

APPLICATION FOR SECURITIES BROKER-DEALER'S PROFESSIONAL LIABILITY

Instructions for Completing This Application

Please read carefully and fully answer all questions and submit all requested information for each Coverage you seek. All applicants must complete the General Information and the final section of this **Application**. Terms appearing in bold face in this **Application** are defined in the **Policy** and have the same meaning in this **Application** as in the **Policy**. This **Application**, including all materials submitted herewith, shall be held in confidence.

GENERAL INFORMATION

1. a. The **Company** to be Named in Item 1. of the Declarations:

Street Address:

City: _____ State: _____ Zip Code: _____

- b. Officer designated to receive correspondence and notices from the **Insurer**:

(Name of Officer)

(Title)

2. Please provide the following information regarding current insurance coverage:

Insurance	Carrier	Limits (in MMs)	Premium	Expiration Date
D&O Liability				
E&O Liability				
Crime/Fidelity				
Employment Practices				
Fiduciary Liability				

Please attach copies of the following with respect to the Company and Subsidiaries:

- Securities Broker-Dealer's latest audited annual report, as well as latest 10-K filed with the SEC (if publicly traded);
- Complete FOCUS reports for the most recent 4 quarters;
- Copy of the most recent Form BD as filed with the SEC;
- List of approved investment vehicles for sale by the applicant's Registered Representatives, including approved life insurance companies and their products, as well as adherence guidelines;
- Securities Broker-Dealer's "due diligence" guidelines for approving investment vehicles to be sold;
- Comments, criticisms and recommendations made by the SEC, FINRA, state securities regulatory authority, state insurance department or any other regulatory body (including self-regulatory organizations) following the most recent examination. Also, please attach the applicant's response letter to such recommendations.

Please answer the following questions:

1. State of Incorporation _____

2. Year Broker-Dealer was established _____
3. Number of offices in United States and Canada _____
4. Number of offices elsewhere _____
5. Name Parent Company(ies) and its **Subsidiary(ies)** _____
6. Name of Corporate Registered Investment Advisor(s) (if applicable) _____
7. Name of Corporate Insurance Entity(ies) (if applicable) _____
8. Has the Securities Broker-Dealer been the subject of any merger and/or acquisitions during the past three (3) years? Yes No
If "YES", attach full details.
9. Has the Securities Broker-Dealer revealed publicly that it is the subject of any pending merger and/or acquisition? Yes No
If "YES", attach full details.
10. Number of applicant's Registered Representatives:
- Producers 1099 _____
- W-2 _____
- Non-Producing Executives/Managers _____
- Other (Back Office) _____
- Total _____
- *Attach a breakdown by state* _____
11. Do all Registered Representatives enter into a standard contract with the Securities Broker-Dealer? Yes No
12. Does the Securities Broker-Dealer's contract with its Registered Representatives provide for indemnification of the Securities Broker-Dealer? Yes No
13. Does the Securities Broker-Dealer contract with its Registered Representatives contain an arbitration clause? Yes No
14. Please state the percentage of revenue generated from the following areas:
- Full Service Securities Brokerage _____ %
- Discount Securities Brokerage _____ %
- Financial Planning _____ %

Market Timing Services	<u> %</u>
Private Placements	<u> %</u>
Market Making/Specialist Activities	<u> %</u>
Underwriting Activities	<u> %</u>
Investment Advisory Services	<u> %</u>
Other (Please Describe below)	<u> %</u>
TOTAL	100%

15. Please state the percentage of revenues which are derived from the following:

Listed Stocks	<u> %</u>
Unlisted Stocks	<u> %</u>
Penny Stocks (unlisted securities trading for less than \$5.00/share)	<u> %</u>
Proprietary Partnerships	<u> %</u>
Bonds (Corporate and Municipal)	<u> %</u>
Private Placements	<u> %</u>
Option Contract	<u> %</u>
Commodities	<u> %</u>
Commodity Futures/Managed Futures	<u> %</u>
Mutual Funds	<u> %</u>
Non-registered Funds	<u> %</u>
Real Estate Investment Trusts:	
Public	<u> %</u>
Public Non-traded	<u> %</u>
Private	<u> %</u>
Variable Annuities	<u> %</u>
Other Annuities	<u> %</u>
Life Insurance	<u> %</u>

Other Insurance	_____ %
Other (Please Describe below)	_____ %
TOTAL	100%

16. Total annual commission revenue for all products (including life insurance and annuity sales): _____

17. Average daily trading volume: _____
 per Month

18. Total numbers of securities trades executed: _____
 per Year (check one)

19. Average dollar value per securities trade: _____

20. What percentage of all accounts are margin accounts?
 _____ %

21. What percentage of all brokerage accounts are discretionary accounts?
 _____ %

22. What percentage of all accounts are INDIVIDUAL accounts?
 _____ %

23. What percentage of all accounts are INSTITUTIONAL accounts?
 _____ %

24. Does the Securities Broker-Dealer clear its own accounts? Yes No
 If NO, please indicate the name of the clearing agent used: _____

