

Securities Broker/Dealer and Registered Representative Professional Liability Insurance Application

NOTICE: THIS IS AN APPLICATION FOR A CLAIMS-MADE AND REPORTED POLICY, WHICH SUBJECT TO ITS PROVISIONS APPLIES ONLY TO CLAIMS WHICH ARE BOTH FIRST MADE AGAINST THE INSURED AND REPORTED TO THE INSURER DURING THE POLICY PERIOD OR AN EXTENDED REPORTING PERIOD, IF APPLICABLE. DEFENSE COSTS ARE INCLUDED WITHIN THE LIMIT OF LIABILITY. THE INFORMATION CONTAINED AND STATEMENTS MADE WITHIN THIS APPLICATION ARE INCORPORATED INTO, AND WILL FORM THE BASIS OF, ANY POLICY OF INSURANCE ISSUED BY CATLIN. THE APPLICANT AND ALL SIGNORS OF THIS APPLICATION WARRANT THAT THE INFORMATION CONVEYED IS TRUE AND CORRECT.

Please fully answer all questions and submit requested information. Bold-faced terms are defined in the Policy and have the same meaning in the **Application**. Any information provided, whether physically attached or available on the Applicant's web site, shall be deemed incorporated into this **Application**. The **Insurer** will hold the **Application** (and all materials submitted herewith) in confidence.

A. General Information

1. **Named Insured:** _____
 Address: _____
 City: _____ State: _____ Zip Code: _____
 Website: _____
 Date of Incorporation/Formation: _____ CRD #: _____

2. **Named Insured's representative to receive notices from Insurer:**
 Name: _____
 Title: _____
 Telephone: _____ Email address: _____

B. Limits and Retention Requested:

3. Effective Date: _____
4. Limits" Per Claim _____ Aggregate: _____
5. Retention: Individual: _____ Entity: _____
6. Retroactive Date: _____
(Only available if the Applicant has had prior professional liability coverage.)

C. Ownership

7. Does any shareholder/owner hold more than a 10% ownership interest? Yes No
 If yes, please provide details _____

8. Is there an Affiliated/Subsidiary Company(ies) to be covered? Yes No
 If yes, please provide details _____

9. Has the Applicant been the subject of, or is currently involved in or discussing, any mergers, acquisitions, divestitures and/or tender offers within the past three (3) years? Yes No

If yes, please provide details on the Supplemental Information Form (S.I.F.)

D. Financial and Product/Service Information

10. Number of Branches: _____ How many of these are Offices of Supervisory Jurisdiction? _____

11. a. Head count of sales force:

Category	Current Year	Prior Year	Next Year	Status (employee or independent contractor)
Full-Time Producers				
Part-Time Producers				
Non-Producing Executives/ Managers				
Other (back office)				
TOTAL				

b. Of the current number, how many are licensed as: Series 6 _____ Series 7 _____ Series 11 _____ Series 22 _____ Series 24 or 27 _____ Other _____

12. a. Is professional liability insurance mandatory? Yes No
- b. How many Registered Representatives currently have professional liability insurance? _____
- c. What is the expected level of participation in this program? _____
- d. Average length of service of Registered Representatives with the Applicant: _____
- e. Attrition rate of Registered Representatives in the first year of contract: _____%;
In the first five (5) years: _____%
- f. What level of production is mandated for maintaining Registered Representative status with the Applicant?
-

13. Please indicate the total number of Registered Representatives by state of domicile:

Alabama _____	Illinois _____	Montana _____	Rhode Island _____
Alaska _____	Indiana _____	Nebraska _____	South Carolina _____
Arizona _____	Iowa _____	Nevada _____	South Dakota _____
Arkansas _____	Kansas _____	New Hampshire _____	Tennessee _____
California _____	Kentucky _____	New Jersey _____	Texas _____
Colorado _____	Louisiana _____	New Mexico _____	Utah _____
Connecticut _____	Maine _____	New York _____	Vermont _____
Delaware _____	Maryland _____	North Carolina _____	Virginia _____
D.C. _____	Massachusetts _____	North Dakota _____	Washington _____
Florida _____	Michigan _____	Ohio _____	West Virginia _____
Georgia _____	Minnesota _____	Oklahoma _____	Wisconsin _____
Hawaii _____	Mississippi _____	Oregon _____	Wyoming _____
Idaho _____	Missouri _____	Pennsylvania _____	TOTAL: _____

14. Describe on the S.I.F. the procedures for recruiting, screening and hiring new registered representatives, including pre-hiring background checks. Indicate whether "yes" answers on a registered representative's U-4 prevent him/her from being hired.
If "no", describe hiring criteria on S.I.F. Yes No

15. Describe on the S.I.F. any characteristics that Applicant believes distinguish Applicant's registered representatives from those of other broker/dealers. (For example, all are credentialed financial planners.)

