

## ASSET MANAGEMENT RISK SOLUTIONS™ – INSURANCE APPLICATION SUPPLEMENT – SECURITIES BROKER-DEALER PROFESSIONAL LIABILITY COVERAGE

THIS SUPPLEMENT IS PART OF THE APPLICATION SUBMITTED BY OR ON BEHALF OF THE APPLICANT FOR THE PROPOSED INSURANCE. THE NOTICES, CONDITIONS AND REPRESENTATIONS CONTAINED IN SUCH APPLICATION ARE INCORPORATED INTO AND APPLY TO THIS SUPPLEMENT. THIS SUPPLEMENT MUST BE COMPLETED IF THE APPLICANT SEEKS SECURITIES BROKER-DEALER PROFESSIONAL LIABILITY COVERAGE.

If additional space is needed to answer the below questions, attach a separate document to this Application to provide complete answers.

### I. APPLICANT

Name of Applicant (as identified in the Asset Management Risk Solutions™ Insurance Application):

Name of Securities Broker-Dealer (the "Broker-Dealer"): \_\_\_\_\_

Provide all information below on behalf the Broker-Dealer.

Street Address: \_\_\_\_\_

City, Province: \_\_\_\_\_

Postal Code: \_\_\_\_\_ Web Site Address: \_\_\_\_\_

Province of Incorporation: \_\_\_\_\_ Year Broker-Dealer Established: \_\_\_\_\_

Number of Offices in Canada: \_\_\_\_\_ Number of Offices in United States: \_\_\_\_\_ Number of Offices in Other Locations: \_\_\_\_\_

List of Office Locations: \_\_\_\_\_

Name of Parent Company(ies): \_\_\_\_\_

**1. Attach copies of the following information:**

- Broker-Dealer's latest audited annual report, as well as latest Annual SEDAR Filing (if publicly traded)
- Broker Dealer's complete IIROC and/or MFDA Enforcement Reports for the most recent four (4) quarters
- If US registered, the Broker-Dealer's complete FINRA FOCUS Reports for the most recent four (4) quarters
- If US Registered, Broker-Dealer's most recent Form BD as filed with the SEC
- List of approved investment vehicles for sale by the Broker-Dealer's registered representatives, including approved life insurance companies and their products, as well as adherence guidelines
- Broker-Dealer's due diligence guidelines for approving investment vehicles to be sold

Comments, Criticisms and Recommendations made by Provincial Securities Regulators, IIROC, MFDA, SEC, NASD, state securities regulatory authority, state insurance department and any other enforcement body (including self-regulatory organizations) following each body's most recent examination of the Broker-Dealer. Also, please attach the Broker-Dealer's response letter(s) to such recommendations.

**2. Has the Broker-Dealer been the subject of any merger or acquisition during the past three (3) years? ☐ Yes ☐ No**

If "Yes", provide a detailed explanation:

3. Has the Broker-Dealer revealed publicly that it is the subject of any pending merger or acquisition? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation: \_\_\_\_\_

4. Total number of Broker Dealer's registered representatives  
(include all producers, non-producing executives/managers and other (back office) identified below): \_\_\_\_\_  
Number of Producers: \_\_\_\_\_  
Number of Non-Producing Executives/Managers: \_\_\_\_\_  
Number of Other (Back Office): \_\_\_\_\_

5. Do all registered representatives enter into a standard contract with the Broker-Dealer? ☐ Yes ☐ No

6. Do all of the Broker-Dealer's contracts with its registered representatives provide for indemnification of the Broker-Dealer? ☐ Yes ☐ No

7. Do all of the Broker-Dealer contracts with its registered representatives contain an arbitration clause? ☐ Yes ☐ No

8. State the percentage of the Broker-Dealer's commission revenues which are derived from the following:

<b>Full Service Securities Brokerage</b>	%	<b>Private Placements</b>	%
<b>Discount Securities Brokerage</b>	%	<b>Market Making/Specialist Activities</b>	%
<b>Financial Planning</b>	%	<b>Underwriting Activities</b>	%
<b>Marketing Timing Services</b>	%	<b>Other (Explain):</b>	%

9. State the percentage of commission in revenues which are derived from the following:

<b>Listed Stocks</b>	%	<b>Commodities</b>	%
<b>Unlisted Stocks</b>	%	<b>Commodity Futures</b>	%
<b>Penny Stocks (unlisted securities trading for less than \$5.00/share)</b>	%	<b>Mutual Funds</b>	%
<b>Proprietary Partnerships</b>	%	<b>Other Limited or LLPs</b>	%
<b>Listed Bonds</b>	%	<b>Variable Annuities</b>	%
<b>Unregistered Stocks or Bonds</b>	%	<b>Other Annuities</b>	%
<b>Commercial Paper</b>	%	<b>Life Insurance</b>	%
<b>Option Contract</b>	%		

10. Total annual commission revenues for all of the Broker-Dealer's products (including life insurance and annuity sales): \_\_\_\_\_

