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CRIME INSURANCE APPLICATION FOR COMMERCIAL BUSINESS

I. APPLICANT

A. Name and Principal Address:

B. Form of organization (corporation, partnership, proprietorship, etc.)?

C. Principal Business Activities:

D. Statistics

1. \$ _____ Revenues
2. \$ _____ Assets
3. _____ Employees
4. _____ % Percentage of employees based outside the US and Canada
5. Locations within the US and Canada: _____ Retail _____ Non-retail
6. Locations outside the US and Canada: _____ Retail _____ Non-retail

E. _____ Date business established?

F. Yes No Are you a publicly traded company?

If you are publicly traded in the USA and file periodic reports with the SEC,

1. _____ On what exchange or system are you traded?
2. _____ What is your stock symbol?

G. What is the URL of your website? _____

II. ATTACHMENTS

Please attach the following (checking off the items). If not available, please so state. If available at a website, please give URL.

- Your latest Annual Report to shareholders
- Your latest audited financial statements
- The last two management letters from outside auditors and management's responses
- Your expiring insurance policy and all endorsements
- A list of all prospective insureds (including employee benefit plans)
- A census of employees by country of domicile
- A census of "Class 1 Employees" by function (Appendix 1)
- A list of retail locations by country, state, county, etc.
- Marketing material and brochures that will assist us understand your business
- Details of any litigation against or by you in the last six years which has any bearing on the perils or exposures insured under the policy being applied for

III. PRIOR LOSSES

Yes No In the last six years has any proposed insured (or entity that was at the time an insured under a predecessor policy) reported or discovered any loss or potential loss (whether or not recoverable from insurance) of the type generally covered under the proposed insurance? (If your answer is subject to a reporting threshold, please state it.)

Please list the losses below and attach complete details of the loss and measures to prevent reoccurrence.

Date of Loss	Gross Amount	Description of Loss	Status of Claim?
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

IV. CURRENT INSURANCE

A. Yes No Do you carry this insurance currently? If so,

1. Who is the carrier? _____
2. What Limit do you carry? \$ _____
Deductible? \$ _____
Premium? \$ _____
3. What changes in limits, deductible or coverage do you wish to make to the current program (as shown in the attached policy, declarations or schedule of insurance requested in Section II)?

B. If not,

1. Why are you seeking insurance now?

2. What limits and deductibles do you wish us to consider?

V. ACCOUNTANTS

A. Yes No Are your accounts audited by an independent outside auditor?

B. If so,

1. Please provide the name and address:

2. Yes No Has the auditor changed in the last three years? (If so, please explain.)

3. What is the scope of the audit? Please describe any limitations, conditions, qualifications or constraints.

4. Yes No Are all locations (domestic and foreign) audited? (If not, please describe exceptions.)

5. To whom do audit reports circulate?

VI. INTERNAL AUDIT

- A. Yes No Do you have an internal audit department? If so, how many auditors are employed? _____
- B. Yes No Are all domestic locations audited?
Yes No Foreign locations?
- C. To whom are written audit reports made?

- D. To whom does internal audit report administratively?

- E. Yes No Do you have an IT audit department? If so, how many auditors are employed? _____
- F. Yes No Is there a continuous IT audit program in operation?
Yes No Is it reviewed by internal audit?
- G. Describe tests used to detect unauthorized alteration of programs?

- H. How do you monitor the integrity of stored data?

VI. EXPOSURES

- A. Is there any exposure (in excess of the requested deductible) on any premises of:
1. Yes No Cash?
 2. Yes No Securities?
 3. Yes No Precious metals or stones?
 4. Yes No Other high-value materials?

If "yes" please attach a complete list of such exposures by location, including the amount of exposure, access control, alarm systems and other security in place.

- B. Yes No Do you engage in high-risk activities (investing, hedging, lending, leasing, underwriting, etc.) that require employees to exercise discretion or delegated authority in implementing company policies? If "yes", please attach details of the activities, the scope of authority granted and the provisions in place to monitor performance.
- C. Yes No Do your employees regularly conduct their duties on the premises or property of others under circumstances that expose them to the valuable property of clients or customers? If "yes", please attach a detailed explanation.
- D. Yes No Do you, in the normal course of business, hold or process significant amounts of property of others? Or are you otherwise liable for such property? If "yes", please attach a detailed explanation.
- E. Yes No Are your raw materials, inventory or the components used in your products of a high value and easily secreted and transported in a volume sufficient to cause a loss in excess of the proposed deductible? If "yes", please attach a description of the exposure and the measures you take to prevent loss.

VII. INTERNAL CONTROLS

NOTE: In this Section, please specifically note if any controls applicable to foreign locations differ from those applicable within the U.S.

- A. Please describe your policy regarding countersignature of checks. (When required? Who signs? Over what threshold amounts? Etc.)

- B. Do employees who reconcile monthly bank statements also
1. Yes No Sign checks?
 2. Yes No Have access to check signing machines or signature plates?
 3. Yes No Handle bank deposits?

If "yes" to any of the above, please explain why and what precautions are taken to avoid defalcation.

- C. Yes No Are all checks marked "For Deposit Only" immediately upon receipt?
- D. Yes No Are records or copies of received checks kept to facilitate replacement?

- E. Yes No Are all bank accounts reconciled monthly?
Yes No Are reconciliations current?
- F. Yes No Are invoices stamped as "Paid" as checks are issued?
- G. Yes No Are payroll checks prepared by persons other than those who distribute them to employees?
- H. Yes No Do you maintain a formal vendor list ?
Yes No Are all purchases required to be made from those on this list, unless a special exception is received?
- I. Yes No Are background checks performed on all major vendors?
- J. What is your policy about gifts to employees from vendors or contractors?