25. Do all clients or customers sign a standard contract? Yes No

26. Who approves modifications to the standard contract?

27. What percentage of the standard contracts contain arbitration clauses?
 _____ %

28. Is the arbitration clause referenced in question 27 above ever deleted? Yes No
 If YES, what percentage?
 _____ %

29. Does the Securities Broker-Dealer's Compliance Department review all client contracts? Yes No

30. Describe the Securities Broker-Dealer's procedures for reviewing new accounts:

31. Give the number of notices, letters, and complaints received in the past 3 years by the Compliance Department: _____
32. How many of these notices, letters and complaints were unsettled after 60 days: _____
33. Please attach FULL DETAILS regarding all cases in the last five (5) years involving monetary settlements or awards in excess of **\$5,000**
34. Does the Securities Broker-Dealer or any of its partners, directors, officers, employees or Registered Representatives have any knowledge of information of any circumstances, allegations, contentions or incidents which might result in a **Claim** against them? Yes No
If "YES", attach full details.
35. Have any of the Securities Broker-Dealer's Registered Representatives ever been disciplined, fined or suspended by the SEC, FINRA, state securities regulatory authority, state insurance department or any other regulatory body, including but not limited to those disclosed within Form U-4, within the last 5 years? Yes No
If "YES", attach full details, along with a copy of Form U-4.
36. Has any insurer refused or cancelled or non-renewed Securities Broker-Dealer's Professional Liability coverage in the last 5 years? Yes No
If "YES", attach full details,
37. Have any Professional Liability (E&O) claims (whether covered or uncovered by insurance) been made during the past 5 years against the Securities Broker-Dealer or any Registered Representative? Yes No
If "YES", attach full details.
38. Please attach FULL DETAILS regarding each instance, within the last 5 years, of a failure, by either the Securities Broker-Dealer or any Registered Representative, to follow the directions of a customer or client in connection with the investment of the assets of such customer or client, resulting in either: (i) the erroneous execution and/or settlement of a transaction; or, (ii) the alleged failure to execute a transaction.
39. Describe the Securities Broker-Dealer's procedures for: (i) the prevention of; and/or, (ii) the remediation of, an instance described in 38 above.

TO BE COMPLETED BY ALL APPLICANTS

None of the **Insureds** is responsible for or has knowledge of any **Wrongful Act**, fact, circumstance or situation which (s)he has reason to suppose might result in a future **Claims**, except as follows:

If "NONE", Please check this box

It is agreed that if any **Insured** is responsible for or has knowledge of any **Wrongful Act**, fact, circumstance, or situation which (s)he has reason to suppose might result in a future **Claim**, whether or not described above, any such **Claim** shall be excluded from coverage under the proposed insurance.

This **Application** shall be maintained on file by the **Insurer**, shall be deemed attached as if physically attached to the proposed **Policy** and shall be considered as incorporated into and constituting a part of the proposed **Policy**.

The persons signing this **Application** declare that the statements set forth herein and the information in the materials submitted herewith are true and correct and that reasonable efforts have been made to obtain sufficient information from all **Insureds** to facilitate the proper and accurate completion of this **Application**. Signing of this **Application** does not bind the undersigned to purchase the insurance, but it is agreed that this **Application** shall be the basis of the contract should a **Policy** be issued. The undersigned agrees that if after the date of this **Application** and prior to the effective date of any **Policy** issued as a result of this **Application**, any occurrence, event or other circumstance should render any of the information contained in this **Application** inaccurate or incomplete, then the undersigned shall notify the Insurer of such occurrence, event or circumstance and shall provide the Insurer with information that would complete, update or correct such information. Any outstanding quotations may be modified or withdrawn at the sole discretion of the Insurer.

The information requested in this **Application** is for underwriting purposes only and does not constitute notice to the Insurer under any **Policy** of a **Claim** or potential **Claim**. All such notices must be submitted to the Insurer pursuant to the terms of the **Policy**, if and when issued.

The undersigned acknowledges that he or she is aware that **Defense Costs** reduce and may exhaust the applicable Limits of Liability. The **Insurer** is not liable for any **Loss** (which includes **Defense Costs**) in excess of the applicable Limits of Liability.

NOTICE TO ARKANSAS APPLICANTS: 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.

NOTICE TO COLORADO APPLICANTS: 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 claimant with regard to a settlement or award payable from insurance proceeds shall be reported to the Colorado Division of Insurance within the Department of Regulatory Agencies.

NOTICE TO DISTRICT OF COLUMBIA APPLICANTS: 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.

NOTICE TO FLORIDA APPLICANTS: Any person who knowingly and with intent to injure, defraud or deceive any insurer files a statement of claim or an application containing any false, incomplete or misleading information is guilty of a felony of the third degree.

NOTICE TO KANSAS APPLICANTS: Any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act.

NOTICE TO KENTUCKY APPLICANTS: 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.

NOTICE TO LOUISIANA APPLICANTS: 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.

NOTICE TO MAINE APPLICANTS: 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 a denial of insurance benefits.

NOTICE TO MARYLAND APPLICANTS: Any person who knowingly or willfully presents a false or fraudulent claim for payment of a loss or benefit or who knowingly or willfully presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

NOTICE TO MINNESOTA APPLICANTS: A person who submits an application or files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime.

NOTICE TO NEW JERSEY APPLICANTS: Any person who includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties.

NOTICE TO NEW MEXICO APPLICANTS: 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 CIVIL FINES AND CRIMINAL PENALTIES.

NOTICE TO NEW YORK APPLICANTS: 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.

NOTICE TO OHIO APPLICANTS: 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.

NOTICE TO OKLAHOMA APPLICANTS: 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.

NOTICE TO OREGON APPLICANTS: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly presents materially false information in an application for insurance may be guilty of a crime and may be subject to fines and confinement in prison.

In order for us to deny a claim on the basis of misstatements, misrepresentations, omissions or concealments on your part, we must show that:

- A. The misinformation is material to the content of the policy;
- B. We relied upon the misinformation; and
- C. The information was either:
 - 1. Material to the risk assumed by us; or
 - 2. Provided fraudulently.

For remedies other than the denial of a claim, misstatements, misrepresentations, omissions or concealments on your part must either be fraudulent or material to our interests.

With regard to fire insurance, in order to trigger the right to remedy, material misrepresentations must be willful or intentional.

Misstatements, misrepresentations, omissions or concealments on your part are not fraudulent unless they are made with the intent to knowingly defraud.

NOTICE TO PENNSYLVANIA APPLICANTS: 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.

NOTICE TO RHODE ISLAND APPLICANTS: 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.

NOTICE TO TENNESSEE APPLICANTS: 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.

NOTICE TO VERMONT APPLICANTS: Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.

NOTICE TO VIRGINIA APPLICANTS: 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.

NOTICE TO WASHINGTON APPLICANTS: It is a crime to knowingly provide false, incomplete, or misleading information to an insurance company for the purposes of defrauding the company. Penalties include imprisonment, fines, and denial of insurance benefits.

NOTICE TO WEST VIRGINIA APPLICANTS: 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.

NOTICE TO ALL OTHER APPLICANTS:

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR ANOTHER PERSON, FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS INFORMATION FOR THE PURPOSE OF MISLEADING, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND MAY SUBJECT SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.

Other Information

1. The undersigned declares that to the best of his/her knowledge the statements herein are true. Signing of this Application does not bind the undersigned to complete the insurance, but it is agreed that this Application shall be the basis of the contract should a Policy be issued, and this application will be attached to and become a part of such Policy, if issued. Insurer hereby is authorized to make any investigation and inquiry in connection with this Application as they may deem necessary.
2. It is represented that the particulars and statements contained in the Application for the proposed Policy and any materials submitted herewith (which shall be retained on files by Insurer and which shall be deemed attached hereto, as if physically attached hereto), are the basis for the proposed Policy and are to be considered as incorporated into and constituting a part of the proposed Policy.
3. It is agreed that in the event there is any material change in the answers to the questions contained herein prior to the effective date of the Policy, the applicant will notify Insurer and, at the sole discretion of Insurer, any outstanding quotations may be modified or withdrawn.
4. It is agreed that in the event there is any misstatement or untruth in the answers to the questions contained herein, Insurer have the right to exclude from coverage any claim based upon, arising out of or in connection with such misstatement or untruth.

This **Application** must be signed by the Chairman of the Board or by the President:

Signed: _____
 Title: _____
 Corporation: _____
 Date: _____

For purposes of creating a binding contract of insurance by this application or in determining the rights and obligations under such contract in any court of law, the parties acknowledge that a signature reproduced by either facsimile or photocopy shall be the same force and effect as an original signature and that the original and any such copies shall be deemed on and the same document.

A POLICY CANNOT BE ISSUED UNLESS THIS APPLICATION IS PROPERLY SIGNED AND DATED.

FOR FLORIDA APPLICANTS ONLY:

Agent Name: _____
 Agent License Identification Number: _____

FOR IOWA APPLICANTS ONLY:

Broker: _____
 Address: _____

FOR MISSOURI, RHODE ISLAND & WYOMING APPLICANTS ONLY:

EITHER THE CHAIRMAN OF THE BOARD OR PRESIDENT MUST ACKNOWLEDGE AND SIGN THE FOLLOWING DISCLOSURE TO THIS APPLICATION FOR INSURANCE:

I UNDERSTAND AND ACKNOWLEDGE THAT THE ATTACHED POLICY CONTAINS A DEFENSE WITHIN LIMITS PROVISION WHICH MEANS THAT DEFENSE COSTS WILL REDUCE MY LIMITS OF INSURANCE AND MAY EXHAUST THEM COMPLETELY. SHOULD THAT OCCUR, I SHALL BE LIABLE FOR ANY FURTHER LEGAL DEFENSE COSTS AND DAMAGES.

Signed: _____
Title: _____
Date: _____

FOR NEW HAMPSHIRE APPLICANTS ONLY:

Signature of Broker/Agent: _____