16. 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 _____

17. Gross commission revenues for the past three (3) fiscal years:

Year ended	Year ended	Year ended
\$ _____	\$ _____	\$ _____

c. How many Registered Representatives and/or partners, directors or officers have discretionary authority? (indicate names and titles)

26. Does the Applicant use a clearing house? Yes No
 If yes, please describe (name, address etc.):

27. a. Does the Broker/Dealer, directly or through an affiliated registered investment advisor, provide financial planning services? Yes No
If “yes”, describe on the S.I.F., the services provided, the qualifications of the individuals preparing the plans, and the role played by the registered representatives in this process. (Applicant may refer to an attached Form ADV to answer this question.)

b. Do any registered representatives provide financial planning services independent of the Broker/Dealer and its parents, subsidiaries and affiliates? Yes No
 If “yes”, does the Broker/Dealer, its parents, subsidiaries or affiliates exercise any supervision or control over these services? Yes No
If “yes”, explain on the S.I.F.

c. Is Insurance requested for these financial planning services? Yes No

28. a. Does the Broker/Dealer, directly or through an affiliated insurance agency, sell life, health or disability insurance? Yes No

b. What percentage of the Broker/Dealer’s registered representatives are licensed to sell life, health or disability insurance? _____%

c. Do any registered representatives sell life, health or disability insurance independent of the Broker/Dealer or its affiliated life insurance agency? If “yes”, do you want insurance for these sales? Yes No

d. Are any of the insurance companies represented by the Broker/Dealer or its affiliated insurance agency rated less than “A” by A.M. Bests or the equivalent rating by another rating agency? Yes No

**If “yes”, list the companies and explain on the S.I.F.
 On the S.I.F. describe the due diligence procedures used to place an insurance company and its products on the approved list.**

29. a. Are there other products or services offered, (e.g. pension plan administration), in addition to those already listed and described? Yes No
If “yes”, describe these on the S.I.F.

b. Does Applicant anticipate that more than 5% of its income for the next year will come from any product or service not already listed or described above? Yes No
If “yes”, describe the service or the product on the S.I.F.

c. Are there any sources of income that have declined substantially or been discontinued in the last five years, (e.g. limited partnership commission declined from 50% to 5%)? Yes No
If “yes”, describe on the S.I.F.

E. Business Practices

30. a. Does the Applicant have procedures to ensure that new account forms and applications are adequately completed and reflect information actually obtained from customers? Yes No
 If “yes”, please describe:

b. Does the Applicant have any guidelines concerning the maintenance of pertinent account information? Yes No
If "yes", please describe:

c. Describe the Applicant's procedures for verifying customer orders and determining that confirmations are accurate and received on time:

31. a. Describe the Applicant's procedures for reviewing new accounts and for determining the suitability of mutual funds and variable products:

b. Is a computer model used or provided in connection with the review of new accounts and determination of the suitability of mutual funds and variable products? Yes No
If "yes", please describe:

c. Describe all procedures the Applicant has for monitoring variable product, mutual fund suitability and/or the volume of transactions with respect to customer accounts and for ensuring that transactions are in accordance with customer objectives and sophistication:

32. a. Does the Applicant have: (i) a formal disclosure letter that customers must sign each time they elect to purchase a mutual fund or variable annuity; (ii) regularly issued activity and/or negative consent letters; and (iii) any other disclosure materials provided to customers? Yes No
If "yes" to any of the foregoing, please describe:

b. How often are those forms reviewed and or revised to adhere to industry changes?

33. a. Does the Applicant require customers to sign a "switch letter" each time they are transferring funds between like investment company or insurance company products? Yes No

b. If "yes", does the "switch letter" show any charges that the customer will likely incur due to the switch? Yes No

34. Does the Applicant have procedures to clarify (i) to prospective customers the advantages of making quantity mutual fund purchases that qualify for break points and purchases under Rights of Accumulation; (ii) that variable products are not the same as mutual funds; and (iii) specific charges that are associated with variable contract transactions (i.e. surrender charges, withdrawals and limitations)? Yes No
If "yes" to any of the foregoing, please describe:

35. Does the Applicant have any procedures for the sale and administration of Employee Benefit Plans? Yes No
If "yes", please describe:

36. Do customers sign standard contracts with the Applicant? Yes No
If yes, what percentage contain mandatory arbitration clauses?: _____
If no mandatory arbitration clauses are employed, explain why:

F. Compliance

37. a. Number of full time employees in the Compliance Department: _____
b. Average length of employment with the Compliance Department: _____
c. Describe the job responsibilities, education and previous experiences of the Compliance Department employees:

