



**BY COMPLETING THIS APPLICATION YOU ARE APPLYING FOR COVERAGE WITH  
FEDERAL INSURANCE COMPANY (THE "COMPANY")**

**NOTICE: THE COVERAGE AFFORDED UNDER THIS COVERAGE SECTION DIFFERS IN SOME  
RESPECTS FROM THAT AFFORDED UNDER OTHER POLICIES. READ THE ENTIRE APPLICATION  
CAREFULLY BEFORE SIGNING.**

**APPLICATION INSTRUCTIONS:**

1. Whenever used in this Application, the term "**Applicant**" shall mean the Parent Organization and all organizations applying for coverage.
2. Include all requested underwriting information and attachments. Provide a complete response to all questions and attach additional pages if necessary.

**I. GENERAL INFORMATION:**

1. Name of **Applicant**: \_\_\_\_\_
2. Address of **Applicant**: \_\_\_\_\_
3. **Applicant's** State of Incorporation: \_\_\_\_\_ and date established: \_\_\_\_\_
4. Requested Limits of Liability: \_\_\_\_\_ Deductible Amounts: \$ \_\_\_\_\_
5. Describe or attach a description of the **Applicants's** operations: \_\_\_\_\_
6. Please complete the following:

List Countries in which you have operations	Type of Operation	Number of Locations	Number of Employees	Revenues
U.S. and Canada				\$
				\$
				\$
				\$
				\$
				\$
<b>TOTAL:</b>				\$

7. Please attach the following information for any joint venture or subsidiary that you are requesting coverage for:
  1. Country of domicile and date established;
  2. Percentage of ownership;
  3. Description of Operations; and
  4. Identify the responsibilities of the **Applicant** in any joint venture, including such participation status as the General Partner, Managing Partner, investor, etc.

**Receipt of this information by the Company does not constitute an agreement that coverage will be afforded to the joint ventures or subsidiaries identified.**



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8. Please provide the following information for any mergers or acquisitions in the past 12 months:
1. Name of company acquired;
  2. Date of the transaction;
  3. Description of operations acquired;
  4. Annual revenues; and
  5. Number of employees.
9. Does the **Applicant** provide any lease financing in the course of its business?  Yes  No
10. Have policies been published and distributed to all employees regarding a code of ethics, conflicts of interest and gifts and gratuities?  Yes  No
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**II. SPECIFIC INFORMATION:**

**1. HUMAN RESOURCES AND PAYROLL**

*Explain any "NO" answers at the END of this application*

1. Is the following pre-employment screening conducted prior to hiring in all business units, both domestically and internationally:
- a. Criminal history record checks in all jurisdictions in which the prospective employee has lived for the last 5 years?  Yes  No
  - b. Social security number verification (or verification of other national identification)?  Yes  No
  - c. Reference checks with all prior employers during the last 5 years?  Yes  No
  - d. Credit check (if access to cash or control/input of financial transactions)?  Yes  No
  - e. Drug testing?  Yes  No
  - f. Education and training verification?  Yes  No
2. Are the following payroll controls in place at all domestic and international operations:
- a. Are management policies and computer system controls in place to prevent persons who approve new hires from adding them into the payroll?  Yes  No
  - b. Are additions to the payroll system automatically reported via the computer system to a HR manager who reconciles payroll changes with new hire documentation?  Yes  No
  - c. Are managers periodically provided with the names and salaries of all employees assigned to them for verification?  Yes  No
  - d. Does the audit department have a program in place to detect possible ghost employees and is the payroll system audited at least annually?  Yes  No
  - e. Is the IS/IT department and accounting department restricted from any access to the payroll computer system?  Yes  No



**2. AUDITING PROCEDURES**

*Explain any "NO" answers at the END of this application.*

1. *Internal Auditing:*

- a. How many professionals are in your internal audit department?  
Currently: \_\_\_\_\_; Three years ago: \_\_\_\_\_
- b. Does the audit department receive automatic exception reports on suspect financial transactions and financial trends?  Yes  No
- c. Does the audit schedule include all locations of subsidiaries and joint ventures?  Yes  No
- d. Are audit reports furnished to senior management and the board of directors with all recommendations prioritized by the level of risk they pose to the Organization?  Yes  No
- e. Please attach a copy of the current year's audit plan from the internal auditors.  Yes  No

2. *External Auditing:*

- a. Does an independent CPA provide you with a management letter annually? (If "Yes," please attach the most recent copy and management's response.)  Yes  No
- b. Is each corporate location subjected to periodic external audits?  Yes  No
- c. Are audit reports furnished to senior management and the board of directors?  Yes  No

