

Fraud Insurance Professional Liability Insurance – Financial Institutions



Completing the Proposal form

1. This Proposal form is for Fraud Insurance – Financial Institutions and / or Professional Liability Insurance - Financial Institutions.
2. This application must be completed in full including all required attachments.
3. If more space is needed to answer a question, please attach a separate sheet with details.
4. The term Proposer, whenever used in this Proposal form shall mean the policyholder listed and all subsidiary companies of the policyholder for which coverage is proposed under this Proposal.
5. The terms policyholder and subsidiaries have the same meaning in this Proposal form as in the policy.

Professional Liability Insurance: Statutory notice – Section 40 Insurance Contracts Act 1984 (Cth.)

This notice is provided in connection with but does not form part of the Professional Liability Insurance policy.

The Professional Liability Insurance policy is a 'Claims Made' cover. It only provides cover if a *professional claim* is made against an *insured*, by some other person, during the period when the policy is in force.

Exclusions of prior matters, claims, known facts and litigation apply to this policy. See the applicable policy exclusion for details.

Section 40(3) of the Insurance Contracts Act 1984 (Cth) applies to this type of policy. That sub-section provides that if an insured becomes aware, during the period when the policy is in force, of any occurrence or fact which might give rise to a claim against them by some other person, then provided that the insured notifies Zurich of the matter before this policy expires, Zurich may not refuse to indemnify merely because a claim resulting from the matter is not made against the insured while the policy is in force.

If an *insured*, inadvertently or otherwise, does not notify the relevant occurrence or facts to Zurich before the expiry of the policy, the *insured* will not have the benefit of section 40(3) and Zurich may refuse to pay any subsequent *professional claim*, notwithstanding that the events giving rise to it or the circumstances alleged in it may have taken place during the *period of insurance*.

If a *professional claim* is actually made against the *insured* by some other person during the *period of insurance* but is not notified to Zurich until after the policy has expired, Zurich may refuse to pay or may reduce its payment under the policy if it has suffered any financial prejudice as a result of the late notification.

Duty of Disclosure

Before you enter into an insurance contract, you have a duty to tell us anything that you know, or could reasonably be expected to know, may affect our decision to insure you and on what terms.

You have this duty until we agree to insure you.

You have the same duty before you renew, extend, vary or reinstate an insurance contract.

You do not need to tell us anything that:

- reduces the risk we insure you for; or
- is common knowledge; or
- we know or should know as an insurer; or
- we waive your duty to tell us about.

If you do not tell us something

If you do not tell us anything you are required to, we may cancel your contract or reduce the amount we will pay you if you make a claim, or both.

If your failure to tell us is fraudulent, we may refuse to pay a claim and treat the contract as if it never existed.

Privacy

Zurich is bound by the Privacy Act 1988 (Cth). We collect, disclose and handle information, and in some cases personal or sensitive (eg health) information, about you ('your details') to assess applications, administer policies, contact you, enhance our products and services and manage claims ('Purposes'). If you do not provide your information, we may not be able to do those things. By providing us, our representatives or your intermediary with information, you consent to us using, disclosing to third parties and collecting from third parties your details for the Purposes.

We may disclose your details, including your sensitive information, to relevant third parties including your intermediary, affiliates of Zurich Insurance Group Ltd, other insurers and reinsurers, our banking gateway providers and credit card transactions processors, our service providers, our business partners, health practitioners, your employer, parties affected by claims, government bodies, regulators, law enforcement bodies and as required by law, within Australia and overseas.

We may obtain your details from relevant third parties, including those listed above. Before giving us information about another person, please give them a copy of this document. Laws authorising or requiring us to collect information include the Insurance Contracts Act 1984, Anti-Money Laundering and Counter-Terrorism Financing Act 2006, Corporations Act 2001, Autonomous Sanctions Act 2011, A New Tax System (Goods and Services Tax) Act 1999 and other financial services, crime prevention, trade sanctions and tax laws.

Zurich's Privacy Policy, available at www.zurich.com.au or by telephoning us on 132 687, provides further information and lists service providers, business partners and countries in which recipients of your details are likely to be located. It also sets out how we handle complaints and how you can access or correct your details or make a complaint.