38. Describe the Applicant's procedures for training, monitoring and supervising Offices of Supervisory Jurisdiction

39. Describe the Applicant's procedures for monitoring Registered Representatives' compliance with applicable laws, statutes and regulations? _____

40. Does the Applicant conduct audits of Registered Representatives? Yes No
If "yes", please describe who conducts the audits, their degree of regularity and manner (including, for example, whether they are scheduled or unscheduled): _____

41. How often is the compliance manual reviewed/updated? Yes No
42. Has the compliance manual been reviewed by an outside consultant? Yes No
Please describe how information contained in the compliance manual is disseminated to Registered Representatives:

43. Describe the Applicant's internal disciplinary measures taken when there is a violation of compliance regulations:

44. Have any of the Applicant's Registered Representatives been disciplined, fined or suspended by the SEC, NASD, state securities regulatory authorities, state insurance departments or other regulatory bodies within the past three (3) years? Yes No
If yes, please provide details: _____

45. In the past three (3) years, has the Applicant terminated any Registered Representatives as a result of a review of their operations or performance? Yes No
If "yes", please provide details: _____

46. Describe the Applicant's procedures for handling customer complaints: _____

47. a. Number of notices, letters and complaints Applicant has received in the past three (3) years:

- b. Number of the foregoing notices, letters and complaints that were unsettled within sixty (60) days of receipt:

48. Within the last five (5) years, has the Applicant or any of its directors, officers or employees been disciplined, fined, suspended or the subject of a formal investigation by the SEC, NASD, state insurance departments or any other regulatory body? Yes No
If yes, please provide details: _____

G. Hiring and Management of Registered Representatives

49. Describe the Applicant's procedures for recruiting and selecting Registered Representatives:

50. How does the Applicant gain new Registered Representatives? (through referrals, job postings or other means, please describe): _____
51. Describe any background checks of new Registered Representatives performed by the Applicant (for example, steps taken to ensure proper licensing, U-4 checks, etc.): _____
52. Does the Applicant provide training to new Registered Representatives? Yes No
If yes, please describe: _____
53. Does the Applicant provide continuing education to Registered Representatives? Yes No
If yes, please describe: _____
54. Does the Applicant provide Registered Representatives with newsletters, updates or other periodicals? Yes No
If yes, please describe: _____
55. Does the Applicant offer any special incentives or contests based in whole or in part on sales commission figures? Yes No
If yes, please provide details of the programs offered and the number of Registered Representatives who have attained these goals over the past three years? _____

H. Claims Experience

56. Have any of the Applicant's directors, officers, employees or Registered Representatives been disciplined, fined or suspended or the subject of a formal investigation by the SEC, NASD, state securities regulatory authorities, state insurance departments or other regulatory bodies or have been involved in a violation of its rules (other than a violation designated as a "minor rule violation" under a plan approved by the SEC) within the past five (5) years? Yes No
If yes, please provide details on the Supplemental Information Form (S.I.F.)
57. How many professional liability claims (whether covered or uncovered by insurance) have been made against the Applicant and/or its Registered Representatives within the past five (5) years? (If None, please check None)
If there have been claims, please provide complete details, including but not limited to, the nature of the allegation, names of parties involved, date of error, date claim was made, product involved, resolution, if any, amount of settlement or award, if any, amount of defense costs, reserve amounts for defense costs and indemnity, if applicable and current status, if not resolved on the S.I.F.
58. Does any person(s) or entity(ies) applying for the insurance have knowledge or information of any fact, circumstance or any actual or alleged act, error or omission which may reasonably be expected to give rise to a claim(s) under the proposed policy? Yes No
If yes, please provide details, including but not limited to, parties involved, dates when the situation arose, specific fact, circumstance, act, error or omission at issue and status on the S.I.F.
It is understood and agreed that, without limiting any rights of the underwriter if such knowledge or information exists, any claim arising therefrom is excluded from the proposed insurance.
59. a. Does the Applicant outline its procedures for handling customer complaints in its compliance manual? Yes No
b. Has the Applicant received any notices, letters or complaints from customers in the past three (3) years? Yes No

I. Prior Insurance

60. Does the Applicant currently have professional liability, Directors & Officers liability, employment practice liability or fidelity bond coverage? **If No, skip the questions below and answer the warranty statement that follows.** Yes No

61. Please give details of other current insurance carrier (if none, please indicate):

	Limit	Deductible	Carrier	Term	Premium
Professional Liability	\$	\$			\$
Directors & Officers Liability	\$	\$			\$
Employment Practices Liability	\$	\$			\$
Fidelity Bond/Crime	\$	\$			\$

62. Has any person(s) or entity(ies) applying for this coverage given written notice under the provisions of any of the policies identified above of any specific fact or circumstance which might give rise to a claim being made against any person(s) or entity(ies) applying for this coverage? Yes No

If yes, please provide details on the S.I.F.

