

## NEW BUSINESS APPLICATION FOR FINANCIAL ADVISORS PROFESSIONAL LIABILITY INSURANCE

**Notice:** This is an application for coverage on a claims-made basis. Such coverage, if issued, will apply solely as stated in the policy and will potentially cover only those claims that are first made against you and reported to us during the policy period or extended reporting period, if applicable.

**Applicant:** (Full legal name of Registered Investment Advisor or IAR)

Additional Business Names:

Principal Business Address:

City:

State:

ZIP:

Telephone:

Email:

Fax:

Web Site:

**ALL DISCLOSURES AND SUBMITTED MATERIAL MUST BE CURRENT AND ACCURATE, as required by state/federal agencies.**

- Attached** - A separate sheet with a brief description of your investment philosophy.
- Attached** - On a separate sheet please list the types and percentages of investments used in portfolios; or
  - Answered question #17** "Classes and Types of Assets Managed/Advised."
- Attached** - Form ADV Part 1 and Form ADV Part 2A: Firm Brochure, or
  - Filed electronically with IARD.**
- Attached** – ALL Supplements, especially Form ADV Part 2B: Brochure Supplement for each IAR, or
  - Filed electronically with IARD.**
- Attached** – Sample client contract(s) for each professional service rendered.
- Attached** - A copy of most recent audit.
- If you want **prior acts coverage** and have maintained continuous claims-made coverage, attach a Certificate of Insurance for current coverage and a coverage synopsis or a copy of the current declarations, policy and endorsements.
  - Coverage Not Requested.**
- Balance Sheet and Income Statement (unaudited is acceptable).
- Provide name of your Chief Compliance Officer and the name of your outside compliance professional – attorney or consultant.

**Chief Compliance Officer:** \_\_\_\_\_

**NONE**

**Outside Compliance Professional:** \_\_\_\_\_

**NONE**

### ATTACH DETAILS ON A SEPARATE SHEET IF:

- "Yes" answer on Question (1), (2), (3), or (4). Claims, Complaints or Proceedings.
- "Yes" answer on Question (5) Client(s) is a Registered or Unregistered Investment Company or Private Fund.
- "Yes" answer on Question (6) Taft Hartley, Government Employees or Union Clients.
- "Yes" answer on Question (10) ERISA 3(38) Investment Manager or ERISA 3(21) Limited Scope Fiduciary.
- "Yes" answer on Question (11)(a)(1) or (2) Trading Errors.
- "Yes" answer on Question (13) Conflicts of Interest.
- "Yes" answer on Question (14) Disclosure Events.

(1) Has any insurer declined, cancelled or non-renewed any Investment Advisor Professional Liability Insurance or any similar insurance on behalf of any applicant for this insurance?  Yes  No  
**If "Yes",** provide details on a separate sheet.

(2) Has any Professional Liability (E&O) claim, complaint or proceeding been made against you or any other applicant or predecessor organization proposed for this insurance?  Yes  No  
**If "Yes",** Please provide details on a separate sheet

(3) Is any applicant aware of any fact, error, omission, circumstance or situation that may provide grounds for any claim under the proposed insurance?  Yes  No  
**If "Yes",** Please provide details on a separate sheet.

(4) Have you and/or any of your directors, officers, employees, predecessors, subsidiaries, affiliates or any other applicant been involved in or have knowledge of any pending or completed governmental, regulatory, investigative or administrative proceedings?  Yes  No  
**If "Yes",** Please provide details on a separate sheet.

(5) Is any advisory client an investment company (registered or unregistered), REIT, limited partnership, collective investment trust or any other pooled investment vehicle?  Yes  No  
a. **If "Yes",** provide details on a separate sheet.  
b. If "No", do you agree to notify us within thirty (30) days if you start to render advisory services to such a client?  Yes  No

(6) Do you act as advisor or consultant for any Taft-Hartley, union or governmental employee benefit plans?  Yes  No  
**If "Yes",** attach a list of accounts and assets.

