



**SECURITIES BROKER-  
DEALER PROFESSIONAL  
LIABILITY INSURANCE  
APPLICATION**

**NOTICE: THE POLICY FOR WHICH THIS APPLICATION IS MADE APPLIES, SUBJECT TO ITS TERMS, ONLY TO "CLAIMS" FIRST MADE AND REPORTED DURING THE "POLICY PERIOD," OR, IF PURCHASED, ANY EXTENDED REPORTING PERIOD. THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED BY "DEFENSE EXPENSES," AND "DEFENSE EXPENSES" WILL BE APPLIED AGAINST THE RETENTION. ACCEPTANCE OR RECEIPT BY THE UNDERWRITER OF THIS APPLICATION WILL NOT OBLIGATE THE UNDERWRITER TO ISSUE ANY POLICY OF INSURANCE, NOR PROVIDE REQUESTED COVERAGE FOR ALL ENTITIES LISTED IN THIS APPLICATION OR IN ANY SCHEDULE ATTACHED HERETO. PLEASE READ THE ENTIRE APPLICATION CAREFULLY BEFORE SIGNING.**

**I. GENERAL INFORMATION**

1. **Applicant's** name: \_\_\_\_\_
2. Principal address: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ ZIP: \_\_\_\_\_
3. Date the **Applicant** commenced operations: \_\_\_\_\_
4. Web site Internet address (if applicable): http://\_\_\_\_\_
5. Does the **Applicant** have a parent (ownership of more than fifty percent (50%) of the **Applicant**)?  Yes  No  
If "Yes," please supply full details and attach the parent's latest audited annual financial statements.
6. If the **Applicant** is other than a corporation, state the type of organization: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Name and title of the officer at the principal sponsor or organization for the **Applicant** designated as the representative to receive all notices from the Underwriter on behalf of all persons and entities proposed for this insurance: \_\_\_\_\_
8. Please complete the following section with respect to the last two fiscal years.

	Year 20( )	Year 20( )
Total Assets		
Total Equity		
Net Capital		
Gross Revenues		
Net Income		

9. Please give details of the following insurance carried by the **Applicant**. If "None," so state.

	Limit	Deductible	Carrier	Term	Premium
Professional Liability	\$	\$			\$
Directors & Officers Liability	\$	\$			\$
Employment Practices Liability	\$	\$			\$
Fidelity Bond / Crime Insurance	\$	\$			\$
General Liability	\$	\$			\$
Umbrella Liability	\$	\$			\$
Insurance Agents E&O Liability	\$	\$			\$

10. List below all affiliated business organizations, including without limitation subsidiaries, either fully or partially owned, controlled directly or indirectly, by the **Applicant**, its parent, subsidiaries, officers, directors, or employees. List each affiliate's full name an, its relationship to the **Applicant**, the nature of its business and indicate whether coverage is sought for each such listed affiliate.

A. Name: \_\_\_\_\_ Relationship: \_\_\_\_\_ coverage requested \_\_\_ Yes \_\_\_ No  
Business: \_\_\_\_\_

B. Name: \_\_\_\_\_ Relationship: \_\_\_\_\_ coverage requested \_\_\_ Yes \_\_\_ No  
Business: \_\_\_\_\_

**11. MISSOURI APPLICANTS/AGENTS - DO NOT ANSWER THIS QUESTION.**

Have any of the **Applicant's** insurance carriers indicated an intent not to offer renewal terms?  Yes  No  
If "Yes," please provide details as an attachment.

**IMPORTANT: Please complete all applicable sections contained in this Application for each entity to be considered for insurance.**

**II. PROFESSIONAL LIABILITY COVERAGE**

1. Coverage Requested

\$500,000/\$1,000,000  \$1,000,000/\$1,000,000  \$1,000,000/\$2,000,000  \$1,000,000/\$3,000,000

2. Self Insured Retention (SIR) Requested

\$50,000  \$25,000  other: \_\_\_\_\_

3. Please indicate the **Applicant's** principal business (e.g., discount brokerage, full service brokerage), including distribution system(s) used (e.g., financial institutions): \_\_\_\_\_

4. (a) Number of branches (other than main office): \_\_\_\_\_  
How many of these are affiliated with or located in a bank or other financial institution? \_\_\_\_\_  
How many of these are Offices of Supervisory Jurisdiction (OSJ)? \_\_\_\_\_  
How many of these are One-person offices? \_\_\_\_\_

(b) Does the **Applicant** clear its own trades?  Yes  No  
If "No," please indicate the name of the clearing firm: \_\_\_\_\_

