

Securities Broker / Dealer, Registered Representative & Registered Investment Advisor Liability Application



AmTrust E&S Insurance Services
An AmTrust Financial Company

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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 "Firm" means the Named Insured(s) and any other entity proposed for coverage. Please answer all questions and attach all requested materials including the following:

- Résumés 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 Five Year Carrier Loss Runs
- Most recent audited financial statement Supervisory Procedures and Compliance Manual Sample Client Contracts

Section I – Firm Information

Firm: _____

Address: _____ City: _____ State: _____ Zip Code: _____

P.O. Box: _____ City: _____ State: _____ Zip Code: _____

Website: _____ Date Established: _____

1. 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.

2. Is the Firm a public company? Yes No

3. 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 above, please provide details for all predecessor or controlling Firms for which the Firm seeks coverage.

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

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

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

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

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

Section II – Insurance History

1. Request: Effective Date: _____ Per Claim Limit: \$ _____ Aggregate Limit: \$ _____
 Retro Date: _____ Per Claim Retention: \$ _____ Aggregate Retention: \$ _____
 Per Registered Representative (Each Claim) Retention: \$ _____

2. 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		\$	\$	\$	\$

3. Has the Firm had any professional liability insurance declined, cancelled or non-renewed within the past three years? Yes No

If YES, please describe:

Section III – Professional Services

1. 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	\$	\$

2. 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 _____

3. 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 / Brokering	%	%
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 Insurance	%	%
Limited Partnerships - Private	%	%	Other:	%	%
Listed Bonds	%	%	Other:	%	%

Section III – Professional Services (continued)

4. Over the past three 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? 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. Is under federal or state regulatory investigation? Yes No
 - f. Been the subject of litigation? Yes No

If YES to any part of Question 4, please provide details on a separate sheet and attach as part of this application.

Section IV – Registered Representatives

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

Category	Current Year	Prior Year	Project Next Year	Employee or Independent Contractor
Producers – Full-Time				
Producers – Part-Time				
Executives / Managers (non-producing)				
Back Office				
TOTAL				

2. 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: _____
3. Number of New York domiciled Registered Representatives: _____
 Of these, how many are independent contractors: _____
4. Average years of service of Registered Representatives with the Firm: _____
5. Number of Registered Representatives terminated in the past three years: _____
6. List the production requirement for maintaining Registered Representative status with the Firm: _____
7. Number of branches: _____ Of these, how many are offices of supervisory jurisdiction: _____
8. Check all that apply to how the Firm obtains new Registered Representatives:
 Referrals Postings in Trade Journals or Websites Other: _____
9. 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: _____
10. Check all that apply regarding background checks for new registered representatives:
 CRD Record and U-4/U-5 Forms Bankruptcies Financial Records
 Previous Employer(s) Contacted Residency History Real Estate Holdings
 Credit Check Fingerprinting Real Estate Liens
 DMV / Vehicle Registration Other: _____
11. Check all that apply regarding the Firm's training of newly hired registered representatives:
 Compliance Manual Outside Business Activities Operational Procedures
 Policies Regarding Unapproved Products Continuing Education Requirements New Account and Disclosure Forms

Section IV – Registered Representatives (continued)

12. 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, please describe:

13. In the past two years, has the Firm terminated or disciplined any registered representatives? Yes No

If YES, please describe:

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

Conduct audits of all off-site branch offices at least every two 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

Section V – Compliance

1. 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 : _____
2. Does the Firm have written due diligence files that are reviewed and/or updated on an annual basis? Yes No
3. 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 / Registered Investment Advisors
 - Other : _____
4. Describe the procedures for reviewing and opening new accounts:
-
5. Does the Firm require the chief compliance officer or a senior principal review every account before it is approved? Yes No
6. For trust or similar accounts, does the Firm confirm power of attorney if the client is considered incapacitated? Yes No
7. Check all situations that require updating of customer account information and/or investment objectives:
- Annually
 - Every other year
 - Every three years
 - Other : _____

Section V – Compliance (continued)