(7) During the last three (3) years, have you or any affiliate considered or been involved in any attempted or completed merger, acquisition, divestiture or significant change in principals?  Yes  No  
If "Yes", please provide details: \_\_\_\_\_

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(8) What percentage of your revenue is derived from professional entertainers, celebrities, athletes and musicians?  %  
**If none, check here:** \_\_\_\_\_

(9) Do you provide personal management services such as sports management or bill paying or other concierge services to any client?  Yes  No

(10) Do you provide **ERISA 3(38)** Investment Manager or **ERISA 3(21)** Limited Scope Fiduciary Services to your clients?  Yes  No  
**If "Yes",** please include the professional service contracts with the submission.  

	<u>Regulatory Assets Under Management and Advisement</u>	<u># of Accounts</u>
(a) ERISA 3(38) Investment Manager	\$	
(b) ERISA 3(21) Limited Scope Fiduciary	\$	

(11) **Trading Errors**  
a. Before a trade is executed, are there procedures in place to ensure the trade does not violate the investment agreement or that the correct trade amount is being executed?  Yes  No  
(1) Are there mechanisms or policies in place to quickly identify if a trading error has occurred?  Yes  No  
**If "Yes",** Please attach your policy and procedures.  
(2) Had a trading error loss in excess of \$5,000?  Yes  No  
**If "Yes",** provide details (i.e. dates, amounts, by whom the loss was paid.)

(12) **List all employed (W-2 and/or K-1) financial advisors.** CPA firms should list only those that provide financial planning and/or investment advisory services. Independent Contractors (1099) will not be covered and require separate applications or, upon your request and subject to our approval, may be added as additional insureds. (*If needed, attach a separate sheet*)

Name Of All Employed Financial Advisors	Professional Designations	CRD Number	FPA	NAPFA	Garrett Network	BAM	F1360	Other Associations

**(13) Conflicts of Interest - Please explain any "Yes" responses on a separate sheet**

a. Do you or any of your partners, members, managers, officers, directors, employees or associated professionals:

<b>(1)</b> Act as both trustee and advisor to any client?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(2)</b> Act as a director, partner, member, manager, officer, employee or any other position of control for any organization in which clients are solicited to invest?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(3)</b> Advise and or solicit clients to invest in any enterprise in which any firm member has more than 5% ownership interest?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(4)</b> Advise clients to invest in any enterprise in which another client has more than 5% ownership interest?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(5)</b> Act as advisor to an organization in which you, your members or associated persons have more than 5% ownership interest?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(6)</b> Do you currently use performance-based fees? If "Yes": <b>(i)</b> Are all clients exempted from Rule 205(a) or deemed "Qualified Clients"? <b>(ii)</b> For how many clients are performance-based fees used?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(7)</b> Do you use third party solicitors to generate business? If "Yes": <b>(i)</b> Is the arrangement in compliance with state or federal regulations? <b>(ii)</b> Do the solicitors evidence this arrangement to prospective clients? <b>(iii)</b> How many solicitors are used?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>b.</b> Is any applicant a director, officer, employee or in a position of control for any organization or enterprise (including all subsidiaries and affiliates) which is also an advisory client?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>c.</b> Are you or any of your partners, officers, directors, employees or associated professionals a CPA? If "Yes", do any such persons perform or attest work/consulting services for any accounting client who is an advisory client?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**(14) Disclosure Events - Please explain any "Yes" responses on a separate sheet.**

a. Have you or any associated professional ever:

<b>(1)</b> Had a professional license or registration denied, suspended, revoked, non-renewed or restricted?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(2)</b> Been formally reprimanded by any court, administrative or regulatory agency?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(3)</b> Had a complaint filed with any consumer agency, state securities department, insurance department or your broker-dealer, SEC, FINRA or other regulatory agency?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(4)</b> Been audited by the SEC, FINRA, any state securities department or other licensing or regulatory agency.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(5)</b> Been formally accused of violating any professional association's code of ethics?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(6)</b> Been convicted of a felony or any civil proceedings?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>(7)</b> Been involved in (or are aware of) any fee disputes including suits?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**(15) Custody**

Do you direct trades in client's custodial accounts?

Yes  No

If "Yes", complete the following:

a. Do you use a written Investment Policy Statement for other than ERISA accounts?

Yes  No

b. Do you have Limited Power of Attorney to direct trades in the client's account?

Yes  No

If "Yes", please answer:

**(1)** Do you use full discretion to trade without prior consent of the client?

Yes  No

**(2)** Do you use discretion to trade within an Investment Policy Statement or written parameters?

Yes  No

**(3)** Do you decline to exercise discretion and obtain prior consent for each and every trade?

Yes  No

c. Excluding advisory fees and authorized disbursement to an account with the same registration or the client, do you have power to withdraw or disburse funds in the account?

Yes  No

d. Does your firm, in writing, require clients to review their account statements at least quarterly?

Yes  No

**(16) Custodians**

<input type="checkbox"/> Fidelity	<input type="checkbox"/> TD Ameritrade	<input type="checkbox"/> National Advisors Trust
<input type="checkbox"/> Scottrade	<input type="checkbox"/> Folio Institutional	<input type="checkbox"/> Trust Company of America
<input type="checkbox"/> Pershing	<input type="checkbox"/> Shareholders Services Group	<input type="checkbox"/> Raymond James Advisory
<input type="checkbox"/> Schwab	<input type="checkbox"/> Other: _____	<input type="checkbox"/> Other: _____

**NOTE:** Mutual Funds or ETFs in your portfolios that hold other security types shown below should be considered mutual funds or ETFs for the lower schedule. List only the portion of the below products not held within Mutual Funds or ETFs.

**(17) Provide the percentage of total assets you advise in each of the following categories (must equal 100%), or**

**ATTACHED SEPARATE SHEET** of "Classes and Types of Assets Managed/Advised"

%	<b>Classes and Types of Assets Managed and Assets Advised</b>	%	<b>Classes and Types of Assets Managed and Assets Advised</b>
_____	<b>Mutual Funds (all investment styles)</b>	_____	Foreign Securities ( <i>Traded 100% outside the US</i> )
_____	Cash	_____	Certificates of Deposit
_____	Closed-End Investment Companies	_____	Unit Investment Trusts (UIT)
_____	Variable Annuities	_____	Unlisted Stocks
_____	Investment Grade Bonds	_____	Unregistered Securities
_____	Listed Stocks	_____	Index Linked Securities
_____	Exchange Traded Funds (ETF) (excluding leveraged and inverse)	_____	Junk Bonds / Below Investment Grade
_____	Leveraged Exchange Traded Funds	_____	Promissory Notes / Leases / Receivables
_____	Inverse Exchange Traded Funds	_____	Hedge Funds
_____	Municipal Securities	_____	Fund of Hedge Funds
_____	Options	_____	Guaranteed Investment Contracts (GIC)
_____	REITs Publicly Traded	_____	Collective Investment Trusts / Fund (CIT / CIF)
_____	REITs / REIFs Privately Traded	_____	Tangibles (gold, silver, collectibles, coins, etc.)
_____	Limited Partnership/General Partnerships or similar	_____	Asset-Backed Securities, Mortgage-Backed
_____	Pooled Investment Vehicles	_____	Securities, CMO, CDOs.
_____	Exchange Traded Notes (ETN)	_____	Church Bonds
_____	Other: _____	_____	Other Derivatives or Structured Products

**(18) Provide approximate percentages of professional services. Must equal 100%. Indicate all services that you provide.** (Note: LPOA = Limited Power of Attorney)

