



APPLICATION FOR SECURITIES BROKER/DEALER
PROFESSIONAL LIABILITY INSURANCE

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 the term "Firm" means the Named Insured(s) and any entity identified in Question 3 of this Application. Please answer all questions and attach all requested materials including the following:

- 1. Curriculum vitae of Chief Compliance Officer.
2. Latest year-end audited financial statement.
3. FOCUS Report for the last quarter.
4. Approved products list including but not limited to mutual funds, life insurance and annuities, proprietary products, limited partnerships, and all direct private placements.
5. New Account Form and any Suitability/Disclosure Forms.
6. Other contracts offered to clients including, but not limited to, Financial Planning Agreements, etc. Agreement between Security Broker/Dealer and Registered Representative.
7. Summary of most recent SEC and/or NASD Examinations and management's response to each including exit interview comments, if formal examination letter is not yet received.
8. Copy of product brochures for any products you sell and/or brochures for any proprietary services offered.
9. Supervisory Procedures and Compliance Manual, including: suitability procedures and systems to ensure enterprise wide compliance with those procedures; procedures for selecting approved products; and procedures for selecting Registered Representatives.

COVERAGE REQUESTED:

Effective Date Requested: _____

Limits Desired: [] \$500,000/\$1,000,000 [] \$1,000,000/\$1,000,000 [] \$1,000,000/\$2,000,000
[] Other \$ _____

Self Insured Retention (each claim): [] \$25,000 [] \$50,000 [] Other \$ _____

PROPOSED APPLICANT:

- 1. Name of Applicant: _____
Business Address: _____
City, State, Zip: _____
Business Phone: _____
Business Website Address: _____

1a. Individual designated to accept all notices on Applicant's behalf: _____
Title: _____ Telephone: _____ Email address: _____

- 2. (a) Is the Applicant a successor-in-interest to any predecessor firm or has the Applicant ever been involved in any merger, acquisition, consolidation, divestiture, bankruptcy or dissolution? [] Yes [] No
(b) In the next 12 months, does the Applicant have any plans for any merger, acquisition, consolidation, divestiture, bankruptcy, dissolution, or creation of a new business, subsidiary or division? [] Yes [] No

If the response to any part of Question 2 is "YES," please attach complete details.

3. Please provide the following information for all subsidiaries or affiliated entities **for which coverage is desired.**

Name of Subsidiary Or Affiliated Entity	Location	Nature of Business	Applicant's % of Ownership
			%
			%
			%

To enter more information for Question 3, please attach a separate page to the Application.

PROFESSIONAL ACTIVITIES:

4. Please state the percentage (%) of revenues which are derived from each investment product or service below for the most recent fiscal year and the next 12 months.

Investment Product	Revenue	Next 12 Months	Investment Product	Revenue	Next 12 Months
Accident & Health	%	%	Unit Investment Trusts	%	%
Admin of Employee Benefit Plans	%	%	Fixed Annuities	%	%
CDO	%	%	Variable Annuities	%	%
CMO	%	%	Variable Life	%	%
Commodities	%	%	Other Life	%	%
Direct Private Placements	%	%	24 Hour Health Care Insurance	%	%
Disability Income Ins	%	%	1031 Exchange	%	%
Equity Index Annuities	%	%	1035 Exchange	%	%
Exchange Traded Funds	%	%	Listed Bonds	%	%
Futures/Options	%	%	Listed and OTC Stocks	%	%
Hedge Funds	%	%	Unlisted Stocks & Bonds	%	%
Life Insurance	%	%	Short Sales of Stock	%	%
Life Settlements	%	%	Covered Options Contracts	%	%
Limited Partnerships	%	%	Naked Options Contracts	%	%
Public Limited Partnerships	%	%	Public Real Estate Investment Trusts	%	%
Private Limited Partnerships	%	%	Private Real Estate Investment Trusts	%	%
Long Term Care	%	%	Tenant-In-Common Interests	%	%
Mutual Funds	%	%	Mortgage Backed Securities	%	%
Penny Stocks (unlisted securities trading <\$5)	%	%	Other Mortgage Related Obligations	%	%
Proprietary Products	%	%	Mortgage Banking, Brokering, or Originations	%	%
Investment Banking	%	%	Other (please specify):	%	%
Investment Advisory	%	%			