1 Proposer details

- (a) Name of Proposer
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- (b) Principle address
..... State Postcode
.....
- (c) Date established
.....
- (d) Nature of financial services provided
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.....
- (e) Is the Proposer licensed by any regulatory authority? Yes No
If 'Yes', which authority
.....
- (f) Has the Proposer made any acquisitions during the last 3 years? Yes No
If 'Yes', please provide details
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2 Revenue / Fees

- (a) Total revenue for the past 12 months
.....
- (b) Total estimated revenue for the current 12 months
.....
- (c) Please provide the percentage of revenue earned from the following activities:
- | | | | |
|--|---|--|---|
| Commercial loans | % | Personal loans | % |
| Leasing | % | Trade financing | % |
| Securities dealing | % | Mergers and acquisitions advice | % |
| Capital raising advice / Share placement | % | Securities dealing | % |
| Fund management | % | Venture capital / Private equity | % |
| Financial planning | % | Asset backed lending / Equipment finance | % |
| Private banking | % | Syndicated lending | % |
| Other (please specify) | % | | |
- Do any of the services offered include unit pricing? Yes No
If 'Yes', please note additional information may be required
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3 Employees and locations

- (a) Total number of employees
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- (b) Total number of locations
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- (c) Number of overseas locations
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- (d) Please provide list of overseas locations
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- (e) Does the Proposer conduct reference checks on all new employees prior to hiring? Yes No
- (f) Does the Proposer have a requirement for employees to take at least 2 weeks uninterrupted leave per year? Yes No

4 Distribution

(a) Please describe your distribution network

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(b) Are agents subject to the same controls and compliance procedures as employees? Yes No

5 Audit

(a) Does the Proposer maintain an internal audit department? Yes No
If 'No', is an external company engaged to provide internal audit function? Yes No

(b) How many employees work in the internal audit department?

(c) How often are internal audits conducted?

(d) Please provide copy of the internal audit plan

(e) Which firm provides external audit?

(f) How often are full external audits conducted?

(g) Does the external auditor review the system of internal controls and furnish written reports? Yes No

(h) Does the external auditor report directly to the board of directors? Yes No

(i) Has the external auditor rendered an unqualified opinion for each of the last 5 years? Yes No

(j) Have all recommendations been complied with as a result of the most recent audit report? Yes No
If 'No', have you adopted alternative arrangements to the satisfaction of your auditor? Yes No

6 Internal controls and procedures

(a) In respect of the transfer of funds or property to another organisation:

(i) Please describe the method of instruction, for example written, telephone, electronic etc:

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(ii) Are these instructions tested or subject to a call back procedure to an authorised person other than the individual initiating the transfer? Yes No

(b) Are duties segregated to that no individual can complete an activity from the beginning to the completion of the task without referral to another in respect of:

(i) Opening new bank accounts? Yes No

(ii) Disbursement of assets? Yes No

(iii) Signing cheques or authorising payments above \$10,000? Yes No

(iv) Custody of securities? Yes No

(v) If 'No', please provide details as to alternative arrangements

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7 Third party providers

Please provide a list of the Proposer's service providers:

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8 Electronic security

(a) Does the Proposer outsource any data processing? Yes No

If 'Yes', are the third party providers required to carry their own Professional Liability and Crime/Fidelity Insurance Covers? Yes No

(b) Have the service providers been authorised under written agreements? Yes No

(c) Does the Proposer utilise any electronic funds transfer services (e.g. EFTPOS, BPay, Swift)? Yes No

(d) Describe the methods used to secure funds transfer instructions (e.g. encryption, message authentication, independent call backs)

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Are passwords used to afford varying levels of entry to the computer system depending on authorisation of the user? Yes No

9 Compliance

(a) Is there a written manual in place covering the following:

(i) Code of Ethics Yes No

(ii) Code of Conduct Yes No

(iii) Conflict of Interest Yes No

(b) Has the Proposer provided any new services in the last 2 years? Yes No

If 'Yes', please provide details

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(c) Are the services offered provided under a written agreement? Yes No