- K. Yes No Do you segregate purchase and sales functions from shipping and receiving? If not, please explain your controls to avoid loss.

- L. Yes No Are shipping and receiving records reconciled with sales and purchase orders?

By whom? _____

How frequently? _____

- M. What is your policy with respect to periodic verifications of accounts receivable and payable directly with customers?

- N. Please describe your inventory procedures and schedules.

- O. Yes No Do you cancel all passwords and access cards immediately when an employee ceases employment?

- P. Please describe how you screen prospective new employees (background checks, credit reports, psychological testing, etc.)

- Q. Yes No Do you have an employee handbook?

Yes No Ethics policy?

Yes No Conflict of interest policy?

Yes No Are all employees made aware of these?

- R. Yes No Do you subcontract out any of your IT functions? If "yes":

1. Yes No Are all such arrangements authorized by written agreements?

2. Yes No Do you require the service bureaus to provide proof of Fidelity and E&O insurance?

3. Yes No Do you utilize independent contractors in any IT functions? If "yes" please attach a description of their duties and the controls you maintain.

- S. Please describe your IT access controls (exception reports, automatic lockouts, etc. to control repeated unsuccessful access attempts).

- T. Yes No Do you segregate programming and operations?

Yes No Is output reconciled by persons who do not process or prepare input?

Yes No Are pre-authorization controls maintained for all programmers and operators?

Yes No Are computerized check-writing operations segregated from departments that authorize checks?

- U. What procedures are in place to reconcile or spot check consistency in computer transactions between computer readable identifiers (employee identification numbers, works codes, inventory numbers, vendor codes, customer codes, location codes, etc.) and actual names, places, dates and other facts of the underlying transactions?

V. Yes No Do you move or pay funds by wire transfer? If "yes":
1. Who is authorized to initiate wire transfers and what limits are imposed?

2. Per day, what is
- a. _____ The largest wire transfer?
 - b. _____ The average wire transfer?
 - c. _____ The average number of wire transfers?
3. How are requests initiated (voice, terminal, fax, etc.)?

4. How do you verify proper receipt of wire transfers?

5. How are wire transfers of all types tested (embedded codes, bank callback, send/release initiation or similar protocol)?

W. _____ What is the value of all negotiable securities owned or held by you?

_____ What is your monthly maximum trading volume?

_____ Monthly Average?

Yes No Are all securities subject to joint control by two or more employees?

Yes No Are statements from securities brokers or counterparties received and reconciled by a person different from and independent of the persons responsible for trading securities?

Yes No Have you established and communicated formal trading policies in writing?

Yes No Do you periodically review all trades for compliance?

Yes No Do counterparties receive confirmations of all deals prior to settlement?

VIII. OTHER DISCLOSURES

Yes No Are there any other material matters that ought to be disclosed to the Underwriter in considering this insurance? If "yes", please explain.

NOTICE TO 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."

NOTICE TO COLORADO APPLICANTS: "IT IS UNLAWFUL TO KNOWINGLY PROVIDE FALSE, INCOMPLETE, OR MISLEADING FACTS OR INFORMATION TO AN INSURANCE 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 OR 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 AUTHORITIES."

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

NOTICE TO KENTUCKY APPLICANTS: "ANY PERSON WHO KNOWINGLY AND WITH INTENT TO 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."

NOTICE TO MAINE APPLICANTS: "IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES MAY INCLUDE IMPRISONMENT, FINES OR A DENIAL OF INSURANCE BENEFITS."

NOTICE TO 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."

NOTICE TO NEW MEXICO 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 CIVIL FINES AND CRIMINAL PENALTIES."

NOTICE TO 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, 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."

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

NOTICE TO 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."

NOTICE TO VIRGINIA APPLICANTS: "IT IS A CRIME TO KNOWINGLY PROVIDE FALSE, INCOMPLETE OR MISLEADING INFORMATION TO AN INSURANCE COMPANY FOR THE PURPOSE OF DEFRAUDING THE COMPANY. PENALTIES INCLUDE IMPRISONMENT, FINES AND DENIAL OF INSURANCE BENEFITS."

The insured represents that the information furnished in this application is complete, true and correct. Any misrepresentation, omission, concealment or incorrect statement of a material fact, in this application or otherwise, shall be grounds for the rescission of any bond or policy issued in reliance upon such information.

Dated at _____ this _____ day of _____ 20____
By _____
(Print Insured Name) (Signature)

(Name and Title of Person Signing)

APPENDIX 1 – CLASSIFICATION OF EMPLOYEES

- | | |
|--------------------------------|---|
| _____ Directors | _____ Salespersons Who Do Not Collect |
| _____ Officers | _____ Purchasing Agents & Buyers |
| _____ Managers | _____ Delivery Persons Who Collect |
| _____ Administrators | _____ Delivery Persons Who Do Not Collect |
| _____ Professionals | _____ Drivers Persons Who Collect |
| _____ Accountants | _____ Drivers Persons Who Do Not Collect |
| _____ Comptrollers | _____ Storekeepers & Storeroom Personnel |
| _____ Programmers | _____ Shipping Clerks |
| _____ Bookkeepers | _____ Superintendents |
| _____ Cashiers | _____ Payroll |
| _____ Data Entry | _____ Custodians |
| _____ Salespersons Who Collect | _____ Messengers |
- _____ Other employees with significant access to money, securities or valuable inventory

_____ TOTAL CLASS 1
_____ ALL OTHER
_____ GRAND TOTAL

If you wish to include as covered insiders any agents, consultants, contractors, leased employees, retired employees or the like, please specify the numbers of each type and their titles and duties: