

CATLIN

APPLICATION FOR SECURITIES BROKER/DEALER AND REGISTERED REPRESENTATIVE PROFESSIONAL LIABILITY INSURANCE

NOTICE: THE POLICY BEING APPLIED FOR HEREIN APPLIES, SUBJECT TO ITS TERMS AND PROVISIONS, TO CLAIMS FIRST MADE AND REPORTED IN WRITING DURING THE POLICY PERIOD OR DISCOVERY PERIOD, IF APPLICABLE. IN ADDITION, DEFENSE EXPENSES ARE INCLUDED IN AND WILL REDUCE THE LIMITS OF LIABILITY.

Instructions: Please read this application carefully. Full and complete responses must be made to each question. If a response cannot be fully supplied in the spaces below, attach additional sheets to this application. Such sheets should refer to the applicable questions and must be signed and dated. In addition, all materials requested herein must be provided with the application. This application, as well as all materials submitted with it, shall be held in confidence.

A. General Information

1. Name of Applicant:	2. Address:	
3. Website Address:	4. Telephone Number: Fax Number:	
5. Officer designated to receive correspondence and notices from the Insurer:	6. Type of Organization: <input type="checkbox"/> Private <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other _____	
7. Parent Company:	8. State of Incorporation:	9. Year Firm Established:
10. CRD#:	11. Employers ID #:	

10. Insurance Amounts Requested:
 a. Limits: Per Claim: _____ Aggregate: _____
 b. Retention: Individual: _____ Entity: _____
11. Does any shareholder/owner hold more than a 10% ownership interest? Yes No
 If yes, please provide details _____

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

13. Has the Applicant been the subject of, or is currently involved in or discussing, any mergers, acquisitions, divestitures and/or tender offers during the past three (3) years? Yes No If yes, please provide details:

14. 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	\$	\$			\$
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Has the Broker/Dealer, or any of its parents, subsidiaries or affiliates, or any of their respective directors, officers, or securities principals ever had a professional liability or directors & officers insurance policy or fidelity bond declined, canceled, issued on special terms, renewal refused or had a request that an Application for insurance or for a bond be withdrawn? If "yes", explain on the S.I.F. Yes No

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

16. a. Head count of sales force (*Status shall mean employees, independent contractor*):

Category	Current Year	Prior Year	Status
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 _____

17. 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? _____

18. 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: _____

19. 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

20. 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.)

B. Financial and Product/Service Information

21. 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 _____

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

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

23. Please state the percentage (%) of commission revenues which are derived from the following:

_____ % Listed Stocks	_____ % Listed Bonds	_____ % Unlisted Stocks
_____ % Variable Annuities	_____ % Fixed Annuities	_____ % Unregistered Stocks or Bonds
_____ % Future/Options	_____ % Life Insurance	_____ % Short Sales of Stock
_____ % Commodities	_____ % Mutual Funds	_____ % REIT's
_____ % Accident & Health	_____ % Hedge Funds	_____ % 24 Hour Health
_____ % Disability Income Ins.	_____ % Long Term Care	_____ % Admin of Employee Benefit Plans
_____ % Unit Investment Trusts	_____ % Investment Advisory Services	_____ % Fee Based Financial Planning
_____ % Penny Stocks (unlisted securities trading at less than \$5)		
Limited Partnerships: _____ %	Proprietary _____ %	Non-proprietary _____ %
_____ % Other (please specify): _____		

TOTAL: _____ **100%**

24. a. Total number of customer accounts during the most recent fiscal year: _____

b. What is the average size investment portfolio for each customer: _____

b. What percentage (%) are: Margin: _____ % Discretionary: _____ %

c. What percentage (%) are: Individual: _____ % Corporate: _____ % Institutional: _____ %

25. a. Number of securities traded annually through the Applicant: _____

b. Average dollar value of each securities trade: _____

26. Does the Applicant offer any proprietary products? Yes No
If yes, please describe these products in detail and state what percentage of the Applicant's total annual gross revenue they comprise: _____

27. Describe the procedures for selecting investments to be included on the approved products list, the procedures for updating the list and procedures for monitoring the performance of approved products: _____

29. Do any Registered Representatives sell through or have offices in banks, savings and loans, credit unions or similar institutions? Yes No
If yes, please describe the procedures used to differentiate the securities sold by the Registered Representatives of the Applicant and those sold by the institution and steps taken to ensure that purchasers know risks associated with the products: _____

30. a. Is the Applicant registered as an Investment Advisor with the SEC? Yes No
If yes, how many Registered Representatives provide services under the Applicant's corporate RIA? _____

b. Does the Applicant allow Registered Representatives to hold individual RIA designations? Yes No

If yes, please provide number of RIAs, a description of the services provided by RIAs and related accounts handled on a discretionary basis: _____

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

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

32. 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

33. 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? If "yes", list the companies and explain on the S.I.F. Yes No

e. On the S.I.F. describe the due diligence procedures used to place an insurance company and its products on the approved list.

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

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? If "yes", describe the service or the product on the S.I.F. Yes No

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.

