

# LIFE AGENT/BROKER DEALER SOLUTIONS

## *Broker/Dealer Renewal Application*

**RENEWAL APPLICATION FOR SECURITIES BROKER-DEALER'S PROFESSIONAL LIABILITY**

**(Please note: Any Information provided to CNA will be deemed confidential and will not be disseminated in anyway)**

**Instructions for Completing This Application**

Please read carefully and fully answer all questions and submit all requested information for each Coverage you seek. All applicants must complete this application in its entirety. Terms appearing in bold face in this Application are defined in the Policy and have the same meaning in this Application as in the Policy. This Application, including all materials submitted herewith, shall be held in confidence and shall become part of the Policy.

**NOTICE: THIS POLICY PROVIDES THAT THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR LEGAL DEFENSE UNLESS OTHERWISE STATED IN THE POLICY FORM.**

**IF A POLICY IS ISSUED, IT WILL BE ON CLAIMS MADE AND REPORTED BASIS.**

**GENERAL INFORMATION:**

1. a. The Company to be named in Item 1. of the Declarations (the Company):

\_\_\_\_\_

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

- b. If there is a Broker Dealer and Subsidiaries please list the Broker Dealer and the Broker Dealer Subsidiaries:

\_\_\_\_\_

- c. Officer designated to receive correspondence and notices from the Insurer:

\_\_\_\_\_

(Name of Officer)

(Title)

2. Please provide the following information regarding the current insurance coverage:

<b>Insurance</b>	<b>Carrier</b>	<b>Limits (in MMs)</b>	<b>Premium</b>	<b>Expiration Date</b>
D&O Liability				
E&O Liability				
Crime/Fidelity				
Employment Practices				
Fiduciary Liability				
Cyber Liability				

**SUBMISSION REQUIREMENTS:**

*Please attach copies of the following with respect to the Company and Subsidiaries:*



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- *Securities Broker Dealer's latest audited annual report, as well as latest 10K filed with the SEC (if publicly traded)*
- *Complete FOCUS Report*
- *Copy of the most recent Form BD as filed with the SEC*
- *List of approved investment vehicles for sale by the Applicant's Registered Representatives, including approved life insurance companies and their products*
- *Copy of most recent Written Supervisory Procedures Manual*
- *Copy of due diligence guidelines for approving investment vehicles to be sold.*
- *Comments and recommendations made by the SEC, FINRA, state securities regulatory authority, State insurance department or any other regulatory body following its latest exam of the Applicant. Please also attach the Applicant's response letter*
- *Attach Loss information for any years prior to inception with CNA (minimum 5 year loss history)*

### GENERAL INFORMATION

**Please answer the following questions: (if any questions are answered Yes attach full details)**

- State of Incorporation: \_\_\_\_\_ Year Broker Dealer was established: \_\_\_\_\_
- Number of Offices in USA and Canada: \_\_\_\_\_ Number of Offices elsewhere: \_\_\_\_\_
- Name of Parent (Company(ies): \_\_\_\_\_
- Has the Security Broker Dealer been the subject of any merger and/or acquisitions during the past three (3) years?  
Yes \_\_\_\_\_ No \_\_\_\_\_
- Has the Securities Broker Dealer revealed publicly that it is the subject of any pending Merger and/or acquisition?  
Yes \_\_\_\_\_ No \_\_\_\_\_
- Does the Applicant clear its own trades? \_\_\_\_\_ Please provide the name and address of any clearinghouse used. \_\_\_\_\_
- Does the clearinghouse indemnify the Applicant for liability arising from the clearinghouse's activities?  
Yes \_\_\_\_\_ No \_\_\_\_\_
- Does the Applicant require that registered representatives carry professional liability insurance? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, will this professional liability program be mandatory for all reps of the Applicant? Yes \_\_\_\_\_ No \_\_\_\_\_
- If the Applicant requires that the registered representative carry professional liability insurance but not necessarily enroll in the company sponsored program, is there a minimum amount of professional liability insurance required?  
Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, that minimum amount is \$\_\_\_\_\_

### REGISTERED REPRESENTATIVE/AGENT INFORMATION:

1. Number of Registered Representatives:  
Producers \_\_\_\_\_ Non-Producing Executives/Managers \_\_\_\_\_  
Other (Back Office) \_\_\_\_\_ Total \_\_\_\_\_
2. How many Producers are licensed as?
  - a. Series 6 \_\_\_\_\_
  - b. Series 7 \_\_\_\_\_
  - c. Series 11 \_\_\_\_\_
  - d. Series 22 \_\_\_\_\_