**3. WIRE TRANSFERS (WT)**

*Explain any "NO" answers at the END of this application.*

- 1. Has separation been established between authority to initiate and approve a WT?  Yes  No
- 2. Have approval authorities been established in writing and are they current?  Yes  No
- 3. Are WT's reconciled daily by a person who did not approve or transmit such WT's?  Yes  No
- 4. Are international and domestic WT procedures and controls consistent?  Yes  No

**4. PURCHASING CONTROLS**

*Explain any "NO" answers at the END of the application.*

- 1. Are levels of purchasing authority established in writing throughout your organization?  Yes  No
- 2. Has a numbered purchase order system been implemented and is it being followed?  Yes  No
- 3. Has an approved master vendor list been established?  Yes  No
- 4. Are procedures in place to verify the existence and ownership of all new vendors prior to adding them to the authorized master vendor list?  Yes  No  
If "Yes," is "due diligence" conducted by someone other than the person requesting such addition or with authority and/or ability to add the vendor to the master list?  Yes  No



5. Does the purchasing system automatically produce exception reports to notify management and auditing of potential fraudulent transactions or trends?  Yes  No
6. Are international and domestic purchasing procedures and controls consistent?  Yes  No

**5. ACCOUNT PAYABLE CONTROLS**

*Explain any "NO" answers at the END of the application.*

1. Are all invoices verified against a corresponding purchase order, receiving report, and authorized master vendor list prior to issuing payment?  Yes  No
2. Are invoices, purchase orders, and check runs reconciled daily by an independent party?  Yes  No
3. Are check signing authorities and dual control requirements established in writing?  Yes  No
4. Are blank and cancelled checks stored under dual control with access documented?  Yes  No
5. Is a perpetual inventory in place for blank checks and are daily inventories taken?  Yes  No
6. Is a monthly reconciliation conducted of all bank accounts by someone who does not handle deposits, sign checks or have access to electronic or mechanical signatures?  Yes  No
7. Does the accounts payable system automatically produce exception reports to notify management and auditing of potential fraudulent transactions or trends?  Yes  No
8. Are international and domestic accounts payable procedures and controls consistent?  Yes  No

**6. INVENTORY CONTROLS**

*Explain any "NO" answers at the END of the application.*

1. Is a perpetual inventory maintained for:
- a. Stock, including raw materials, and manufacturing components,  Yes  No
  - b. Manufactured or finished goods,  Yes  No
  - c. Scrap  Yes  No
2. Do inventory procedures enable accurate accounting of all inventory items listed above at each stage of the manufacturing or production process?  Yes  No
3. Are daily cycle counts conducted on inventory items?  Yes  No
4. Are physical inventory counts conducted at least annually and reconciled with the perpetual inventory system? If "Yes":  Yes  No
- a. Is the reconciliation performed by someone not associated with the control of the physical inventory?  Yes  No
  - b. Are inventory variances outside established parameters reported to auditing?  Yes  No
5. Does the **Applicant** use precious metal, stone or other high value items in the manufacturing or processing of goods? If "Yes":  Yes  No
- a. Is access to such materials restricted, physically controlled and monitored?  Yes  No  
Please attach details of such controls.
  - b. Are daily inventories conducted of all high value items?  Yes  No
  - c. Please provide the average \_\_\_\_\_ and maximum value \_\_\_\_\_ at each location.
6. Are international and domestic inventory procedures and controls consistent?  Yes  No



**7. MONEY AND SECURITIES CONTROL**

*Explain any "NO" answers at the END of the application.*

1. State the value of negotiable securities owned or held: \$ \_\_\_\_\_  N/A
2. Where are the securities kept? \_\_\_\_\_
3. If safe deposit boxes are used, has the bank been instructed to require that two authorized individuals be present before entry to any box is permitted?  Yes  No  N/A
4. What is the maximum amount held at, or transported from, any one location?  
Cash: \$ \_\_\_\_\_ Checks: \$ \_\_\_\_\_ Negotiable Securities: \$ \_\_\_\_\_  N/A

