

Commercial Crime Policy Application

- 2. Audit Procedures:** Yes No
- (a) Are your annual financial statements audited by a public accountant?
 - (b) Is the public accountant's opinion unqualified?
 - (c) Does it include all interests and locations on an annual basis?
 - (d) Have all recommendations made by the accountant been adopted?
 - (e) Are all reports sent directly to the Owner, Partners or Directors?
 - (f) Is there a full time professional staff auditor?
 - (g) Does the staff auditor conduct an audit annually or on a surprise basis? _____
 - (h) Is there a formal audit program?
 - (i) Does the auditor have the authority to check anyone and any record at any time?
 - (j) Does the auditor originate entries?
 - (k) If weaknesses are discovered, does the auditor report in writing to the First Named Insured?
 - (l) Do you audit your Wire Transfer procedures?
 - (m) Are foreign locations audited at least annually?
 - (n) Are foreign locations audited by a U.S. or foreign auditor? _____

3. Internal Controls:

- Bank Accounts:** Yes No
- (a) Are bank accounts reconciled monthly?
 - (b) Are bank accounts reconciled by someone not authorized to deposit, withdraw, or write checks?

Checks & Securities:

- (c) Is countersignature of all checks required? Yes No Above what amount? \$
- (d) Do all vouchers or other supporting record accompany all checks to be signed? Yes No
- (e) Are vouchers/supporting records stamped "PAID" when checks are signed?
- (f) Do you maintain a list of approved vendors?
- (g) Are your systems designed so that no single employee can control a transaction from beginning to end (e.g. approve a voucher, request and sign a check)?
- (h) Are securities subject to the joint control of two or more employees?
- (i) Do the above controls differ in foreign locations?

Accounts Receivable:

- (j) Are at least 20% of all of the accounts receivable periodically verified by direct contact with

Payroll: the customers? Yes No

- (k) Do you screen your employees for prior acts of dishonesty?
- (l) Are credit reports checked when screening new employees?

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- | | | | |
|-----|--|-----|----|
| m) | Is the payroll made up by persons other than those who distribute it to employees? | Yes | No |
| (n) | Are all persons who are authorized to hire and/or fire employees prohibited from distributing the payroll? | Yes | No |

Shipping and Receiving:

- | | | | |
|-----|---|-----|----|
| | | Yes | No |
| (o) | Are all persons engaged in purchase or sales activities prohibited from taking part in shipping and receiving activities? | | |
| (p) | Are all shipping and receiving activities reconciled to all applicable sale or purchase orders? | | |
| (q) | Does any employee have access to the purchasing system and also the accounts payable system? | | |
| (r) | Is all purchasing centralized out of your main office? | | |
| (s) | Do you have a system to detect payment to fictitious suppliers? | | |
| (t) | Are cash or credits on return purchases supervised by at least two persons? | | |

Supervision by Owner:

- | | | | |
|-----|---|-----|----|
| (u) | Is there personal supervision of business activities on a daily basis by an Owner, Partner or Director? | | |
| (v) | Does that person: | Yes | No |
| | Deposit all cash receipts? | | |
| | Sign or countersign all checks? | | |
| | Check petty cash periodically? | | |
| | Verify periodically accounts receivable? | | |
| | Reconcile all bank accounts? | | |
| | Verify shipping and receiving activities? | | |
| | Review journal entries? | | |

4. Vendor Information

- | | | | |
|-----|--|-----|----|
| (a) | Are background checks performed on vendors in order to determine ownership and financial capability prior to doing business with them? | Yes | No |
| (b) | Is an authorized vendor list utilized and updated for all annual purchases, with competitive bidding required over stated amounts? | Yes | No |
| (c) | Are requisitions and purchase orders issued only after the approval of specified personnel within specified limits? | Yes | No |

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- d) Is each cash disbursement based on a recognized liability, accurately prepared, and appropriately authorized, including comparisons to authorized vendor lists and receiving reports? Yes No
- e) Are perpetual inventories maintained of materials and supplies and periodically verified by physical count? Yes No
- f) Are vendors provided with a statement of your conflict of interest and gift policy (prohibiting gifts of any significant value)? Yes No
- g) Are vendors asked to disclose any gifts or favors offered or requested or other questionable behavior by employees? Yes No
- h) Do the same controls apply to locations outside of the United States? Yes No

5. Prior Insurance:

- (a) Has any similar insurance been declined or canceled during the past three years? Yes No
If "Yes", please explain
- (b) Prior insurance to be superseded Check here if none

| Form of Insurance | Effective Date | Expiration Date | Limit of Insurance | Name of Insurance Company |
|-------------------|----------------|-----------------|--------------------|---------------------------|
| | | | | |
| | | | | |
| | | | | |

6. Loss History:

Enter all claims or occurrences that may give rise to claims for the prior 5 years Check here if none

| Date of Occurrence | Type/Description of Occurrence or Claim | Date of Claim | Amount Paid | Claims Status (Open or Closed) |
|--------------------|---|---------------|-------------|--------------------------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Comments/Corrective Action Taken:

