



ace insurance

Financial Institutions Bond & Electronic Computer Crime **PROPOSAL FORM**

INSTRUCTIONS TO PROPOSER

Please answer all questions. If you have insufficient space to complete an answer, attach a separate signed and dated sheet and identify the question number concerned.

Please attach the following Company information with this completed proposal:

1. Most recent:
 - (a) Auditing Firm's Letter of Recommendation to Management.
 - (b) Management's written response to Letter of Recommendation.
2. Most recent Annual Report and consolidated, audited Financial Statement.
3. Most recent Interim Financial Statement.

This proposal and all attachments shall be treated in strictest confidence

BEFORE COMPLETING THIS PROPOSAL FORM PLEASE READ THE IMPORTANT NOTICES ON PAGE 15.

If ACE agrees to issue a bond or electronic computer crime policy, all of the information, which the company provides, will become part of and shall form the basis of any bond issued to the Company by ACE Insurance Limited.



FINANCIAL INSTITUTIONS BOND & ELECTRONIC COMPUTER CRIME

A. GENERAL DETAILS

2. Name of Company:

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3. Head Office Address:.....

(Street Address)

(City)

(State)

(Post Code)

4. Internet Address or website:

5. Please give details of the Company's nature of operations including those of its subsidiaries.

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6. Please complete the Schedule of the proposed Company and Subsidiaries to be insured, as attached.

7. What are the Company and its Subsidiaries total number of:

EMPLOYEES

LOCATIONS

(a) Head Office:

(b) Branches:

(c) Data Processing Centres:

(d) Administration Centres

(e) Automated Teller Machines _____

8. Does the Company intend to offer any new services during the next twelve months? Yes No

If Yes, please provide details.

9. Has the Company been acquired by another entity, merged with or acquired any other business or entity during the past five (5) years? Yes No

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

B. AUDITING & COMPLIANCE PRACTICES

Internal Audit

1. Is there an Internal Audit Department that is separate from the auditing services provided by an external auditor? Yes No

If Yes:

(a) How many people are employed in the Internal Audit Department?



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- (b) Have they been trained to fulfil this function? Yes No
- (c) Are the personnel responsible for auditing free of all other operational responsibilities and forbidden to originate entries? Yes No
- (d) Is there a formal written internal audit program that includes the computer centres and facilities? Yes No
- (e) Does the Internal Audit Department conduct a periodic surprise audit of internal control systems at all locations? Yes No
- (f) Is the internal audit department independent of any other function? Yes No
- (g) Does the Internal Auditor report directly to the Audit Committee of the Board of Directors? Yes No

2. Do you have procedures in place to monitor the implementation of recommendations made by the internal audit department? Yes No

If No, please explain:

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3. How often are full internal audits conducted? Yes No

External Audit

4. State the name of the external auditors who fully audit your accounts.....
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5. How often are full external audits conducted?

6. Does the audit include all offices and branches, including Data Processing offices? Yes No

If No, what form does the audit take?

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7. Does the external auditor:
- (a) Regularly review the system of internal control and furnish written reports? Yes No
 - (b) Report directly to the Audit Committee of the Board of Directors? Yes No

8. Has the firm rendered an unqualified opinion for each of the last five (5) years? Yes No

9. Has there been any change in the firm used by the Company in the last five (5) years? Yes No

If Yes, please explain:.....

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10. Has the Company complied with all recommendations made as a result of its most recent audit? Yes No



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If *No*, have you adopted alternative arrangements to the satisfaction of your auditor? Yes No

11. Are all entities subject to the same external audits and applicable internal controls, procedures and appropriate physical security standards? Yes No

If *No*, please provide full details.
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C. ORGANISATIONAL PROCEDURES

1. Does the Company currently maintain a manual containing the following:

(a) Written instructions or operations manual on all aspects of your business that defined the duties of each employee? Yes No

(b) Security procedures? Yes No

(c) Written Asset/Liability management policy? Yes No

(d) Written Treasury Management policy? Yes No

(e) Annual reporting and review of outside business interests of all Directors and Officers? Yes No

(f) A standard procedure for investigating and verifying employees prior to their employment? Yes No

2. Are the accounts of Directors and Employees reviewed regularly for unusual activity? Yes No

If *Yes*, by whom?
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3. Are all employees required to take an uninterrupted, two-week holiday each calendar year? Yes No

4. Are new employees required to attend a training programme? Yes No

5. Are the duties of each employee arranged to prevent any one employee from controlling any transaction from commencement to completion? Yes No