11. Broker-Dealer's average daily trading volume: \_\_\_\_\_

12. Broker-Dealer's total number of securities trades executed: \_\_\_\_\_ /per month \_\_\_\_\_ /per year

13. Average dollar value per securities trade by the Broker-Dealer: \_\_\_\_\_

14. What percentage of all of the Broker-Dealer's brokerage accounts are margin accounts? \_\_\_\_\_ %

15. What percentage of all of the Broker-Dealer's brokerage accounts are discretionary accounts? \_\_\_\_\_ %

16. What percentage of all of the Broker-Dealer's brokerage accounts are individual accounts? \_\_\_\_\_ %

17. What percentage of all of the Broker-Dealer's brokerage accounts are institutional accounts? \_\_\_\_\_ %

18. Does the Broker-Dealer clear its own accounts? ☐ Yes ☐ No  
If "No", state the name of the Clearing Agent(s) used: \_\_\_\_\_

19. Do all of the Broker-Dealer's clients sign a standard contract? ☐ Yes ☐ No
20. Who approves modifications to the Broker-Dealer's standard contract? \_\_\_\_\_
21. What percentage of the Broker-Dealer's standard contracts contain an arbitration clause? \_\_\_\_\_ %
22. Is the arbitration clause ever deleted from the Broker-Dealer's client agreement? ☐ Yes ☐ No  
If "Yes", what percentage is deleted? \_\_\_\_\_ %
23. Provide a detailed explanation of the Broker-Dealer's procedures for reviewing new accounts:  
\_\_\_\_\_  
\_\_\_\_\_
24. Indicate the number of notices, letters and complaints received in the past three (3) years by the Broker-Dealer:  
Notices: \_\_\_\_\_ Letters: \_\_\_\_\_ Complaints: \_\_\_\_\_
25. How many of such notices, letters and complaints in your answer to Question 24 above were unsettled after sixty (60) days? \_\_\_\_\_
26. Provide a detailed explanation of all cases or claims involving the Broker-Dealer in the past five (5) years involving monetary settlements or awards in excess of \$5,000:  
\_\_\_\_\_  
\_\_\_\_\_
27. Have any of the Broker-Dealer's registered representatives ever been disciplined, fined or suspended by Provincial Securities Regulators, IIROC, MFDA, SEC, NASD, state securities regulatory authority, state insurance department or any other regulatory body, including those disclosed within Form U-4, within the past five (5) years? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation for each, and attach a copy of IIROC Registration Form, MFDA Registration Form and/or FINRA Form U-4 (if applicable) to this Application:  
\_\_\_\_\_  
\_\_\_\_\_
28. Have any professional liability or errors and omissions claims been made during the past five (5) years against the Broker-Dealer or any of its registered representatives? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation of each:  
\_\_\_\_\_  
\_\_\_\_\_
29. Is the Broker-Dealer aware of any fact, circumstance, situation, transaction, event or actual or alleged act, error, omission, misstatement, misleading statement or breach of duty that might lead to a claim under the proposed policy? ☐ Yes ☐ No  
If "Yes", please provide a detailed explanation of each:  
\_\_\_\_\_  
\_\_\_\_\_

## II. FRAUD WARNINGS

Any person who knowingly and with intent to defraud any insurance company or another person, files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, may be guilty of committing a fraudulent insurance act, which is a crime and subjects the person to criminal and civil penalties.

### III. SIGNATURE AND AUTHORIZATION

IF THE APPLICANT PREFERS TO ELECTRONICALLY SUBMIT THIS APPLICATION TO THE UNDERWRITER, ITS AUTHORIZED AGENT SHOULD DO SO BY CHECKING THE BELOW BOX AND TYPING THEIR NAME AND THE DATE. BY DOING SO, THE APPLICANT AND ITS AUTHORIZED AGENT HEREBY CONSENT AND AGREE THAT SUCH AUTHORIZED AGENT'S USE OF A KEY PAD, MOUSE OR OTHER DEVICE TO CHECK THE ELECTRONIC SIGNATURE AND ACCEPTANCE BOX CONSTITUTES THEIR SIGNATURE, ACCEPTANCE AND AGREEMENT AS IF ACTUALLY SIGNED BY SUCH AUTHORIZED AGENT IN WRITING AND HAS THE SAME FORCE AND EFFECT AS A SIGNATURE AFFIXED BY HAND.

☐ **AUTHORIZED AGENT SIGNATURE AND ACCEPTANCE**

A digital signature is as simple as:

1. Check the box.
2. Type authorized agent's name and the date.

The box must be checked by a partner, principal, director or officer of the Applicant (or equivalent positions thereof).

Applicant Name: \_\_\_\_\_

By (Authorized Signature): \_\_\_\_\_

Name/Title: \_\_\_\_\_

Date: \_\_\_\_\_

NOTE: THIS APPLICATION MUST BE SIGNED BY A PARTNER, PRINCIPAL, DIRECTOR OR OFFICER OF THE APPLICANT ACTING AS THE AUTHORIZED AGENT OF ALL INDIVIDUALS AND ENTITIES PROPOSED FOR THIS INSURANCE.