C. Business Practices

35. 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: _____

36. 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: _____

37. 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? _____

38. 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
If “yes”, does the “switch letter” show any charges that the customer will likely incur due to the switch? Yes No
39. 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:

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

41. 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: _____

D. Compliance

42. 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: _____

43. Describe the Applicant’s procedures for training, monitoring and supervising Offices of Supervisory Jurisdiction _____

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

45. 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): _____

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46. How often is the compliance manual reviewed/updated? Has the compliance manual been reviewed by an outside consultant? Please describe how information contained in the compliance manual is disseminated to Registered Representatives: _____

47. Describe the Applicant’s internal disciplinary measures taken when there is a violation of compliance regulations: _____

48. 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: _____

49. 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: _____

50. Describe the Applicant’s procedures for handling customer complaints: _____

51. 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: _____

52. 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: _____

E. Hiring and Management of Registered Representatives

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

54. How does the Applicant gain new Registered Representatives? (through referrals, job postings or other means, please describe): _____

55. Describe any background checks of new Registered Representatives performed by the Applicant (for example, steps taken to ensure proper licensing, U-4 checks, etc.): _____

56. Does the Applicant provide training to new Registered Representatives? Yes No
If yes, please describe: _____

57. Does the Applicant provide continuing education to Registered Representatives? Yes No
If yes, please describe: _____

58. Does the Applicant provide Registered Representatives with newsletters, updates or other periodicals? Yes No
If yes, please describe: _____

59. 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? _____

F. Loss Experience

60. 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:

61. Does the Applicant or any of its directors, officers, employees or Registered Representatives 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 being made against them? Yes No

If yes, please provide details, including but not limited to, parties involved, dates when the situation arose, specific act, error or omission at issue and status:

IT IS AGREED THAT ANY CLAIMS ARISING FROM THE MATTERS REFERRED TO IN QUESTIONS 60 AND 61 ABOVE WILL NOT BE COVERED UNDER THE TERMS AND PROVISIONS OF THE POLICY APPLIED FOR HEREIN.

G. 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.

THE APPLICANT REPRESENTS THAT THE STATEMENTS AND FACTS MADE IN THIS APPLICATION ARE TRUE AND THAT NO MATERIAL FACTS HAVE BEEN OMITTED OR MISSTATED. IT IS FURTHER AGREED BY THE APPLICANT THAT EACH POLICY OR RENEWAL THEREOF, IF ISSUED, IS ISSUED IN RELIANCE UPON THE TRUTH OF THE REPRESENTATIONS AND INFORMATION IN THE APPLICATION.

The undersigned(s) certifies that he/she is the duly authorized representative(s) of the applicant which submits this application to the Company for a policy of insurance. The statements and information above and all schedules and documents submitted, are deemed parts of the application (all of which schedules and documents shall be deemed attached to the policy as if physically attached thereto), and the word "application" refers to all the foregoing.

Applicant acknowledges a continuing obligation to report to us as soon as practicable any material changes in the facts and statements above, and in each supplemental application, of which applicant becomes aware after signing the application.

Completion of this application does not bind coverage. Applicant's acceptance of the Company's quotation is required prior to binding coverage and policy issuance. It is agreed that this form shall be the basis of the contract should a policy be issued.

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 CALIFORNIA APPLICANTS: Any person who knowingly presents a false or fraudulent claim for the payment of a loss is guilty of a crime and may be subject to fines and confinement in state 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 in the third degree.

NOTICE TO IDAHO 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.

NOTICE TO INDIANA APPLICANTS: Any person who knowingly and with intent to defraud an insurer files a statement of claim containing any false, complete or misleading information commits a felony.

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 MAINE APPLICANTS: It is a crime to 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 MICHIGAN APPLICANTS: Any person who knowingly and with intent to defraud or defraud any insurer submits a claim containing any false, incomplete or misleading information shall upon conviction, be subject to imprisonment for up to one year for a misdemeanor conviction or up to ten years for a felony conviction and payment of a fine of up to \$5,000.

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

NOTICE TO NEVADA APPLICANTS: Pursuant to NRS 686A.291, any person who knowingly and willfully files a statement of claim that contains any false, incomplete or misleading information concerning a material fact is guilty of a felony.

NOTICE TO NEW HAMPSHIRE APPLICANTS: Any person who with purpose to injure, defraud or deceive any Insurance Company, files a statement of claim containing any false, incomplete or misleading information is subject to prosecution and punishment for insurance fraud, as provided in RSA 638:20.

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 LOUISIANA AND 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 claims 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 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 subject such person to criminal and civil penalties.

NOTICE TO TENNESSEE & 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.

Important Reminder

The coverage for which you are applying is written on a CLAIMS-MADE AND REPORTED basis and, subject to its provisions, applies only to claims first made against the Insureds and reported to the Company in writing during the policy period, unless a Discovery Period applies.

I/We hereby declare the above statements and particulars are true and that I/We agree that this application shall be the basis of the contract with the Company.

By: _____

Title

Date of Application _____