5. Over the past three years, have you provided services in connection with any investment involving any entity which, as of the effective date of this application:
- a. is unable to pay its debts or ceased or significantly reduced its distributions Yes No
 - b. made a general assignment for the benefit of creditors Yes 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 Yes No
 - d. engaged in any business reorganization Yes No
 - e. taken any corporate action to authorize any of the foregoing Yes No
 - f. is under federal or state regulatory investigation involving its securities Yes No
 - g. been the subject to a class action lawsuit involving its securities Yes No

If the response to any part of Question 5 is "YES," please attach complete details.

6. Please provide the total gross revenue for the next 12 months and for each of the past three fiscal years for the Firm:

<u>Fiscal Year End (Month/Year)</u>	<u>Domestic Revenues</u>	<u>Foreign Revenues</u>
Next 12 Months	\$ _____	\$ _____
____ / 20 ____	\$ _____	\$ _____
____ / 20 ____	\$ _____	\$ _____
____ / 20 ____	\$ _____	\$ _____

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

- (a) Minimum Net Capital Required _____
- (b) Current level of Net Capital _____ as of _____

REGISTERED REPRESENTATIVES:

8. (a) Head count of sales force:

Category	Current Year	Prior Year	Next Year
Producers			
Non-Producing Executives/ Managers			
Other (back office)			
TOTAL			

- (b) Of the current sales force, number licensed as: Series 6 _____ Series 7 _____ Series 11 _____ Series 22 _____ Series 24 or 27 _____ Other _____
- (c) Number of Producers domiciled in New York: _____ Of these, how many are independent contractors: _____
- (d) Average length of service of Registered Representative with the Applicant: _____
- (e) Number of Registered Representatives terminated in the past three (3) years for other than lack of production: _____
- (f) What level of production is mandated for maintaining Registered Representative status with the Applicant? _____
- (g) Number of Branches: _____
How many of these are Offices of Supervisory Jurisdiction? _____

PRIOR INSURANCE:

9. List all professional liability insurance carried for each of the past three years. If none, the reason for the present insurance inquiry is: _____

Insurance Company	Limits	Retention	Premium	Policy Period
	\$	\$	\$	
	\$	\$	\$	
	\$	\$	\$	

Retroactive Date on current policy: _____

Prior and Pending Litigation Date on current policy or, if none, date of first E&O policy: _____

10. Has the Applicant had any Professional Liability Insurance declined, cancelled or non-renewed within the past three years? Yes No **If “YES,” please attach complete details.**

COMPLIANCE:

11. Describe the procedures for selecting investments to be included on the approved products list, the procedures for updating the list and procedures for monitoring the performance of approved products (check all that apply):

- Selection of investments is subject to committee approval.
- Due diligence is done where appropriate by an outside due diligence firm.
- Chief Compliance Officer or other Senior Officer monitors the performance of the approved products on a quarterly basis.
- Applicant has procedures in place to remove products from approved list when product is no longer generating income for the Firm.
- Other (please explain): _____

- 11a. Do you maintain a separate due diligence file or files for particular investments. Yes No
Please provide copies of due diligence procedures followed by the firm.