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7. Classification of Employees and Locations

(a) Classification of Employees (Including Full Time and Part Time):

| | | | | |
|------------------|----|--------|---------|-------------|
| Employees | US | Canada | Foreign | Grand Total |
| Employees | US | Canada | Foreign | Grand Total |

| Number of: | Number of: | Number of: |
|-------------------------------------|-----------------------------|-------------------------------|
| Accountants/Asst. Accountants | Credit Clerks and Managers | Purchasing Agents/Asst. Agent |
| Adjusters | Delivery Persons | Delivery Persons |
| Administrators/Asst/ Administrators | Demonstrators | Demonstrators |
| Appraisers/Asst. Appraisers | Detectives | Detectives |
| Attorneys | Employees who Order Food | Employees who Order Food |
| Auditors/Asst. Auditors | Employees who Handle Money | Employees who Handle Money |
| Bookkeepers | Janitors | Janitors |
| Bursars/Asst. Bursars | Locker Room Attendants | Locker Room Attendants |
| Bus Drivers | Maitre D's/Asst. Maitre D's | Maitre D's/Asst. Maitre D's |
| Door to Door Salespeople | Managers/Asst. Managers | Managers/Asst. Managers |
| Cashiers/Asst. Cashiers | Medical Directors | Medical Directors |
| Chairpersons | Messengers, Outside | Messengers, Outside |
| Collectors | Meter Readers Who Collect | Meter Readers Who Collect |
| Computer Programmers | Nurses | Nurses |
| Comptrollers/Asst. Comptrollers | Payroll Distributors | Payroll Distributors |

8. Money - Securities

Please enter the exposure for each category. Amounts entered should be the maximum exposure.

| Type | Money | Securities (Other Than Payroll Checks) | Checks (Excluding Retail Checks) | Payroll Checks | Money Overnight | Securities (In Bank/Safe Deposit) |
|--------------|-------|--|--|-------------------|--------------------|---|
| Inside | | | | | | |
| Messenger #1 | | | | | | |
| Messenger #2 | | | | | | |

9. Property

Please provide a description of property, merchandise, stock, etc. to be covered. Please also state the maximum value.

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10. Precious Metals Yes No

- (a) Do you handle, store or use for manufacturing, precious and/or non-precious metals?
- (b) Any type of mining?

If yes, please complete our Valuable Metals Questionnaire (available upon request).

11. General Information

| Business Hours | Average # of Employees On Duty | Frequency of Deposits | Night Depository Used | Annual Gross Sales or Receipts For Last Fiscal Year | Other Information |
|----------------|--------------------------------|-----------------------|-----------------------|---|-------------------|
| | | | | | |

12. Safe/Vault

| Manufacturer | Label | Class | Door Type | | Combination Locks | | | Thicknees | |
|--------------|---------|-------|-----------|--------|-------------------|-------|-------|-----------|------|
| | | | Round | Square | Outer | Inner | Chest | Door | Wall |
| | UL/SMNA | | | | | | | | |
| | | | | | | | | | |

13. Messenger Protection

| Messenger # | # Guards per Messenger | Private Conveyance Used? | Safety Satchel Used? |
|-------------|------------------------|--------------------------|----------------------|
| | | | |
| | | | |

14. Premises/Safe Protection

- (a) What type of alarm(s) do you have at each of your premises?
- | | | |
|------------------|--------------------------|---------------------------|
| 1. Hold-up Alarm | 2. Premises Alarm | 3. Safe Alarm |
| 4. Local Gong | 5. Central Station Alarm | 6. Police Connected Alarm |

If alarms vary from location to location, please explain: _____

(b) What is/are the certificate number(s) on your alarms(s) and what is/are the expiration date(s)?

(c) Is safe/vault protection partial or complete? _____

(d) Who installs and services your alarms? _____

(e) Please specify the number of guards and/or watchpersons on duty each shift: _____

(f) Please describe any additional protection (e.g. fences, floodlights, etc.): _____

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15. Internet Security Yes No

- (a) Do you buy or sell goods via the internet?
- (b) Do you have a firewall?
- (c) Do you have an intrusion detection system that identifies unauthorized access?
- (d) Do you have documented internet guidelines for employees?
- (e) Do you have documented emergency procedures?
- (f) Has your computer system ever been invaded by a hacker or virus?

If "Yes" to question (f), when and what controls have been implemented to prevent further incidences?

16. Business Activities

- (a) Are you or any of your subsidiaries involved in any of the following? (check all that apply) Yes No
- a. Trading?
 - b. Extending Credit?
 - c. Warehousing?
 - i. For Others?
 - ii. For Owned Equipment or Inventory?

Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance 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.

Applicant's Signature _____

Date _____

Producer's Signature _____

Date _____