5. (a) Number of Registered Representatives:

(i) Full-time Producers: \_\_\_\_\_ (ii) Part-time Producers: \_\_\_\_\_  
(iii) Other (admin/compliance/management): \_\_\_\_\_ (iv) Total: Current Year: \_\_\_\_\_ Total Prior Year: \_\_\_\_\_

(b) Anticipated growth in number of Registered Representatives over the next twelve (12) months: \_\_\_\_\_

(c) Registered Representative Employment Status (indicate number of each):

(i) Independent contractor (total): \_\_\_\_\_  
(ii) Independent contractor licensed / registered in the state of New York  
or which has risks or operations in the state of New York: \_\_\_\_\_  
(iii) Employee: \_\_\_\_\_

6. Is the **Applicant** or its affiliated entity a Registered Investment Advisor?  Yes  No

If "Yes," please attach copies of the most recent FORM ADV - Parts 1, 2A and 2B and answer the following:

(a) (1) Number of Reg. Reps. using Corporate RIA: \_\_\_\_\_ (2) No. of non - Reg. Rep. IARs using Corporate RIA: \_\_\_\_\_

(b) Does the **Applicant** allow Registered Representatives to hold individual RIA designations?  Yes  No

If "Yes," please indicate the number of outside RIA firms owned by your reg. reps. \_\_\_\_\_. Please describe your compliance procedures to monitor their outside RIA activity: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(c) What types of Investment Advisory/Management Services are provided by the corporate RIA?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(d) Is the corporate RIA a fiduciary to ERISA Plans?  Yes  No; If yes, to how many ERISA Plans? \_\_\_\_\_

(e) Is the corporate RIA a named fiduciary to any ERISA Plans?  Yes  No; If yes, to how many ERISA Plans? \_\_\_\_\_

7. (a) Annual revenue for broker-dealer \_\_\_\_\_ Annual revenue for affiliated registered investment adviser \_\_\_\_\_  
Annual revenue for affiliated insurance agency: \_\_\_\_\_ Total Revenue: \_\_\_\_\_

(b) Please state the percentage (%) of **commission** revenue which are derived from the following:

_____ % Exchange-traded Stocks	_____ % Rated Corporate Bonds	_____ % Gov't. / Gov't. Agency Bonds
_____ % Variable Annuities	_____ % Fixed Annuities	_____ % Futures
_____ % Options	_____ % Life Insurance	_____ % Short Sales of Stock
_____ % Commodities	_____ % Mutual Funds	_____ % Pink Sheets/Penny Stocks
_____ % Pink Sheets/Penny Stocks	_____ % M&A Advice/Consulting	_____ % Traded LPs/REITs
_____ % Non-Traded LPs	_____ % Non-Traded REITs	_____ % BDCs/DSTs/1031 Exchanges
_____ % Private Placements for Funds	_____ % Private Placements for Non-Funds	_____ % Public Co. Stock Underwriting
_____ % Public Co. Bond Underwriting	_____ % Non-rated Junk Corp. Bonds	
_____ % Other (describe): _____		
_____ % Other (describe): _____		
_____ % Other (describe): _____		

**TOTAL: 100%**

8. Does the applicant have any written procedures that specifically address how Registered Representatives should handle the following?:

- |                           |  |                            |  |
|---------------------------|--|----------------------------|--|
| a. Discretionary accounts | <input type="checkbox"/> Yes <input type="checkbox"/> No | f. Limited partnerships    | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| b. Options, futures       | <input type="checkbox"/> Yes <input type="checkbox"/> No | g. Short sales             | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| c. Life insurance         | <input type="checkbox"/> Yes <input type="checkbox"/> No | h. Unregistered securities | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| d. Variable annuities     | <input type="checkbox"/> Yes <input type="checkbox"/> No | i. Non-approved securities | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| e. Mutual funds           | <input type="checkbox"/> Yes <input type="checkbox"/> No | j. Municipal bonds         | <input type="checkbox"/> Yes <input type="checkbox"/> No |

9. (a) Average dollar trade: \$ \_\_\_\_\_

(b) Total number of securities brokerage accounts: \_\_\_\_\_

(c) Number of trades per year \_\_\_\_\_

(d) What percentage (%) are: Full Service \_\_\_\_\_% Discount Service \_\_\_\_\_%

(e) What percentage (%) are: Margin: \_\_\_\_\_% Discretionary: \_\_\_\_\_%

(e) What percentage (%) are: Individual: \_\_\_\_\_% Corporate: \_\_\_\_\_% Institutional: \_\_\_\_\_%

10. If any Registered Representatives sell through or have offices in banks or other financial institutions, please describe the procedures used to differentiate between the securities sold by the Registered Representative and those sold by the financial institution:

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11. (a) Describe the procedures in place for reviewing and approving new accounts

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(b) Please describe any procedures the **Applicant** has for monitoring product suitability and/or volume of transactions with respect to customer accounts and for ensuring that transactions are in accordance with the customer's investment objectives and sophistication: \_\_\_\_\_

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(c) Describe the procedures by the **Applicant** to verify customer orders and determine that confirmations are accurate and timely.