%	<b>Nature of Practice</b>	%	<b>Nature of Practice</b>
_____	Modular/Comprehensive Financial Planning/Preparation/Advising	_____	Investment Management or Pension/Benefit Consulting
_____	Divorce Financial Consulting	_____	Hourly Advice
_____	Discretionary Asset Management (LPOA)	_____	Wrap Accounts
_____	Non-Discretionary Asset Management (LPOA with Prior Consent)	_____	Tax Preparation
_____	Asset Monitoring (No LPOA to Direct Trades)	_____	Seminars/Education
_____	Product Sales Based On Financial Plan	_____	Third Party Pension Administration
_____	Product Sales Not Based On Financial Plan	_____	Timing Services
_____	Publish Newsletters for Subscription or Fee	_____	Third Party Money Managers
_____	Other: _____	_____	

**(19) Sources of revenue:** Provide gross annual revenues from financial planning, advisory activities, and commissions from the sales of securities and/or life and health insurance received by all covered individuals and entities. **Do not include tax preparation revenues unless coverage for tax preparation is requested.**

Do you want coverage for tax preparation?  Yes  No (If yes, include the revenue below)

Year	Annual Total Gross Revenues (100%)	% Fee Only Revenues	% Commission Revenues	# of Financial Advisors
Last year:	\$	%	%	%
Projected for Current year:	\$	%	%	%
Projected for next year:	\$	%	%	%

**Fee Revenue** – must equal 100%

%	Types of Services	%	Types of Services
_____	Investment Advisory Services	_____	Investment Management Consulting Services
_____	Financial Planning Services	_____	Tax Preparation Fees
_____	Divorce Financial Consultation	_____	Daily Cash Management/Bill Paying Services

**(20) Value of Regulatory Assets Under Management (AUM) or Assets Under Advisement (AUA)**

**AUM - Discretionary Accounts**

	Market Asset Value	Value of Largest Account	# of Clients
ERISA – Defined Benefit Plans:	\$	\$	
ERISA – Defined Contribution Plans:	\$	\$	
Non-ERISA – Pension and Employee Benefit Plans:	\$	\$	
Accounts for which an advisor or the applicant acts as a Trustee:	\$	\$	
All other accounts:	\$	\$	
Subtotals for Discretionary AUM accounts:	\$	\$	

**AUM - Non-Discretionary Accounts**

	Market Asset Value	Value of Largest Account	# of Clients
ERISA – Defined Benefit Plans:	\$	\$	
ERISA – Defined Contribution Plans:	\$	\$	
Non-ERISA – Pension and Employee Benefit Plans:	\$	\$	
Accounts for which an advisor or the applicant acts as a Trustee:	\$	\$	
All other accounts:	\$	\$	
Subtotals for Non-Discretionary AUM accounts:	\$	\$	

**AUA - Investment Consulting, Monitoring or Referral**

	Market Asset Value	Value of Largest Account	# of Clients
ERISA – Defined Benefit Plans:	\$	\$	
ERISA – Defined Contribution Plans:	\$	\$	
Non-ERISA – Pension and Employee Benefit Plans:	\$	\$	
Accounts for which an advisor or the applicant acts as a Trustee:	\$	\$	
All other accounts:	\$	\$	
Total Asset Monitoring (No LPOA to Direct Trades)	\$	\$	
Total Referral to Third Party Money Manager Accounts (no Direct Management)	\$	\$	
Subtotals for AUA accounts:	\$		

**TOTALS FOR ALL AUM AND AUA ACCOUNTS:** \$ \_\_\_\_\_

**(21) Requested Limits and Deductibles:** WE DO NOT GUARANTEE TO OFFER ANY OF THE BELOW LIMITS AND/OR DEDUCTIBLES

\$100,000 / \$200,000  \$250,000 / \$500,000  \$500,000 / \$1,000,000  
 \$1,000,000 / \$1,000,000  \$1,000,000 / \$2,000,000  \$2,000,000 / \$2,000,000  
 Other: \$ \_\_\_\_\_ / \$ \_\_\_\_\_  Other: \$ \_\_\_\_\_ / \$ \_\_\_\_\_  Other: \$ \_\_\_\_\_ / \$ \_\_\_\_\_