8. 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 : _____

9. 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						

10. 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

11. 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

Section VI – Additional Information

1. Is the Firm registered as an Investment Advisor with the Securities & Exchange Commission? Yes No
2. Total asset value of all accounts managed: Current Year: \$ _____ Prior Year: \$ _____
3. How many Registered Representatives provide services under the Firm's corporate Registered Investment Advisor? _____
4. Does the Firm allow Registered Representatives to hold individual Registered Investment Advisor designations? Yes No
If YES, how many? _____
5. 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? _____ %
6. Describe the Broker / Dealer's supervisory protocol with respect to outside registered investment advisor activities:
7. 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 percent is margin: _____
 - e. What percentages are individual / corporate / institutional _____ / _____ / _____
8. What is the Firm's percent breakdown of customer base by age range?:
_____ % Below 40 _____ % 40 - 65 _____ % Over 65
9. Does the Firm expect any significant changes in operations in the next year? Yes No
If YES, please describe:

Section VII – Claims & License History

1. Have any claims, suits or proceedings been made during the past five 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
2. After diligent inquiry of each Principal, Partner, Managing Member, Director or Officer, is the Firm 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 1 and/or 2, complete a Supplemental Claim Application for each matter.
3. 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
4. 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
5. 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
6. 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
7. Has the Firm or an individual or entity seeking coverage ever been convicted of a criminal offense other than minor traffic offenses? Yes No
8. 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
9. Has the Firm or any individual or entity seeking coverage during the past two 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 3 - 9, please provide details on a separate sheet and attach as part of this application.
10. Has the Firm reported each matter in questions 3 – 9 to its current / former insurance carrier? N/A Yes No

Fraud Warning

Any person who, with intent to defraud or knowing that (s)he is facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement may be guilty of insurance fraud.

ALABAMA, ARKANSAS, LOUISIANA, MARYLAND, NEW JERSEY, NEW MEXICO and 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. In Alabama, Arkansas, Louisiana and Maryland, that person may be subject to fines, imprisonment or both. In New Mexico, that person may be subject to civil fines and criminal penalties. In Virginia, penalties may include imprisonment, fines & denial of insurance benefits.

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 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.

DISTRICT OF COLUMBIA, KENTUCKY and 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 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. In District of Columbia, penalties include imprisonment and/or fines. In addition, the Insurer may deny insurance benefits if the Applicant provides false information materially related to a claim. In Pennsylvania, the person may also be subject to criminal and civil penalties.

FLORIDA and OKLAHOMA: Any person who knowingly and with intent to injure, defraud or deceive the Insurer, files a statement of claim or an Application containing any false, incomplete or misleading information is guilty of a felony. In Florida it is a felony to the third degree.

KANSAS: An act committed by 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 personal or commercial 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 is considered a crime.

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.

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 the Insurer, submits an Application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

OREGON: 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 may be guilty of a crime and may be subject to fines and confinement in prison.

TENNESSEE and 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 may include imprisonment, fines and/or denial of insurance benefits.

Representation Statement

I hereby apply for a policy of insurance as set forth in the application and I declare that all information contained in this application is correct and complete to the best of my knowledge and belief. I understand that any policy which may be issued by the company will be issued on the basis of and reliance upon my statements in this application. I agree that such policy shall be null and void if such information is false, or misleading, or would materially affect acceptance of the risk by the company.

The signing of this application does not bind the undersigned to purchase the insurance and accepting this application does not bind the Insurer to complete the insurance or to issue any particular policy. If a policy is issued, it is understood and agreed that the Insurer relied upon this application in issuing each such policy and any endorsements thereto. The undersigned further agrees that if the statements in this application change before the effective date of any proposed policy, which would render this application inaccurate or incomplete, notice of such change, will be reported in writing to the Insurer immediately.

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.

Firm:

Print Name: _____ Signature: _____

Title: _____ Date: _____

I hereby declare that all the information contained in this application is correct and complete to the best of my knowledge and belief, that the application was complete and personally signed by the applicant and that a completed copy hereto has been given to the applicant.

Name of Producing Agency: _____

Signature of Producing Agent: _____ Date: _____

SIGNING THIS APPLICATION DOES NOT BIND THE APPLICANT OR THE COMPANY