12. What information is required to open a new account? (check all that apply):

- Customer’s signed authorization granting Applicant permission to share customer’s information
- Customer’s information: i.e. name, address, phone no., age, ss#, or tax id#
- Customer’s tax status: i.e. estimated net worth, annual income, tax bracket
- Customer’s occupation and employer’s name and address
- Customer’s investment objective
- Investment experience
- Customer is required to provide information on accounts they have with another member of the NASD
- Citizenship
- Other (please explain): _____

13. Describe the procedures for reviewing and approving new accounts (check all that apply):

- Back office personnel checks each application for completeness, signatures by client, rep and Principal
- Chief Compliance Officer reviews account form and opens account
- Confirmation Sent to Customer reconfirming information on the new account form and instructions on contacting the Firm if information or investment objectives change
- Application is sent back to rep if not complete

- Investment objectives are reviewed by Principal and CCO to ensure suitability based on customers' age, and net worth
- Applicant has a customer identification program for Anti Money Laundering
- Other (please explain): _____

13a. With respect to trusts or similar accounts, if the client is considered incapacitated does the Applicant collect evidence of powers of attorney? Yes No

14. Customer account information and investment objectives are required to be updated (check all that apply):

- Whenever there is a life event (i.e. birth, death, marriage, divorce, relocation)
- Annually
- Every other year
- Once every three years
- Other (please explain): _____

15. Describe the Applicant's procedures for verifying customer orders and determining that confirmations are accurate and received on time as well as in accordance with customer objective and sophistication (check all that apply):

- Applicant relies solely on Clearing Firm to deliver confirms and review each trade for suitability.
- Chief Compliance Officer reviews each transaction against the clients new account form.
- Confirmations are mailed out within 24 hours and instruct client to contact firm, if information not correct.
- Other (please explain): _____

16. How often does the Applicant:

		Daily	Weekly	Monthly	Quarterly	Annually	Other
a.	Monitor existing Customer Accounts – checking investment objectives against the investments made						
b.	Review trading blotter						
c.	Review exception reports on large transactions						
d.	Review exception reports on churning						
e.	Review exception reports on replacement policies						
f.	Conduct training on products and business planning						
g.	Conduct training on compliance and operational procedures						

17. Does the Applicant:

a.	Have procedures for documenting files, emails and telephone conversations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b.	Utilize Checklists for various operations (i.e. opening new accounts)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c.	Have procedures to clarify to prospective customers the advantages of making quantity mutual fund purchases that qualify for break points and purchases under Rights of Accumulation?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d.	Have procedures to clarify to prospective customers the specific charges that	<input type="checkbox"/> Yes	<input type="checkbox"/> No

	are associated with variable contract transactions (i.e. surrender charges, withdrawals and limitations)?		
e.	Require customers to sign a “switch letter” each time for inter-product and intra-product transactions?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
f.	Disclose within the “switch letter” any charges that the customer will likely incur due to the switch?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
g.	Have procedures for reps to issue negative consent letters, if customer does not wish to adhere to rep’s recommendations?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
h.	Include investment objective descriptions on its new account form?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
i.	Utilize software that updates its compliance manual as regulations are changed?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
j.	Utilize an outside consultant firm to review its compliance manual and/or business forms?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
k.	Offer any special incentives or contests based in whole or in part on sales commission figures?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
l.	Does the Applicant outline its procedures for handling customer complaints in its compliance manual?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

18. Does the Applicant utilize disclosure forms for the following products?

a.	Mutual Funds	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
b.	“B” & “C” Shares	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
c.	Equity Indexed Annuities	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
d.	Variable Annuities	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
e.	Limited Partnerships	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
f.	REITs	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
g.	Direct Private Placements	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

HIRING AND MANAGEMENT OF REGISTERED REPRESENTATIVES

19. How does the Applicant gain new Registered Representatives? (check all that apply):

- Referrals
- Job postings in trade publications or websites
- Other (please explain): _____

20. Describe the Applicant’s hiring procedures (check all that apply):

- Each candidate must complete a pre-hire application authorizing a background check
- Candidates are interviewed by the President, CCO and Sales Manager
- Background check conducted
- Private Investigation Firm is hired to conduct background check
- Review of outside business
- Committee determines if candidate should be hired
- Other (please explain): _____