**8. COMPUTER SYSTEMS PROTECTION**

*Explain any "NO" answers at the END of the application.*

1. Are access controls designed so that users cannot gain access to programs and files to which they have not been specifically granted access through a formal procedure?  Yes  No
2. Have computer access controls been implemented that include the following:
  - a. Passwords are required to be alpha/numeric and 6-9 characters?  
(system enforced)  Yes  No
  - b. Are user IDs automatically revoked upon separation of employment?  Yes  No
  - c. Are password files encrypted for all applications and is access restricted?  Yes  No
3. Are business-to-business or business-to-consumer transactions performed over the Internet? If "Yes":  Yes  No
  - 1) Are firewalls configured to restrict all IP communications except those necessary to conduct business and are firewall security patches current?  Yes  No
  - 2) Is firewall port scanning and penetration testing conducted regularly?  Yes  No
  - 3) Were web-based applications independently tested for security vulnerabilities prior too, or at the time of, deployment and have they been similarly tested whenever the applications have been modified?  Yes  No
4. Intrusion Detection Systems: Is network-based and host-based IDS software installed and are all patches current?  Yes  No
5. Are B-2-B and B-2-C procedures, systems, and controls the same for domestic and international operations?  Yes  No
6. Do you have a formal process for authenticating all transactions done electronically prior to shipping product or authorizing payment? (Please attach a complete description of the methods utilized to authenticate these transactions.)  Yes  No

**9. CLIENT SERVICES**

1. Do any clients require the **Applicant** to be bonded or carry crime insurance?  Yes  No  N/A  
If "Yes," please explain and specify the amount: \_\_\_\_\_
2. Does the **Applicant** have custody or control over any funds, accounts, or materials of any of its clients?  Yes  No  N/A  
If "Yes", please describe:  
\_\_\_\_\_
3. Do the **Applicant's** employees have access to any client(s) accounting, payroll or purchasing systems?  Yes  No  N/A



**10. LOSS EXPERIENCE**

List all employee theft, burglary, robbery, forgery, computer fraud or other crime losses discovered by the **Applicant** in the last five years, itemizing each loss separately (attach additional pages if necessary):

Check if none.

Date of Loss	Description of Loss (Include controls that were circumvented, controls that were missing, and steps taken to remediate the causes of the loss)	Total Amount of Loss	Please indicate whether or not the loss was covered under another insurance policy and include the carrier's name	
			Covered: Yes or No?	Carrier's Name
			<input type="checkbox"/> Yes <input type="checkbox"/> No	
			<input type="checkbox"/> Yes <input type="checkbox"/> No	

**11. PLEASE ATTACH THE FOLLOWING ADDITIONAL INFORMATION:**

- Requested details on all joint ventures, subsidiaries or mergers and acquisitions for which you are requesting coverage;
- A copy of the Internal Auditors Audit Plan for the current year;
- A copy of your most recent audited financial statement,
- A copy of your CPA management letter on internal controls and management's response;
- A full description of your operations;
- An explanation of any "No" answers referenced in the application; and
- Details on internal controls for high value goods, if applicable.

**III. MATERIAL CHANGE:**

If there is any material change in the answers to the questions in this Application before the policy inception date, the **Applicant** must immediately notify the Company in writing, and any outstanding quotation may be modified or withdrawn.

**IV. NOTICE:**

The **Applicant's** submission of this Application does not obligate the Company to issue, or the **Applicant** to purchase, a policy. The **Applicant** will be advised if the Application for coverage is accepted. The **Applicant** hereby authorizes the Company to make any inquiry in connection with this Application.



**V. DECLARATION AND SIGNATURE:**

For the purposes of this Application, the undersigned authorized agents of the person(s) and entity(ies) proposed for this insurance declare to the best of their knowledge and belief, after reasonable inquiry, the statements made in this Application and any attachments or information submitted with this Application, are true and complete. The undersigned agree that this Application and its attachments shall be the basis of a contract should a policy providing the requested coverage be issued and shall be deemed to be attached to and shall form a part of any such policy. The Company will have relied upon this Application, its attachments, and such other information submitted therewith in issuing any policy.

The information requested in this Application is for underwriting purposes only and does not constitute notice to the Company under any policy of a Claim or potential Claim.

**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 also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.**

This Application must be signed by the chief executive officer and chief financial officer of the Parent Organization acting as the authorized representatives of the person(s) and entity(ies) proposed for this insurance.

Date	Signature	Title
_____	_____	<u>Chief Executive Officer</u>
_____	_____	<u>Chief Financial Officer</u>

Produced By:

Agent: \_\_\_\_\_ Agency: \_\_\_\_\_

Agency Taxpayer ID or SS No.: \_\_\_\_\_ Agent License No.: \_\_\_\_\_

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

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

Submitted By:

Agency: \_\_\_\_\_

Taxpayer ID or SS No.: \_\_\_\_\_ Agent License No.: \_\_\_\_\_

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

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