DEDUCTIBLE REQUESTED:

\$1,000  \$2,500  \$5,000  \$10,000  \$15,000  
 \$20,000  \$25,000  \$50,000  \$75,000  \$100,000

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**SUPPLEMENTAL QUESTIONNAIRE TO BE COMPLETED FOR ADDITIONAL COVERAGE**

– If completed, this will become part of the application –

If you desire coverage for the below activities, please complete the corresponding questions:

(22) Independent Contractors  
(23) Product Sales Coverage  
(24) Directors & Officers Liability

Decline Coverage       Requested (Question #22)  
 Decline Coverage       Requested (Question #23)  
 Decline Coverage       Requested (Question #24)

**NOTE:** If you decline all supplemental coverage you may **proceed to page 8 of 8** and read and sign "**NOTICE TO THE APPLICANT**".

**(22) IF COVERAGE FOR INDEPENDENT CONTRACTORS IS DESIRED PLEASE COMPLETE THE BELOW**

List the **CRD numbers** and **names** of any independent contractors (non-employees) giving investment advice on your behalf:

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_

**(23) IF PRODUCT SALES COVERAGE IS DESIRED PLEASE COMPLETE THE BELOW****a. List professionals that provide sales for the Named Insured: (If needed, attach a separate sheet)**

Name Financial Advisors	Life/Health	Security Sales

**Commission Revenue – MUST TOTAL 100%**

%	Types of Products	%	Types of Products
_____	Life / Health / Disability / Accident /Long Term Care / Fixed Annuities	_____	Asset-Backed Securities, Mortgage-Backed Securities, CMO, CDOs
_____	Variable Annuities	_____	Unlisted Stocks
_____	Mutual Funds	_____	Unregistered Securities
_____	Investment Grade Bonds	_____	Index Linked Securities
_____	Listed Stocks	_____	Junk Bonds / Below Investment Grade
_____	Exchange Traded Funds (non-leveraged or inversed)	_____	Promissory Notes / Leases / Receivables
_____	Leveraged Exchange Traded Funds	_____	Hedge Funds
_____	Inverse Exchange Traded Funds	_____	Fund of Hedge Funds
_____	Municipal Securities (not in mutual funds or ETFs)	_____	Guaranteed Investment Contracts (GIC)
_____	Options	_____	Collective Investment Trusts / Fund (CIT / CIF)
_____	REITs Publicly Traded	_____	Tangibles (gold, silver, collectibles, coins, etc.)
_____	REITs / REIFs Privately Traded	_____	Foreign Securities
_____	General or Limited Partnership	_____	Other Derivatives or Structured Products / Notes
_____	Exchange Traded Notes	_____	Other: _____

**(24) IF DIRECTORS & OFFICERS LIABILITY INSURANCE IS DESIRED PLEASE COMPLETE THE BELOW****a. Please provide the following information about your current insurance coverage:**

	Insurer:	Limits:	Deductible:	Expiration:	Retro Date:
Investment Advisor E&O		\$	\$		
Directors & Officers Liability		\$	\$		
Fiduciary Liability		\$	\$		
ERISA Bond		\$	\$		
Fidelity Bond		\$	\$		

**b.** List of entities for which coverage is desired:

Business Name	Type of Operation	Owned By	% Ownership	Date Acquired	Total Assets	Total Revenue

**c.** Organization has been continually operating since: \_\_\_\_\_

**d.** Stock ownership:

(1) Total number of common shares outstanding: \_\_\_\_\_

(2) Total number of common stock shareholders: \_\_\_\_\_

(3) Total number of common shares owned by its Directors and Officers (direct and beneficial): \_\_\_\_\_

(4) List any shareholder(s) owning five percent (5%) or more of the common shares directly or beneficially of the applicant:

