

Securities Broker/Dealer, Registered Representative And Registered Investment Advisor Professional Liability Application

This is an Application for a claims made and reported policy. Please read the entire Application carefully before signing. Whenever used in this Application, the term "Applicant" means the Named Insured(s) and any other entity proposed for coverage. Please answer all questions and attach all requested materials including the following:

- ☐ Resumes of Chief Compliance Officer and key employees ☐ New Account Form and any Suitability/Disclosure Forms
- ☐ Summary of most recent SEC and/or NASD Examination ☐ FOCUS Report for the last quarter
- ☐ Most recent audited financial statement ☐ Supervisory Procedures and Compliance Manual ☐ Sample Client Contracts

Firm Information

1. Firm: _____

2. Address: _____ 3. City/State/Zip: _____

4. Website: _____ 5. Date Established: _____

6. Does the Firm practice from any additional locations? ☐ Yes ☐ No

If YES, please provide details for each office (including city, state, percentage of billings, and number of employees) on a separate sheet and attach as part of this Application.

7. Is the Firm a public company? ☐ Yes ☐ No

8. Predecessor Firms:

a. Has the name of the Firm changed or has any other firm or organization combined with or been merged into the Firm within the last 10 years? ☐ Yes ☐ No

b. Is there any pending change in the name of the Firm or pending/contemplated merger? ☐ Yes ☐ No

c. Is the Firm owned or controlled by, or affiliated with, any other entity? ☐ Yes ☐ No

If YES to any part of Question 7, please provide details for all predecessor or controlling firms for which the Firm seeks coverage on a separate sheet and attach as part of this Application.

9. Does the Firm or any of its principals or partners own, control or manage any other entity? ☐ Yes ☐ No

If YES, please provide details on a separate sheet and attach as part of this Application.

10. Complete the chart below for any subsidiaries for which coverage is sought:

Name of Subsidiary	Location	Nature of Business	Applicant's % of Ownership
			%
			%
			%
			%

11. Complete the chart below for any additional entities for which coverage is sought:

Name of Entity	Location	Nature of Business	Relationship to Applicant

Insurance History

12. Request : Effective Date : _____ Per Claim Limit : \$ _____ Aggregate Limit : \$ _____

Retro Date: _____ Per Claim Retention : \$ _____ Aggregate Retention : \$ _____

Per Registered Representative (Each Claim) Retention: \$ _____

13. Complete the following chart detailing the Firm's *Professional Liability* insurance history:

	Insurer	Per Claim Limit	Aggregate Limit	Retention	Premium
Current		\$	\$	\$	\$
Prior Year 1		\$	\$	\$	\$
Prior Year 2		\$	\$	\$	\$
Prior Year 3		\$	\$	\$	\$

14. Has the Firm had any *Professional Liability* insurance declined, cancelled or non-renewed within the past 3 years? ☐ Yes ☐ No

If YES, describe: _____

Professional Services

15. Complete the chart below detailing the Firm's gross revenues:

Fiscal Year	Domestic Revenues	Foreign Revenues
Projection : Next Year	\$	\$
Projection : Current Year	\$	\$
Prior Year 1	\$	\$
Prior Year 2	\$	\$

16. Net Capital Requirement (Rule 15c3-3 of the Securities & Exchange Act of 1934):

a. Minimum Net Capital Required: _____

b. Current level of Net Capital: _____ as of _____

17. Complete the chart below for the gross revenues derived from each investment product or service:

Investment Product	Current Fiscal Year	Projected Next Fiscal Year	Investment Product	Current Fiscal Year	Projected Next Fiscal Year
Accident & Health	%	%	Listed and OTC Stocks	%	%
Annuities – Fixed	%	%	Long Term Care	%	%
Annuities – Variable	%	%	Mortgage Backed Securities	%	%
CDO	%	%	Mortgage Banking/Broking	%	%
CMO	%	%	Mortgage Obligation - Other	%	%
Commodities	%	%	Mutual Funds	%	%
Direct Private Placements	%	%	Options Contracts - Covered	%	%
Disability Income Insurance	%	%	Options Contracts - Naked	%	%
Equity Index Annuities	%	%	Penny Stocks (<\$5)	%	%
Employee Benefit Plans	%	%	Proprietary Products	%	%
Exchanged Traded Funds	%	%	REITS - Public	%	%
Futures / Options	%	%	REITS - Private	%	%
Hedge Funds	%	%	Short Sales of Stock	%	%
Investment Banking	%	%	Tenant-In-Common Interests	%	%
Investment Advisory	%	%	Unit Investment Trusts	%	%
Life Insurance	%	%	Unlisted Stocks / Bonds	%	%
Life Partnerships	%	%	1031 Exchanges	%	%
Life Settlements	%	%	1035 Exchanges	%	%
Limited Partnerships - Public	%	%	24 Hour Health Care Ins.	%	%
Limited Partnerships - Private	%	%	Other:	%	%
Listed Bonds	%	%	Other:	%	%

18. Over the past 3 years, has the Firm provided services in connection with any investment involving any entity that:

- | | |
|--|--|
| a. Is unable to pay its debts, ceased or significantly reduced its distributions? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b. Made a general assignment for the benefit of creditors? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| c. Been the subject of any proceeding seeking to adjudicate it a bankrupt or insolvent entity or seeking reorganization or seeking appointment of a receiver, trustee or other similar official? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| d. Engaged in any business reorganization? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| e. Is under federal or state regulatory investigation? | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| f. Been the subject of litigation? | <input type="checkbox"/> Yes <input type="checkbox"/> No |

If YES to any part of Question 15, please provide details on a separate sheet and attach as part of this Application.

Registered Representatives

19. Complete the following for the Firm's sales force:

Category	Current Year	Prior Year	Project Next Year	Employee or Ind. Contractor
Producers – Full Time				
Producers – Part Time				
Executives/Managers (Non-Producing)				
Back Office				
TOTAL				

20. Of the Firm's current sales force, list the number licensed as:

Series 6 : _____ Series 7 : _____ Series 11 : _____ Series 22 : _____ Series 24 or 27 : _____ Other : _____

21. Number of New York domiciled Registered Representatives : _____ Of these, how many are Independent Contractors : _____

22. Average Years of Service of Registered Representatives with the Firm : _____

23. Number of Registered Representatives terminated in the past 3 years : _____

24. List the production requirement for maintaining Registered Representative status with the Firm : _____

25. Number of Branches : _____ Of these, how many are Offices of Supervisory Jurisdiction : _____

26. Check all that apply to how the Firm obtains new Registered Representatives:

☐ Referrals ☐ Postings in Trade Journals or Websites ☐ Other : _____

27. Check all that apply regarding the Firm's hiring procedures:

- ☐ Application that includes authorization for a background check
☐ Background check
☐ Candidate interviews with the President/CEO, Chief Compliance Officer and/or Sales Manager
☐ Review of outside business
☐ Other : _____

28. Check all that apply regarding background checks for new Registered Representatives:

- | | | |
|---|--|---|
| <input type="checkbox"/> CRD Record and U-4/U-5 forms | <input type="checkbox"/> Bankruptcies | <input type="checkbox"/> Financial Records |
| <input type="checkbox"/> Previous Employer(s) Contacted | <input type="checkbox"/> Residency History | <input type="checkbox"/> Real Estate Holdings |
| <input type="checkbox"/> Credit Check | <input type="checkbox"/> Fingerprinting | <input type="checkbox"/> Real Estate Liens |
| <input type="checkbox"/> DMV/Vehicle Registration | <input type="checkbox"/> Other : _____ | |

29. Check all that apply regarding the Firm's training of newly hired Registered Representatives:

- | | | |
|---|--|---|
| <input type="checkbox"/> Compliance Manual | <input type="checkbox"/> Outside Business Activities | <input type="checkbox"/> Operational Procedures |
| <input type="checkbox"/> Policies regarding Unapproved Products | <input type="checkbox"/> CE Requirements | <input type="checkbox"/> New Account and Disclosure Forms |

30. Has the Firm ever hired a Registered Representative with any history of criminal or civil proceedings, customer complaints, regulatory investigations, professional suspensions or other legal/disciplinary incidents? ☐ Yes ☐ No

If YES, describe : _____

31. In the past 2 years, has the Firm terminated or disciplined any Registered Representatives? ☐ Yes ☐ No

If YES, *describe* : _____

32. Complete the following chart regarding the Firm's audit procedures:

Conduct audits of all off-site branch offices at least every 2 years?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Conduct unscheduled audits at least 15% of the time or more?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the Firm utilize any outside vendors to conduct audits?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the Firm have any single Registered Representative offices?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the Firm audit single Registered Representative offices?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are Production Managers annually audited by Firm principals and/or independent vendors?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Can Production Managers be the primary supervisor of their own business activities?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are Offices of Supervisory Jurisdiction annually audited?	<input type="checkbox"/> Yes <input type="checkbox"/> No

Compliance

32. Check all that apply detailing the Firm's procedures for selecting investments for inclusion on the approved products list, procedures for updating the list and procedures for monitoring performance of approved products:

- ☐ Investment selection subject to committee approval
- ☐ Due diligence conducted by outside vendor
- ☐ Chief Compliance Officer or other senior principal monitors approved product performance on a quarterly basis
- ☐ Written Firm procedures for removal of products from approved list if/when product underperforming
- ☐ *Other* : _____

33. Does the Firm have written due diligence files that are reviewed and/or updated on an annual basis? ☐ Yes ☐ No

34. Check all that apply that is required from a customer to open a new account:

- ☐ Signed authorization granting Firm permission to share customer's data
- ☐ Personally Identifiable Information (e.g. citizenship, name, address, phone, age, SS#, Tax ID)
- ☐ Tax Status (e.g. estimated net worth, annual income)
- ☐ Personal investment objectives
- ☐ Investment experience
- ☐ Information regarding any accounts with other Registered Representatives/Investment Advisors
- ☐ *Other* : _____

35. Describe the procedures for reviewing and opening new accounts : _____

36. Does the Firm require the Chief Compliance Officer or a senior Principal review every account before it is approved? ☐ Yes ☐ No

37. For trust or similar accounts, does the Firm confirm Power of Attorney if the client is considered incapacitated? ☐ Yes ☐ No

38. Check all situations that require updating of customer account information and/or investment objectives:

- ☐ Life events (i.e. birth, death, marriage, divorce, relocation, health crisis)
- ☐ Annually
- ☐ Every other year
- ☐ Every 3 years
- ☐ *Other* : _____

39. Check all Firm procedures for verifying customer orders and confirming their accuracy, timeliness and alignment with customer objectives and level of sophistication:

- ☐ Reliance on Clearing Firm
- ☐ Chief Compliance Officer reviews each transaction against customer's new account form
- ☐ Confirmations sent within 24 hours with instruction to customer to contact firm if information incorrect
- ☐ *Other* : _____

40. How often does the Firm:

	Daily	Weekly	Monthly	Quarterly	Annually	Other
Monitor Customer Accounts (i.e. investments objectives v. investments made)						
Review trading blotter						
Review exception reports on large transactions						
Review exception reports on churning						
Review exception reports on replacement policies						
Conduct training on compliance and operational procedures						

41. Does the Firm:

Have procedures for documenting files, emails and telephone conversations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Utilize Checklists for various firm operations (e.g. opening new accounts)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have procedures for clients to understand advantages under Rights of Accumulation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have procedures for clients to understand specific charges associated with variable contract transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Require customers to sign a "switch letter" each time for inter-product and intra-product transactions?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Disclose in "switch letter" any charges the customer may incur due to a switch?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have procedures for RR's to issue negative consent letters if customer does not adhere to RR's recommendations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Include investment objective descriptions in new account forms?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Utilize software that updates Firm compliance manual as laws/regulations change?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Utilize outside vendors to review Firm compliance manual and/or Firm forms, contracts and procedures?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Offer special incentives or contests based (in whole or in part) on sales commission results?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have procedures for handling customer complaints in the Firm compliance manual?	<input type="checkbox"/> Yes <input type="checkbox"/> No

42. Does the Firm utilize disclosure forms for the following products:

Mutual Funds	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
"B" & "C" Shares	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Equity Indexed Annuities	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Variable Annuities	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Limited Partnerships	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
REITs	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Private Placements	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

Additional Information

42. Is the Firm registered as an Investment Advisor with the Securities & Exchange Commission? ☐ Yes ☐ No

43. Total asset value of all accounts managed : Current Year = \$_____ Prior Year = \$_____

44. How many Registered Representatives provide services under the Firm's corporate RIA? _____

45. Does the Firm allow Registered Representatives to hold individual RIS designations? ☐ Yes ☐ No

If YES, how many? _____

46. How many Registered Representative and/or principals, partners, director or officers have discretionary authority? _____

a. What % of accounts include discretionary authority? _____%

b. What % of total commission revenues are derived from discretionary money management? _____%