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3. Total number of securities brokerage accounts: \_\_\_\_\_ of those accounts:
- (a) what % are margin accounts? \_\_\_\_\_ (b) what % are discretionary accounts? \_\_\_\_\_
- (c) what % are Individual: \_\_\_\_\_ Corporate: \_\_\_\_\_ Institutional: \_\_\_\_\_
4. (a) What percentage of client agreements contains arbitration clauses? \_\_\_\_\_
- (b) Is the arbitration clause in (a) above ever deleted from client agreements? \_\_\_\_\_
- (c) If yes, from what percentage of client agreements? \_\_\_\_\_
5. Name of Risk Manager/General Counsel/law firm (or equivalent positions) and number of years in current position. \_\_\_\_\_ If outside law firm, please provide address: \_\_\_\_\_

### PRODUCT INFORMATION:

1. If coverage is currently being requested for the sale and servicing of variable annuities, please supply the following information.
- (a) Five year history of gross company revenues from the sale of variable annuity products:
- Current Year: \_\_\_\_\_
- Second Year: \_\_\_\_\_
- Third Year: \_\_\_\_\_
- Fourth Year: \_\_\_\_\_
- Fifth Year: \_\_\_\_\_
- (b) Are these variable annuities sold through a Subsidiary Broker/Dealer? Yes \_\_\_\_\_ No \_\_\_\_\_.  
If no, what is the name of the Broker/Dealer(s) through which variable annuities are sold?  
\_\_\_\_\_
- (c) Are there supervisory guidelines directly related to the sale of variable annuities to clients over the age of 65? Yes \_\_\_\_\_ No \_\_\_\_\_  
If yes, what additional policies and procedures are implemented?  
\_\_\_\_\_
- (d) Are there supervisory guidelines directly related to the sale of one variable annuity and the immediate purchase (within 6 months) of another, new variable annuity? Yes \_\_\_\_\_ No \_\_\_\_\_.  
\_\_\_\_\_ If yes, what additional policies and procedures are implemented?  
\_\_\_\_\_

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2. Does the Applicant have written procedures with respect to the use of marketing material and illustrations? Yes \_\_\_\_\_ No \_\_\_\_\_. (If yes, attach a copy of such policies and procedures. If no, please provide a written description of the standard procedures that are implemented in the use of marketing materials and illustrations.)
  
3. Do the Applicant's procedures with respect to the use of marketing material and illustrations regarding variable annuities conform with the National Association of Variable Annuities' (NAVA's) guidelines pertaining to the use of such materials and illustrations? Yes \_\_\_\_\_ No \_\_\_\_\_
  
4. Do the Applicant's procedures with respect to the use of marketing material and illustrations conform to the National Association of Insurance Commissioners' (NAIC's) Model Regulations pertaining to the use of such materials and illustrations? Yes \_\_\_\_\_ No \_\_\_\_\_
  
5. (a) Does the Applicant use any outside third party due diligence services? Yes \_\_\_\_\_ No \_\_\_\_\_. If yes, please identify the service. \_\_\_\_\_  
  
(b) Please attach a copy of the Applicant's due diligence guidelines/procedures for approving investment vehicles to be sold.

**Please state the Percentage (%) of commission revenues which are derived from the following:**

- a. Listed Stocks \_\_\_\_\_  
Unlisted Stocks \_\_\_\_\_  
Listed Bonds \_\_\_\_\_  
Commercial Paper \_\_\_\_\_  
Penny Stocks (unlisted securities trading for less Than \$5.00/share) \_\_\_\_\_  
Limited Partnerships (Total commissions revenue): \_\_\_\_\_  
    Public Limited Partnerships: Proprietary \_\_\_\_\_ Non-Proprietary \_\_\_\_\_  
    Private Placement LPs: Proprietary \_\_\_\_\_ Non-proprietary \_\_\_\_\_  
    Oil and Gas Limited Partnerships \_\_\_\_\_  
Unregistered Stocks or Bonds \_\_\_\_\_  
    Crowdfunding \_\_\_\_\_  
Option Contracts \_\_\_\_\_  
Commodities \_\_\_\_\_  
Commodity Futures \_\_\_\_\_  
Mutual Funds \_\_\_\_\_  
Delaware Statutory Trusts \_\_\_\_\_  
Real Estate Investment Trusts \_\_\_\_\_  
Tennant in Common \_\_\_\_\_  
Variable Annuities \_\_\_\_\_  
Other Annuities \_\_\_\_\_  
Life Insurance \_\_\_\_\_  
Employee Benefit Plans \_\_\_\_\_