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(d) For what products or services is a disclosure statement required to be signed by the customer? (Please submit a specimen of your standard statement.) \_\_\_\_\_

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(e) Describe the Applicants due diligence procedures and acceptance guidelines for placing a product (security, insurance or other product) on the approved products list.

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12. (a) How often does the **Applicant** review the trade blotter? \_\_\_\_\_  
 Does the **Applicant** utilize any third party software or other system to monitor the trade blotter?  
 Yes  No  
 What process does the Applicant use to monitor for unusual or excessive trade activity?  
 \_\_\_\_\_

13. Does the **Applicant** provide in-house training programs for Registered Representatives or require Registered Representatives to be trained in its approved products?  Yes  No  
 If "Yes," please describe such programs: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

14. Does the Applicant sponsor sales contests for its registered representatives? \_\_\_\_\_  Yes  No  
 If yes, are these contests disclosed to clients?  
 Please describe any sales contest(s) and disclosure(s) referenced above:  
 \_\_\_\_\_  
 \_\_\_\_\_

15. Describe the criteria used by the Applicant to audit its OSJ's.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Describe any problems or concerns uncovered in any audit of an OSJ and any actions taken to correct them.  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

16. (a) Does the **Applicant** conduct audits of all off-site branch offices?  Yes  No  
 (b) On average, how often are audits of off-site branch offices conducted? \_\_\_\_\_  
 (c) Does the **Applicant** conduct unscheduled audits as part of its audit process?  Yes  No  
 (d) What percentage of audits are conducted on an unscheduled basis? \_\_\_\_\_%  
 (e) Does the **Applicant** have any one-person branch offices?  Yes  No  
 (f) If "Yes," are unscheduled audits being conducted at these branch offices?  Yes  No  
 (g) Please describe the measures taken when there is a violation of compliance guidelines:  
 \_\_\_\_\_

17. (a) Please give the number of notices, letters, complaints, and other claims received in the past five (5) years by the **Applicant**: \_\_\_\_\_

(b) Does the Applicant have formal written procedures for handling customer complaints?  Yes  No

(c) Please describe the process used when a complaint is received: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(d) With respect to any such notice, letter, complaint, or claim received in the last 5 years and that has resulted in or is reasonably expected to result in loss or damages (including defense expenses) in excess of \$5,000, please attach full details, including name of claimant(s) and Registered Representative(s) involved; date of notice, letter, complaint, or claim; nature of allegations; type of investment at issue; damages alleged; amount of defense expenses paid; and outcome, including amount of award or settlement ( use supplemental information sheet as necessary):  
(If "None," check here  "None.")

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(e) Does the firm have any reg. reps. with more than one disclosure on U4? If yes, attach is their list and Form U4, and describe disciplinary measures taken against any such reg. reps.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(f) Do you review the form U-4 in the hiring process?  Yes  No

If yes, do "yes" answers on a Registered Representative's U-4 prevent him/her from being hired? If no, describe hiring criteria.

\_\_\_\_\_  
\_\_\_\_\_

(g) What additional procedures does the **Applicant** have, prior to hiring a Registered Representative, to determine whether such Registered Representative has any history of criminal or civil proceedings, customer complaints, regulatory investigations, professional suspensions, or other claims? \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(h) Please describe the policies governing the hiring of Registered Representatives with any history of criminal or civil proceedings, customer complaints, regulatory investigations, professional suspensions, or other claims:

\_\_\_\_\_  
\_\_\_\_\_

18. Does your standard client agreement contain an arbitration clause?  Yes  No
- (a) If "yes", is the arbitration clause mentioned above ever deleted from the client agreement?  Yes  No  
 If "Yes," from what percentage (%) of agreements is it deleted? \_\_\_\_%
- (b) If "no", what percentage (%) of client agreements contain arbitration clauses? \_\_\_\_%

- 19 (a) Has the Applicant, its officers, directors, partners, employees, independent contractors, or any of its securities principals, Registered Representatives or insurance agents ever been **investigated**, disciplined, fined or suspended by the SEC, FINRA, any similar state body, corporation, insurance department or other regulatory body, or formally reprimanded by any court or administrative agency? If "yes" please attach the U-4 of any involved Registered Representative or a description of the incident for any person or entity not required to file a U-4.  Yes  No

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- (b) With respect to any Yes answer to question 19 (a) describe any procedures put in place and/or restrictions imposed by the **Applicant** to ensure future compliance with all applicable laws and regulations.