47. For the current fiscal year:

a. Total number of customer accounts: _____

b. Average customer investment portfolio size: _____

c. Average dollar value for a securities trade: _____

d. What % is Margin: _____

e. What %'s are Individual / Corporate / Institutional _____ / _____ / _____

48. What is the Firm's % breakdown of customer base by age range?:

_____ % Below 40 _____ % 40 - 65 _____ % Over 65

49. Describe the Firm's exposure to the subprime crisis : _____

50. Does the Firm expect any significant changes in operations in the next year? ☐ Yes ☐ No

If YES, *describe* : _____

Claim, Disciplinary & License History

51. Have any claims, suits or proceedings been made during the past five (2) years against the (a) Firm; (b) its predecessor in business; (c) any subsidiary or affiliate of the Firm; (d) any entity proposed for coverage on this Application; or (e) any past or present principal, partner, member, director, officer, employee, leased employee or independent contractor of the Firm, its predecessors in business or any subsidiary or affiliate of the Firm or entity proposed for coverage on this Application? ☐ Yes ☐ No

52. After diligent inquiry of each principal, partner, managing member, director or officer, is the Applicant aware of any fact, circumstance, incident, error, situation or accident that may result in a claim being made against (a) the Firm; (b) its predecessor in business; (c) any subsidiary or affiliate of the Firm; (d) any entity proposed for coverage on this Application; or (e) any past or present principal, partner, member, director, officer, employee, leased employee or independent contractor of the Firm, its predecessors in business or any subsidiary or affiliate of the Firm or entity proposed for coverage on this Application? ☐ Yes ☐ No

If YES to Questions 51 and/or 52, complete a Claim Supplemental Application for each matter.

53. Has the Firm or any individual or entity seeking coverage ever been the subject of a reprimand or disciplinary proceeding, or criminal proceeding, by any federal, state or local authority, professional association or state licensing board? ☐ Yes ☐ No

54. Has the Firm or an individual or entity seeking coverage ever had any professional license or registration denied, suspended, revoked, non-renewed or restricted in any way? ☐ Yes ☐ No

55. Has the Firm or an individual or entity seeking coverage ever had a complaint filed against them with a consumer agency, the SEC, NASD, state insurance commission or any other regulatory body? ☐ Yes ☐ No

56. Has the Firm or an individual or entity seeking coverage ever been formally accused of violating any professional association's code of ethics? ☐ Yes ☐ No

57. Has the Firm or an individual or entity seeking coverage ever been convicted of a criminal offense other than minor traffic offenses? ☐ Yes ☐ No

58. Has the Firm or an individual or entity seeking coverage ever had any contract with an insurance company or others suspended, terminated, non-renewed or restricted? ☐ Yes ☐ No

59. Has the Firm or any individual or entity seeking coverage during the past 2 years been involved in any disputes with respect to fees or other compensation which may be due for professional services rendered by the Firm or any individual or entity seeking coverage? ☐ Yes ☐ No

If YES to Questions 53 - 59, please provide details on a separate sheet and attach as part of this Application.

60. Has the Firm reported each matter in Questions 51 – 59 to its current/former insurance carrier? ☐ N/A ☐ Yes ☐ No

NOTICE – PLEASE READ CAREFULLY

The undersigned, as authorized agent of all individuals and entities proposed for this insurance, declares that, to the best of his/her knowledge and belief, after diligent inquiry of each principal, partner, managing member, director, officer and employee of the Applicant, the statements in this Application are true and complete and will be relied upon by the Insurer in issuing any policy. The undersigned agrees that if the information provided in this Application changes between the time this Application is executed and the time the proposed insurance policy is bound or coverage is commenced, the Applicant will immediately notify the Insurer in writing of such changes, and that the Insurer may withdraw or modify any outstanding quotations or agreements to bind the insurance. The

undersigned hereby authorizes the Insurer to make any inquiry in connection with the information, statements and disclosures provided in this Application and further authorizes the release of claim information from any prior insurer to the Insurer.

The undersigned declares that all individuals and entities proposed for this insurance understand and accept that the policy applied for provides coverage for only those claims that are first made against the Insured and reported in writing to the Insurer during the policy period or any extended reporting period (if applicable) and that the limits of liability contained in the policy will include both Damages and Claim Expenses.

The signing of this Application does not bind the Insurer to offer nor the undersigned to purchase the insurance, but it is agreed this Application shall be the basis of the insurance and shall be considered physically attached to and become part of the Policy should a Policy be bound and issued. All attachments and information submitted to or obtained by the Insurer in connection with this Application are hereby incorporated by reference into this Application and made a part hereof.

The Application must be signed and dated by a Principal, Partner, Managing Member or Senior Officer of the Firm. Electronically reproduced signatures will be treated as original.

Date (MM/DD/YYYY)

Applicant Signature

Print or Type Name

Title