Name:	Title:	Ownership:

**e.** Has the applicant been involved in any actual or proposed merger, acquisition, consolidation, tender offer or divestment during the past three (3) years?  Yes  No

**If Yes, please provide details on a separate sheet.**

**f.** Does the applicant have a current Social Media policy?  Yes  No

**g.** Does the applicant have a current Pay-to-Play policy?  Yes  No

**h.** Does the applicant have a Whistleblower policy in the firm's compliance manual and is it circulated and well known amongst staff?  Yes  No

**i.** Have there been any claims, or are there any claims now pending, against any person proposed for insurance in their capacity as Owner, Director, Officer, Partner or Trustee of an organization?  Yes  No

**If "Yes", please provide details on a separate sheet.**

**Note: The policy, if issued, will not cover any such prior or pending claims.**

**j.** Has the Organization or any of its Owners, Directors, Officers, Partners or Trustees been involved in, charged with, or have any knowledge of any fact or circumstance involving any of the following which may give rise to a claim under the proposed insurance?

(1) Antitrust, copyright or patent litigation?  Yes  No

(2) Civil action, criminal action or administrative proceeding arising from an alleged or actual violation of any federal or state securities law or regulation?  Yes  No

(3) Civil action, criminal action or administrative proceeding arising from an alleged or actual violation of any federal or state antitrust or fair trade law?  Yes  No

(4) Unfair competition?  Yes  No

(5) Raiding a competitor's employees?  Yes  No

(6) Representative actions, class actions, or derivative suits?  Yes  No

(7) A lawsuit brought by any self regulatory body or government agency?  Yes  No

(8) A fine or sanction levied by any self regulatory body or government agency?  Yes  No

**If "Yes"** to any question asked in j. (1) – j. (8) above, please provide details on a separate sheet.

**Note:** The policy, if issued, will not cover any claim or action arising from such knowledge, charges, information or involvement.

## **NOTICE TO THE APPLICANT - PLEASE READ CAREFULLY**

If we agree to issue a policy, we will rely upon all information contained in the application and the truth and accuracy of the representations contained in the application.

Any person who knowingly files an application for insurance or statement of claim containing any 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 also punishable by civil penalties in certain jurisdictions.

This application warrants that:

- 1.** The statements within and any attachments to the application are true and accurate to your best knowledge and belief, or to the best knowledge and belief of your authorized agent.
- 2.** Neither you nor any other person or organization applying for coverage with us has knowledge of any fact, circumstance or situation which is not disclosed on the application and may result in a claim. Any claim subsequently arising from such a fact, circumstance or situation will not be covered by the proposed insurance.
- 3.** You are applying for coverage on a claims-made basis. You understand that such coverage, if issued, will apply SOLELY AS STATED IN THE POLICY and will potentially cover ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST YOU AND REPORTED TO US DURING THE POLICY PERIOD OR EXTENDED REPORTING PERIOD, IF APPLICABLE. The policy, if issued, will have specific provisions detailing claim reporting requirements.
- 4.** We are authorized to make any reasonable inquiries we deem necessary in connection with the application.

## **WARRANTY**

By signing this application, you warrant that:

- 1.** You understand and accept the items shown in this application;
- 2.** You authorize any prior insurer of yours to release claim information to us;
- 3.** You hereby agree to notify us of any change to facts presented in the application between the date of application and the effective date of coverage; and
- 4.** You understand that the information you provide to us shall be the basis of the policy and deemed incorporated into the policy, should we evidence our acceptance of the application by issuance of a policy.

The undersigned represents that to the best of his/her knowledge and belief the statements set forth in this application and in any attachments herein are true and complete. Signing this application does not bind us to provide or you to purchase the insurance. This application must be signed by a director, executive officer, partner or equivalent within sixty (60) days of the proposed effective date.

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Name of Applicant

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Title

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Signature of Applicant

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Date