63. Have any insurers made any loss payments on behalf of any person(s) or entity(ies) applying for this coverage under any policy identified above or any similar insurance? Yes No

If yes, please provide details on the S.I.F.

64. Has any policy or application for professional liability, directors and officers insurance, employment practices liability or fidelity bond ever been declined, cancelled, rescinded or refused renewal or had a request that an application for insurance or for a bond be withdrawn? Yes No

If yes, please provide details (i.e. name of the insurance carrier, year and reason for such declination, cancellation, rescission or refusal to renew on the S.I.F.

I. Attachments

The following materials must be attached to this signed and dated application. Please check off materials as attached.

1. Form BD and/or Focus Reports for the last two (2) quarters.
2. Form ADV.
3. Two (2) most recent years audited financial statements including Form X-17A-5, Part III (note same information must be provided for Applicant's parent, if any).
4. Approved products list including, *inter alia*, mutual funds, life insurance and annuities, proprietary products and limited partnerships.
5. New account form and any suitability/disclosure forms or letters.
6. Other contracts offered to clients including but not limited to Financial Planning Agreements, etc.
7. Agreement or contract between the Applicant and Registered Representatives.
8. Summaries of any SEC, NASD or other regulatory body examinations or audits within the last five (5) years and management's response to each including exit interview summaries of formal examination or audit letters have not yet been received.
9. Description of all professional liability claims against the Applicant and/or its Registered Representatives within the last five (5) years (please provide the nature of the allegation, names of parties involved, date of error, date claim made, product involved, resolution, if any, amount of settlement or award, if any, amount of defense costs and current status, if not resolved).
10. Loss runs for the last five (5) years, if currently insured.
11. Company brochure or description of services.
12. Product brochures for any products that you sell or any proprietary services offered.
13. Supervisory procedures and compliance manual.
14. Curriculum vitae for Chief Compliance Officers.

J. Warranty

The undersigned authorized owner, partner, director, or officer represents and warrants on behalf of the Named Insured and all persons/entities for whom insurance is being sought that to the best of his/her knowledge and belief after diligent inquiry, the statements set forth herein and attached hereto are true. It is understood that the statements in this Application, including material submitted to or obtained by the underwriter, are material to the acceptance of the risk, and relied upon by the underwriter. The Insureds further agree that in the event of any material misrepresentation or omission in the Application, including materials submitted to or obtained by the underwriter, this Policy shall be void.

The undersigned authorized officer of the applicant declares that the statements set forth herein are true. The undersigned agrees that if OLPLBD A01 0707

the information supplied on this **Application** changes between the date of this **Application** and the effective date of the insurance, that he/she will immediately notify the **Insurer** of such changes, and the **Insurer** may withdraw or modify any outstanding quotations or authorizations or agreements to bind the insurance.

Signing this **Application** does not bind the applicant or the **Insurer** to complete the insurance, but it is agreed that this **Application** shall be the basis of the contract should a policy be issued, and it will be attached to and become part of the Policy. Applicant's acceptance of the **Insurer's** quotation is required prior to binding coverage and policy issuance.

SIGNED: _____ DATE: _____

PRINTED NAME: _____ TITLE: _____

Fraud Prevention – General Warning

NOTICE: Any person who knowingly, or knowingly assist another, files an application for insurance or claim containing any false, incomplete or misleading information for the purpose of defrauding or attempting to defraud an Insurance Company may be guilty of a crime and may be subject to criminal and civil penalties and loss of insurance benefits.

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 for 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 insurance company files a statement of claim containing any false, incomplete or misleading information is guilty of a felony of the third degree.

NOTICE TO HAWAII APPLICANTS: 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.

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 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 knowingly 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 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 fact materially false information or conceal 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 PUERTO RICO APPLICANTS: Any person who knowingly and with the intention to defraud includes false information in an application for insurance or file, assist or abet in the filing of a fraudulent claim to obtain payment of a loss or other benefit, or files more than one claim for the same loss or damage, commits a felony and if found guilty shall be punished for each violation with a fine of no less than five thousands dollars (\$5,000), not to exceed ten thousands dollars (\$10,000); or imprisoned for a fixed term of three (3) years, or both. If aggravating circumstances exist, the fixed jail term may be increased to a maximum of five (5) years; and if mitigating circumstances are present, the jail term may be reduced to a minimum of two (2) years.

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 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 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.

Supplemental Information Form (S.I.F.)

Instructions: Use this form to provide additional information or request descriptions or explanations necessary to provide a true and complete response to all questions, statements or requests for information contained in the **Application**. Please identify the number of each question or statement on the **Application** to which your responses relate. If necessary, make additional copies of this form. Please sign all forms and staple the completed forms to the **Application**.

Date: _____

Signed: _____