6. Are unannounced and irregular changes made in the position of employees within a particular job strata? Yes No

7. Is joint custody maintained for the safeguarding of:

(a) Access to property in safes or vaults? Yes No

(b) Codes, ciphers and test keys? Yes No

(c) Data processing memory storage facilities (tapes, files, discs, etc.)? Yes No

8. Is dual control maintained for the handling of:



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(a) All types of securities, negotiable and non-negotiable instruments, loan collateral and unissued and blank forms of said items? Yes No

(b) The reserve supply of official cheques and unissued travellers cheques? Yes No

9. Is there a Chief Security Officer? Yes No

If Yes:

(a) Is the Chief Security Officer responsible for the development and administration of a comprehensive security program for the Company? Yes No

(b) Does he report directly to the Managing Director and the Board of Directors? Yes No

(c) Is there a schedule for inspecting and testing all security devices? Yes No

(d) Are all branches formally inspected regularly? Yes No

D. ACCOUNT MAINTENANCE

1. When is a cheque or savings account considered dormant/inactive?

2. How are dormant/inactive cheque and savings accounts segregated and controlled?

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3. State the maximum amount a teller is authorised to pay in cash in exchange for a withdrawal request or a cheque drawn on the bank:

(a) Without approval of an officer

(b) With approval of an officer

4. Do you permit cashing of cheques or withdrawals against uncollected funds? Yes No

If Yes, please describe circumstances and for what maximum amounts:

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5. Do you permit cashing of cheques drawn upon other banks? Yes No

If Yes, please describe circumstances and for what maximum amounts:

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E. PHYSICAL SECURITY

1.

State MAXIMUM Value of:	Bearer or Negotiable Securities	Cash, Bullion, Precious Stones and Similar Items
Head Office:		
Branches:		
Clearing Houses:		
Other Locations:		

2.

State MAXIMUM Value of Cash and Bearer and Negotiable Securities in Transit at any one time	By Armoured Motor Vehicle:		By Messenger(s):	
	Cash	Securities	Cash	Securities
Head Office:				
Branches:				
Clearing Houses:				
Other Locations:				

3. Describe the alarm systems for all locations, including surveillance and other security measures for safeguarding the physical premises of the Company.

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4. Teller Positions

- (a) Can each teller activate a hidden alarm? Yes No
- (b) Is excess teller cash immediately transferred to the vault? Yes No
- (c) Is all teller cash transferred to the vault at the end of each working day? Yes No
- (d) Are tellers provided with 'bait' money? Yes No
- (e) Are teller's cash drawers verified as to content on an unscheduled basis? Yes No

F. LENDING PROCEDURES

1. Please provide your best estimates as respects forms of credit extended by the Company based on the total dollar volume and percentage of the Company's loan volume derived from each category.



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	Volume \$	Percentage of Loans %
(a) Commercial Loans and Overdrafts:
(b) Residential Real Estate Loans:
(c) Personal Loans:
(d) Leasing:
(e) Construction Loans:
(f) Development Loans:
(g) Credit Card Loans:
(h) Foreign exchange dealings:
(i) Funds Management:
(j) Other, please specify:
Total:	\$	100%

2. Do you operate and maintain a loan policy manual? Yes No

If Yes, does it include

- (a) individual lending limits? Yes No
- (b) lending criteria? Yes No
- (c) authority levels? Yes No
- (d) collateral requirements and authentication procedures? Yes No

3. What is the highest individual amount of loan authority for officers who are not on the Loan Committee or on the Board of Directors?

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4. Are the identities of all signatories independently verified for collateral agreements, loan authorisations, and notes? Yes No

5. Are all new and renewal loan applications and accompanying documents required to be signed in the presence of an officer? Yes No

If No, please explain what signature verification methods are used:

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6. Are data and collateral involved with the granting of loans, including loan participations, always verified as genuine on new and renewal loans before funds are disbursed? Yes No

If No, please explain what exceptions are made:

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7. Is substituted collateral always verified before original collateral is released? Yes No

8. Is negotiable collateral kept under dual control? Yes No

If Yes, please explain procedures:

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9. For the previous two years, indicate the amount of loans that are: Yes No

	/ /	/ /
(a) 90 days or more past due:	\$ _____	\$ _____
(b) Non accruals:	\$ _____	\$ _____

10. Does the Board of Directors or a Loan Committee review all loans made? Yes No

If No, how is the loan review function accomplished?

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G. FUNDS TRANSFER

1. Does the Company use or subscribe to any Electronic Funds Transfer Systems, which allow direct access by clients:

- (a) to its data base? Yes No

- (b) to execute a transfer of funds Yes No

If Yes, please list each one including a brief description of the services offered; brief description of the system configuration; approximate number of clients.