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20. With respect to coverage sought under this section, has any underwriter or insurer refused, cancelled or non-renewed insurance coverage?  Yes  No

If yes, please describe:

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21. No person or entity proposed for this insurance (including without limitation any partners, directors, officers, employees, or registered representatives) has any knowledge or information of any fact, circumstance, or situation which might reasonably be expected to give rise to any claim that would fall within the scope of the proposed insurance, except as follows: (If "None," check here  "None.")

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**Without prejudice to any other rights and remedies of the Underwriter, any claim arising from any claims, facts, circumstances, or situations required to be disclosed in response to question 17., 19., or 21. above is excluded from the proposed insurance.**

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 REASONABLE INQUIRY, THE STATEMENTS IN THIS APPLICATION ARE TRUE AND COMPLETE.

THE INFORMATION IN THIS APPLICATION IS MATERIAL TO THE RISK ACCEPTED BY THE UNDERWRITER. IF A POLICY IS ISSUED IT WILL BE IN RELIANCE BY THE UNDERWRITER UPON THE APPLICATION, AND THE APPLICATION WILL BE THE BASIS OF THE CONTRACT.

THE INFORMATION CONTAINED IN AND SUBMITTED WITH THIS APPLICATION IS ON FILE WITH THE UNDERWRITER, AND ALONG WITH THE APPLICATION WILL BE CONSIDERED PHYSICALLY ATTACHED TO, PART OF, AND INCORPORATED INTO THE POLICY, IF ISSUED.

THE UNDERWRITER IS AUTHORIZED TO MAKE ANY INQUIRY IN CONNECTION WITH THIS APPLICATION. THE UNDERWRITER'S ACCEPTANCE OF THIS APPLICATION OR THE MAKING OF ANY SUBSEQUENT INQUIRY DOES NOT BIND THE APPLICANT OR THE UNDERWRITER TO COMPLETE THE INSURANCE OR ISSUE A POLICY.

IF THE INFORMATION IN THIS APPLICATION MATERIALLY CHANGES BETWEEN THE DATE OF THIS APPLICATION AND THE POLICY EFFECTIVE DATE, THE APPLICANT WILL IMMEDIATELY NOTIFY THE UNDERWRITER, AND THE UNDERWRITER MAY MODIFY OR WITHDRAW ANY QUOTATION OR AGREEMENT TO BIND INSURANCE.

THE UNDERSIGNED DECLARES THAT ALL INDIVIDUALS AND ENTITIES PROPOSED FOR THIS INSURANCE UNDERSTAND:

- (A) THIS POLICY APPLIES ONLY TO "CLAIMS" FIRST MADE OR DEEMED MADE AND REPORTED DURING THE "POLICY PERIOD," OR, IF PURCHASED, ANY "EXTENDED REPORTING PERIOD;"
- (B) THE LIMIT OF LIABILITY AVAILABLE TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED, AND MAY BE COMPLETELY EXHAUSTED, BY THE PAYMENT OF "DEFENSE EXPENSES," AND IN SUCH EVENT, THE UNDERWRITER WILL NOT BE RESPONSIBLE FOR THE CONTINUED DEFENSE EXPENSES OR FOR THE AMOUNT OF ANY JUDGMENT OR SETTLEMENT TO THE EXTENT THAT ANY OF THE FOREGOING EXCEED ANY APPLICABLE LIMIT OF LIABILITY; AND
- (C) "DEFENSE EXPENSES" WILL BE APPLIED AGAINST THE RETENTION.

APPLICANT		
BY ( <i>Chairman and/or President</i> )	TITLE	DATE

NOTE: This Application must be signed by the Chairman and/or President of the **Applicant** acting as the authorized agent of all person(s) and entity(ies) proposed for this insurance.

Email this completed application, items requested therein and reg. rep. roster to [patrick.c.toole@mercer.com](mailto:patrick.c.toole@mercer.com) or [sanjiv.sabade@mercer.com](mailto:sanjiv.sabade@mercer.com).  
Or, fax it to 515.365.0375 or 515.365.0985.