this Agreement.
- 14) BROKER shall indemnify and hold harmless CANON and CANON's shareholders, directors, officers and employees from and against any and all claims, demands, actions, causes of action, governmental proceedings or investigations, liabilities, losses, costs and expenses (including reasonable attorneys' fees and costs) that in any way arise out of or relates to BROKER's alleged wrongful or negligent act, error or omission, or the failure or breach of any representation, warranty, covenant or agreement made or given in connection with the subject matter of this Agreement.

CANON shall indemnify and hold harmless BROKER and BROKER's shareholders, directors, officers and employees from and against any and all claims, demands, actions, causes of action, governmental proceedings or investigations, liabilities, losses, costs and expenses (including reasonable attorneys' fees and costs) that in any way arise out of or relates to CANON's alleged wrongful or negligent act, error or omission, or the failure or breach of any representation, warranty, covenant or agreement made or given in connection with the subject matter of this Agreement.

- 15) This Agreement supersedes all previous agreements, whether oral or written, between CANON and the BROKER, except that this Agreement does not affect any indebtedness regarding policies of insurance issued pursuant to the conditions contained in prior written agreements between BROKER and CANON, if any. This Agreement may not be changed, altered or modified in any respect unless done so in writing signed by the parties hereto.
- 16) BROKER shall not assign or delegate any of its rights, duties or obligations under this Agreement without CANON'S prior written consent.
- 17) ARBITRATION. Any dispute between Canon and Broker regarding any breach of this Agreement, or the meaning or interpretation of any provision of this Agreement, shall be submitted to binding arbitration in Los Angeles, California. Any Arbitration award shall be final and binding on the parties hereto. The prevailing party in any arbitration between the parties shall be entitled to a reasonable award of attorneys fees and costs.
- 18) ATTORNEYS FEES. If either party to this Agreement is in default or breach of its obligations hereunder such that the services of an attorney are required to secure performance under this Agreement, or if any judicial remedy or arbitration is necessary to enforce or interpret any provision of this Agreement or the rights and duties of any person in relation to it, the prevailing party shall be entitled to reasonable attorney fees, costs, and other expenses, in addition to any other relief to which such party may be entitled. Any award of damages following judicial remedy or arbitration as a result of the breach of this Agreement or any of its provisions shall include an award of prejudgment interest from the date of the breach at the maximum amount of interest allowed by law.
- 19) CHOICE OF LAW. The law of the State of California shall apply to this Agreement and the interpretation of its meaning or any dispute that may arise hereunder.

IN WITNESS WHEREOF THE PARTIES HAVE SIGNED THIS AGREEMENT AS OF THE DATE SET FORTH BELOW

Agency: _____	Agency: <u>CANON INSURANCE SERVICE</u>
Name: _____	Name: <u>Andrew M. Rosenfeld</u>
Title _____	Title: <u>President</u>
Date: _____	Date: _____
Signature: _____	Signature: _____