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2. If the Company is involved in wire transfers of funds does it

(a) specify and define:

- (i) Authorised personnel? Yes No

- (ii) Authorised personnel of correspondents and corporate customers? Yes No

- (iii) Call-back procedures? Yes No



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(iv) Transfer limits?

(b) Please describe the method by which the Company secures fund transfer instructions through the use of passwords, encryption, testing, call back or other procedure.

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(c) What form of control is used to protect the integrity of information or electronic data transmitted or received by the Company via electronic means? (Encryption, test keys, etc.).

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(d) Are there independent individuals designated to review and reconcile all wire funds transfer transactions at the end of each day? Yes No

3. Does the Company clear debits and credits electronically through an automated clearing house or association? Yes No

If Yes, please list each clearing system:

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H. ELECTRONIC AND COMPUTER CRIME

Data Processing

1. Please provide a general description of the services performed by the Company's data processing operations.

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2. Does the Company provide any of these services for any correspondent bank or other financial institution? Yes No

If Yes, please state the bank or financial institution.

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3. List the approximate percentage of data processing performed according to the following source categories:

(a) In house operation



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(b) Arrangement with joint venture:

(c) Arrangement with service vendor:

4. Are the data processing centres physically separated from other departments? Yes No

Please describe the nature of the physical separation?

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5. Are programming and processing operations separated physically and as to personnel involved? Yes No

6. Are the data processing centres specifically protected by the following:

Burglar Alarm: Yes No

Camera System: Yes No

Fire Suppression System: Yes No

Guards: Yes No

Access Control System: Yes No

Other Methods:.....

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7. Are there positive entry control procedures used to restrict the entry of non-authorised personnel into the Company's data processing centres? Yes No

8. Are the following entry control procedures utilised?

Mantrap entry System: Yes No

Television recorder to a central guard area: Yes No

Personal identification by shift supervisors: Yes No

Minicomputer badge System: Yes No

9. Is at least one file generation stored and secured off-site from the main data centre? Yes No

If Yes, is it stored in a restricted area? Yes No

10. Are tape/disc libraries physically separated from other departments in a restricted area? Yes No



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Service Bureau or Facilities Manager Computer System

11. Does the Company utilise any person, partnership or organisation to convert source data to electronic data? Yes No

If Yes, please identify:

(a) The name of the bureau or facilities manager

(b) The service provided.

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12. Have all service bureaux/facilities managers been authorised by written agreement? Yes No

13. Does the Company require all service bureaux / facilities managers utilised to obtain separate fidelity insurance? Yes No

If Yes, for what minimum amount?

14. Does the Company provide bureau facilities to others? Yes No

If Yes, please provide full details.

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Input and System Access

15. Are passwords used to afford varying levels of entry to the computer system depending upon the need and authorisation of the user? Yes No

16. Does the system enforce regular password changes? Yes No

If Yes, what frequency?

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If passwords are not utilised, describe the alternative methods used to protect access to the computer system.

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17. Do personnel inputting data either initial, sign or otherwise identify data they prepare? Yes No

18. Is the use of terminals restricted to authorised personnel only? Yes No

19. Are unique passwords used to identify each terminal? Yes No

20. Are terminals restricted to the type of message that can be sent or received from them? Yes No



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21. Are log-on passwords, separate from an individual operator's password, used when logging into a terminal to provide verification of the terminal's identity? Yes No

22. Do you utilise any software security packages to control access to your computer system? Yes No

If Yes, please specify packages used.

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23. Do you use a software system to monitor telecommunications? Yes No

24. Is an exception log used which is regularly checked to verify the integrity of transactions? Yes No

Independent Contractors

25. Does the Company use independent contractors to prepare electronic computer instructions? Yes No

26. Are written agreements obtained from the independent contractors outlining their responsibilities? Yes No

27. Does the Company require the independent contractors to obtain separate fidelity insurance? Yes No

If Yes, for what minimum amount?

Internet Facility / E-commerce

28. Do you provide an Internet facility? Yes No

If Yes, do you offer:

(a) product information? Yes No

(b) account balances? Yes No

(c) loan applications? Yes No

(d) account transfers on a pre-authorised basis? Yes No

(e) business / company account management facilities? Yes No

(f) insurance products? Yes No

(g) on-line securities dealing? Yes No

(h) other, please specify

29. Are there formal terms and conditions in place for the use of your Internet facility, which outline the obligations and responsibilities of the users? Yes No

30. How is the identity of the user verified and authenticated?



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- (a) password? Yes No
- (b) key encryption? Yes No
- (c) digital signature?
- (d) other, please specify

- 31. Are firewalls and/or comparable software used to authorise access to your Internet facility? Yes No
- 32. Do you monitor and produce reports on unauthorised access activity? Yes No
- 33. Do you have a fully tested disaster recovery and business continuity plan? Yes No
- 34. Do you encrypt data whether in your Internet facility or other computer system? Yes No

If Yes, please provide details.

I. DISCRETIONARY ACCOUNT MANAGEMENT

- 1. Does the Company undertake trust activities or discretionary account management? If so:-
 - (a) Are all client's agreements reviewed annually? Yes No
 - (b) Are all trust and/or discretionary transactions subject to the same procedures and review as the Company's own transactions? Yes No

If No, please describe:

- (c) State
 - (i) The number of discretionary accounts
 - (ii) The asset value of the largest managed account
- (d) How often are financial reports rendered to clients?

- (e) Does the Applicant have an approved list of investments/securities that can be recommended to clients? Yes No

J. FUND OR INVESTMENT MANAGEMENT

If you are involved in fund or investment management activities:

- 1. Does the Company currently maintain a manual containing a written investment policy? Yes No



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2. Are trading transactions and positions reviewed for compliance with formal trading policies manual? Yes No
3. Are accounts of trades which exceed set limits identified or rectified or referred to senior management for immediate action? Yes No
4. Do counterparties receive authorised confirmation for all deals prior to settlement? Yes No
5. Are responsibilities for investment decisions segregated from accounting activities and custodial responsibilities? Yes No

K. INSURANCE PROVIDER

If you provide insurance services:

1. Do you have and maintain a formal underwriting manual for all classes of insurance? Yes No
2. What is the percentage of business production in the following areas:
- (a) Agents
- (b) direct sales
- (c) brokers
- (d) other, please specify
3. Are payments made direct to you? Yes No
4. Is the responsibility for the claims department totally segregated from underwriting? Yes No
5. Are the claims reviewed and agreed by minimum of two authorised individuals before payment is made direct to the insured? Yes No

L. LOSS EXPERIENCE

1. Has the Company at any time during the past five (5) years (whether insured or uninsured) had any potential or actual losses under its bond program? Yes No

If Yes, please provide, on a separate sheet, full details including but not limited to Date Discovered; Location; Nature of Loss; Amount of loss, actual or estimated; Remedial Action taken.

2. Please summarise on a separate sheet:
- (a) Any litigation/legal action settled within the past three (3) years or now pending that is not listed in question 1. immediately above; and/or
- (b) Any action which the Company has reason to anticipate may be filed against it or any Director, Officer or Employee, which would be a subject of coverage under a bond programme.



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IMPORTANT NOTICES

Your Duty of Disclosure

Before you enter into any contract of insurance with an Insurer, you have a duty to disclose to the Insurer every matter that you know, or could reasonably be expected to know, that is relevant to the Insurer's decision whether to accept the risk of the insurance and, if so, on what terms.

You have the same duty to disclose any new or changed information to the Insurer before you renew, extend, vary or reinstate a contract of insurance.

It is important that all information contained in this proposal is understood by you and is true, correct and complete, as you will be bound by your answers and by the information provided by you, and on your behalf, in this proposal. You should obtain advice before you sign this proposal if you do not properly understand any part of it.

Your duty of disclosure continues after the proposal has been completed up until the time the contract of insurance is entered into.

Non-Disclosure

If you fail to comply with your duty of disclosure, the Insurer may avoid the contract of insurance or cancel it and not pay any claim.

Change of Risk or Circumstances

You should advise the Insurer as soon as practicable of any change to your normal business as disclosed in the proposal, such as, but not limited to changes in location, acquisitions and new overseas activities.

Subrogation

Where you have agreed with another person or company, who would otherwise be liable to compensate you for any loss or damage which is covered by the contract of insurance, that you will not seek to recover such loss or damage from that person, the Insurer will not cover you, to the extent permitted by law, for such loss or damage.

Privacy Act

This proposal collects personal information about directors, officers, company secretaries and employees of the Company. The information is collected to enable the Insurer to evaluate this application and any claims and to administer the contract of insurance. The Insurer will hold the information at 345 Queen Street, Auckland. If you do not provide this information, the Insurer is entitled to decline this application for insurance.

The directors, officers, company secretaries and employees of the Company have rights of access to and correction of, their personal information under the Privacy Act 1993.