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Hedge Funds \_\_\_\_\_

Business Development Companies \_\_\_\_\_

**Total** \_\_\_\_\_

- b. Is premium financing allowed? Yes \_\_\_\_\_ No \_\_\_\_\_. If premium financing is allowed what percentage of sales includes premium financing \_\_\_\_\_.
- c. Do you enforce concentration levels on the following (if so, what are they?):
- i. Private Placements \_\_\_\_\_
  - ii. Real Estate Investment Trusts \_\_\_\_\_
  - iii. Tenant in Common \_\_\_\_\_
  - iv. Limited Partnerships \_\_\_\_\_
  - v. Delaware Statutory Trust \_\_\_\_\_
  - vi. Direct Participation Programs \_\_\_\_\_
  - vii. Oil and Gas Limited Partnerships \_\_\_\_\_
  - viii. Business Development Companies \_\_\_\_\_

**Please attach:**

- a) a list of the approved investment vehicles for sale by the Applicant's Registered Representatives, including approved life insurance companies and their products, as well as adherence guidelines;
- b) a list of products or services a disclosure statement is required to be signed by a customer?

**RECRUITMENT OF REGISTERED REPRESENTATIVES:**

1. Has the Authorized Broker/Dealer amended their written policies and procedures relating to the selection and contracting/recruiting of Registered Representatives? Yes \_\_\_\_\_ No \_\_\_\_\_. (If yes, attach a copy of such policies and procedures.
2. Have the members of your new hire committee changed? If so, Please specify name and title below:  
\_\_\_\_\_
3. Has the process for selecting, recruiting and contracting Registered Representatives changed in the past year? If so, please describe. \_\_\_\_\_  
\_\_\_\_\_
4. Do you consider Registered Representatives who have 3 or more marks on their U4? Yes \_\_\_\_\_ No \_\_\_\_\_. If so, please describe how many and what are the circumstances in your acceptance.

**MONITORING/COMPLIANCE/TRAINING OF REGISTERED REPRESENTATIVES:**

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1. Has the Applicant changed their written policies and procedures relating to the monitoring of the performance of a Registered Representative or Independent RIA since the previous year? If Yes, please provide details.
2. Has the Applicant's disciplinary measures when a violation of compliance guidelines occurs changed over the past year. If so, please describe.

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3. Has the Applicant's training procedure for educating Registered Representatives changed in the past year? Yes \_\_\_\_\_ No \_\_\_\_\_ (If yes, please describe those training procedures. If no, please provide a written description of the education process of new Registered Representatives.)

### INSURANCE PROGRAM SPECIFICATIONS:

1. Indicate by an "X" the Professional Services for which coverage is requested:

Entity Coverage for the Applicant B/D for activities of Registered Representatives otherwise covered by the policy \_\_\_\_\_

Fee Based Financial Planning \_\_\_\_\_

Sale/attempted sale/servicing of:

Securities approved by the Applicant B/D \_\_\_\_\_

Life Insurance Products \_\_\_\_\_

Accident & Health/Disability Income \_\_\_\_\_

Selling Away \_\_\_\_\_

Employee Benefit Plans \_\_\_\_\_

Outside Business Activities (Life) \_\_\_\_\_

Outside Business Activity (RIA) \_\_\_\_\_

Alternative Investment Coverage \_\_\_\_\_

Other (Please Specify) \_\_\_\_\_

2. Anticipated decrease/increase, from the expiring program, in the number of Registered Representatives enrolling in this year: Same \_\_\_\_\_ Increase of \_\_\_\_\_ Decrease of \_\_\_\_\_

### INSURANCE AMOUNTS REQUESTED:

1. Limits:

a. Registered Representatives: Per Claim \$ \_\_\_\_\_ Aggregate/RR \$ \_\_\_\_\_

b. Agent: Per Claim \$ \_\_\_\_\_ Aggregate/Agent \$ \_\_\_\_\_

c. Broker/Dealer (entity): Per Claim \$ \_\_\_\_\_ Aggregate/B/D \$ \_\_\_\_\_

d. Vicarious Liability (please specify): Per Claim \$ \_\_\_\_\_ Aggregate/Vicarious \$ \_\_\_\_\_

e. Total Policy Aggregate Limit of Liability: \$ \_\_\_\_\_

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2. Retentions:

- a. Registered Representatives – Applicant products/outside products: \$ \_\_\_\_\_/\$ \_\_\_\_\_
- b. Agents: (please specify) – Applicant products/outside products: \$ \_\_\_\_\_/\$ \_\_\_\_\_
- c. Broker/Dealer – entity: \$ \_\_\_\_\_

**It is agreed that with respect to question number 4 above that if such knowledge or information exists, any claim or action arising therefrom is excluded from the proposed coverage.**

IN GRANTING COVERAGE TO ANY OF THE INSURED, THE INSURER HAS RELIED UPON THE DECLARATIONS AND STATEMENTS IN THIS APPLICATION FOR COVERAGE. ALL SUCH DECLARATIONS AND STATEMENTS ARE THE BASIS OF COVERAGE AND SHALL BE CONSIDERED INCORPORATED INTO AND CONSTITUTING A PART OF THE POLICY SHOULD ONE BE ISSUED.