21. Background check includes a review of the following (check all that apply):

- CRD records and U-4/U-5 forms
- Bankruptcies
- Bank Accounts
- Contact Prior Employers
- Residency History
- Real Estate Holdings
- Credit Check
- Foreclosures
- Liens on Real Estate Holdings
- Fingerprinting
- DMV and Vehicle Registration
- Other (please explain): _____

22. Will the Applicant consider hiring a Registered Representative with any history of criminal or civil proceedings, customer complaints, regulatory investigations, professional suspensions, or other claims?
 Yes No

Please provide specifics on the firm's procedures around evaluating a Registered Representative with a history of criminal proceedings. _____

23. Does the Applicant's training for newly hired Registered Representatives include a review of the following (check all that apply):

- Compliance Manual Unacceptable Outside Business Activities
 Operational Procedures Policies regarding selling unapproved products
 New Account and Disclosure Forms Continuing Education requirements

24. In the past three (3) years, has the Applicant terminated or placed on heightened supervision (as a consequence of disciplinary infractions), any Registered Representatives as a result of a review of their operations or performance? Yes No **If "Yes," please attach complete details.**

25. Auditing:

a.	Does the Applicant conduct audits of all off-site branch offices at least once every two years?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b.	Does the Applicant conduct unscheduled audits as part of its audit process?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
c.	Are at least 15% of all audits conducted unscheduled?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
d.	Does the Applicant utilize an outside vendor to conduct its audits?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
e.	Does the Applicant have any one-person branch offices?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
f.	Are unscheduled audits being conducted at one-person branch offices?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
g.	Are Producing Managers audited annually by senior or otherwise independent persons?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
h.	Can Producing Managers act as the primary supervisor of their own business activities such as transaction approvals and new account forms?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
i.	Are Offices of Supervisory Jurisdiction audited annually?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

SUPPLEMENTARY INFORMATION:

26. (a) Is the Applicant a public company? Yes No
 (b) Does any shareholder/owner hold more than a 10% ownership interest? Yes No
 If yes, please attach complete details
 (c) Is there an Affiliated/Subsidiary Company(ies) to be covered? Yes No
 If yes, please attach complete details

27. (a) Is the Applicant registered as an Investment Advisor with the SEC? Yes No
 (b) Total asset value of all accounts managed: Current Year: _____ Prior Year: _____
 (c) How many Registered Representatives provide services under the Applicant's corporate RIA? _____
 (d) Does the Applicant allow Registered Representatives to hold individual RIA designations?
 Yes No
 If yes, how many Registered Representatives hold individual RIA designations: _____
 (e) How many Registered Representatives and/or partners, directors or officers have discretionary authority? _____

(f) What percentage of total commission revenues are derived from Discretionary Money Management?
_____ %

28. (a) Total number of customer accounts during the most recent fiscal year: _____
(b) What is the average size investment portfolio for each customer: _____
(c) What percentage (%) is: Margin: _____ %
(d) What percentage (%) are: Individual: _____ % Corporate: _____ % Institutional: _____ %
(e) What is the average dollar value for a securities trade: _____
29. What is percentage (%) breakdown of the Applicant's customer base by age category?
_____ % Below 40 _____ % 40 – 65 _____ % Over 65
30. Does the Applicant have any direct or indirect exposure to the subprime crisis? Yes No
If "Yes", please attach complete details.

CLAIMS EXPERIENCE:

31. Have any claims, suits or proceedings (including without limitation: any shareholder action or derivative suit; or any civil, criminal, or regulatory action, or any complaint, investigation or proceeding related thereto) been made during the past five years against: (a) the Applicant; (b) its predecessors in business;; (c) any other entity proposed for coverage; or (d) any past or present principal, partner, managing member, director, officer, employee, leased employee or independent contractor of the Applicant, any subsidiary or affiliate of the Applicant or any other entity proposed for coverage?
 Yes No
32. Is the Applicant (after diligent inquiry of each principal, partner, managing member, director or officer) aware of any fact, circumstance, incident, situation, or accident (including without limitation: any shareholder action or derivative suit; or any civil, criminal, or regulatory action, or any complaint, investigation or proceeding related thereto) that may result in a claim being made against: (a) the Applicant; (b) its predecessors in business; (c) any other entity proposed for coverage; or (d) any past or present principal, partner, managing member, director, officer, employee, leased employee or independent contractor of the Applicant, its predecessors in business, any subsidiary or affiliate of the Applicant or any other entity proposed for coverage?
 Yes No
33. Has the Applicant or any individual or entity proposed for coverage ever been the subject of a reprimand, or a disciplinary or criminal action by any federal, state or local authority, professional association or state licensing board? Yes No

If the response to Question 31, 32, and/or 33 is "YES," please attach complete details.

NOTE: It is agreed that any claim or lawsuit against the Applicant, or any principal, partner, managing member, director, officer or employee of the Applicant, or any other proposed insured, arising from any fact, circumstance, act, error or omission disclosed or required to be disclosed in response to Questions 31, 32 and/or 33, is hereby expressly excluded from coverage under the proposed insurance policy.

34. Has the Applicant reported the matters listed in Questions 31-33 to its current or former insurance carrier?
 Yes No Not Applicable

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 Firm, 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.

FRAUD NOTIFICATION

- Arkansas** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.
- Colorado** It is unlawful to knowingly provide false, incomplete, or misleading facts or information to an insurance company for the purpose of defrauding or attempting to defraud the company. Penalties may include imprisonment, fines, denial of insurance and civil damages. Any insurance company or agent of an insurance company who knowingly provides false, incomplete, or misleading facts or information to a policyholder or claimant for the purpose of defrauding or attempting to defraud the policyholder or claiming with regard to a settlement or award payable for insurance proceeds shall be reported to the Colorado Division of Insurance within Department of Regulatory Agencies.
- District of Columbia** WARNING: It is a crime to provide false or misleading information to an insurer for the purpose of defrauding the insurer or any other person. Penalties include imprisonment and/or fines. In addition, an insurer may deny insurance benefits if false information materially related to a claim was provided by the applicant.
- Florida** Any person who knowingly and with intent to injure, defraud, or deceive any insurance company files a statement of claim containing any false, incomplete, or misleading information is guilty of a felony of the third degree.
- Hawaii** For your protection, Hawaii law requires you to be informed that presenting a fraudulent claim for payment of a loss or benefit is a crime punishable by fines or imprisonment, or both.

Idaho	Any person who knowingly, and with intent to defraud or deceive any insurance company, files a statement containing any false, incomplete or misleading information is guilty of a felony.
Indiana	A person who knowingly and with intent to defraud an insurer files a statement of claim containing any false, incomplete, or misleading information commits a felony.
Kentucky	Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.
Louisiana	Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.
Maine	It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties may include imprisonment, fines, or denial of insurance benefits.
Maryland	Any person who knowingly and willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly and willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.
Minnesota	A person who files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime.
New Jersey	Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.
New York	Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.
Ohio	Any person who, with intent to defraud or knowing that he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.
Oklahoma	WARNING: Any person who knowingly, and with intent to injure, defraud or deceive any insurer, makes any claim for the proceeds of an insurance policy containing any false, incomplete or misleading information is guilty of a felony.
Pennsylvania	Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime and subjects such person to criminal and civil penalties.
Rhode Island	Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

- Tennessee** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

- Virginia** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

- Washington** It is a crime to knowingly provide false, incomplete or misleading information to an insurance company for the purpose of defrauding the company. Penalties include imprisonment, fines and denial of insurance benefits.

- West Virginia** Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison."

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

Date (Mo./Day/Yr.)

Applicant Signature

Print or Type Name

Title