THE UNDERSIGNED AUTHORIZED REPRESENTATIVE OF THE APPLICANT HEREBY DECLARES THAT THE STATEMENTS SET FORTH HEREIN ARE TRUE. THE UNDERSIGNED AGREES THAT IF THE INFORMATION SUPPLIED ON THIS APPLICATION CHANGES BETWEEN THE DATE OF THIS APPLICATION AND THE EFFECTIVE DATE OF THE INSURANCE, HE/SHE (UNDERSIGNED) WILL, IN ORDER FOR THE INFORMATION TO BE ACCURATE ON THE EFFECTIVE DATE OF THE INSURANCE, IMMEDIATELY NOTIFY THE INSURER OF SUCH CHANGES AND THE INSURER MAY WITHDRAW OR MODIFY ANY OUTSTANDING QUOTATIONS AND/OR AUTHORIZATION OR AGREEMENT TO BIND THE INSURANCE.

SIGNING OF THIS APPLICATION DOES NOT BIND THE APPLICANT OR THE INSURER TO PURCHASE THE INSURANCE, BUT IT IS AGREED THAT THIS APPLICATION SHALL BE THE BASIS OF THE CONTRACT SHOULD A POLICY BE ISSUED, AND IT WILL BE ATTACHED TO AND BECOME PART OF THE POLICY.

ALL WRITTEN STATEMENTS AND MATERIALS FURNISHED TO THE INSURER IN CONJUNCTION WITH THIS APPLICATION ARE INCORPORATED INTO AND MADE A PART HEREOF. NOTHING CONTAINED HEREIN OR INCORPORATED HEREIN BY REFERENCE SHALL CONSTITUTE NOTICE OF A CLAIM OR POTENTIAL CLAIM SO AS TO TRIGGER COVERAGE UNDER ANY CONTRACT OF INSURANCE.

PLEASE READ THE FOLLOWING STATEMENT CAREFULLY AND SIGN BELOW WHERE INDICATED. IF A POLICY IS ISSUED THIS STATEMENT IS INCORPORATED IN AND BECOMES A PART OF SUCH POLICY.

The undersigned authorized representative of the Applicant hereby acknowledges that he/she is aware that the limit of liability contained in this policy shall be reduced and may be exhausted, by the costs of legal defense. In such event, the Insurer shall not be liable for the costs of legal defense or for the amount of any judgment or settlement in excess of the limit of liability of this policy.

The undersigned authorized representative of the Applicant hereby further acknowledges that he/she is aware that legal defense costs that are incurred shall be applied against the retention amount.

Signed: \_\_\_\_\_

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

Print Name: \_\_\_\_\_

Title\*: \_\_\_\_\_

Broker: \_\_\_\_\_

\* Must be signed by a duly authorized officer.





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**FOR 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.

**FOR COLORADO APPLICANTS:** IT IS UNLAWFUL TO KNOWINGLY PROVIDE FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO AN INSURED 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 OF 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.

**FOR FLORIDA APPLICANTS:** ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, DEFRAUD, OR DECEIVE ANY INSURER FILES A STATEMENT OF CLAIM OR ANY APPLICATION CONTAINING ANY FALSE, INCOMPLETE OR MISLEADING INFORMATION IS GUILTY OF FELONY IN THE THIRD DEGREE.

**FOR KENTUCKY APPLICANTS:** ANY PERSON WHO KNOWINGLY AND WITH INTENT TO INJURE, 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.

**FOR MINNESOTA APPLICANTS:** ANY PERSON WHO SUBMITS AN APPLICATION OR FILES A CLAIM WITH INTENT TO DEFRAUD OF HELPS COMMIT A FRAUD AGAINST AN INSURER IS GUILTY OF A CRIME.

**FOR 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.

**FOR 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 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 BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

**FOR OHIO APPLICANTS:** ANY PERSON WHO, WITH INTENT TO DEFRAUD OR KNOWING THAT HE IS FACILITATING A FRAUD A AGAINST AN INSURER, SUBMITS AN APPLICATION OR FILES A CLAIM CONTAINING A FALSE OR DECEPTIVE STATEMENT IS GUILTY OF INSURANCE FRAUD.

**FOR 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 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 SUBJECTS SUCH PERSON TO CRIMINAL AND CIVIL PENALTIES.