(d) Are procedures in place to ensure financial advice being provided by an employee has been reviewed by a second person? Yes No

(e) Are all contracts, engagement letters, marketing material subject to a legal review prior to release? Yes No

(f) Does the Proposer have a dedicated Compliance Officer? Yes No

(g) Has the Proposer or any of the directors or officers been subject to a regulatory investigation? Yes No

10 Insurance details

(a) Does the Proposer currently purchase Fraud and/or Professional Liability Cover? Yes No

If 'Yes' please give details below

| Fraud Insurance | Professional Liability Insurance |
|-----------------|----------------------------------|
| Insurer | Insurer |
| Limit | Limit |
| Deductible | Deductible |
| Expiry date | Expiry date |

(b) What Limit of Liability is required for each policy?

(i) Fraud \$

(ii) Professional Liability \$

(iii) What Deductible is required for each policy? Fraud \$ Professional Liability \$

(c) Fraud Insurance Optional Extension of Cover – Fraudulent Induced Transfer

Do you wish to apply for the Fraudulent Induced Transfer Optional Extension to the Fraud Insurance policy? Yes No

If 'Yes', please answer Q11

11 Fraudulent Induced Transfer

Complete the following questions if you have answered 'Yes' to Q10 (c)

Internal controls – vendors

(a) Do you have procedures to verify the identity and authenticity of new vendors before entering into transactions with them? Yes No

If 'Yes', do you follow any of the following procedures?

(i) Investigate new vendors through a credit reporting agency? Yes No

(ii) Verify and confirm the vendor's bank account information (account numbers, routing numbers, bank name and address) by calling the vendor's bank directly? Yes No

Please provide details of any other procedures not listed above that you have in place to verify the identity and authenticity of new vendors

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If 'No' to any of the above, explain the reason for not following these procedures

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(b) Do you accept requests for funds transfer, payment, delivery or change in method, destination or bank account information instructions from vendors:

(i) over the telephone? Yes No

(ii) by telefacsimile? Yes No

(iii) by electronic mail? Yes No

(iv) by text message? Yes No

(v) by other methods? Yes No

If 'Yes' to (v), please provide details of those other methods

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11 Fraudulent Induced Transfer (continued)

- (c) Do you have procedures to verify the authenticity of invoices or other form of payment requests received from a vendor? Yes No
- If 'Yes', do you follow any of the following procedures?
- (i) Verify invoices or other form of payment requests against inventory, supplies, goods or services rendered by vendor prior to making payment to a vendor? Yes No
 - (ii) Maintain a record of such requests and verification on file? Yes No

Please provide details of any other procedures to verify the authenticity of invoices or other form of payment requests received from a vendor

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If 'No' to any of the above, explain the reason for not following these procedures

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- (d) Do you have procedures in place to verify and authenticate any request for funds transfer, payment, delivery or change of a vendor's bank account information or methods or destinations of payment? Yes No
- If 'Yes', do you follow any of the following procedures?
- (i) Call the vendor at a telephone number previously provided by the vendor to verify and authenticate the request? Yes No
 - (ii) Send an email to a pre-determined address and require response from vendor to verify and authenticate the request? Yes No
 - (iii) Send notice of receipt of the request to a person at the vendor, other than the person who sent the request, and receiving confirmation of request for change before making the requested change? Yes No
 - (iv) Require review and approval of any changes of the vendor's bank account information by a supervisor and with an individual at the vendor other than the individual sending request before the change is made in your records? Yes No
 - (v) Run exception reports showing all changes to vendor or supplier details? Yes No
 - (vi) Maintain a record of such requests, verification and authentication on file? Yes No

Please provide details of any other procedures not listed above that you have in place to verify the authenticity of such instructions

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If 'No' to any of the above, explain the reason for not following these procedures

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Internal controls – employees

- (e) Is there a written policy regarding fund or securities transfers? Yes No
- (f) Who within the organisation has the ability and authority to initiate a payment, funds or securities transfer?
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- (g) Can funds or securities transfer authority be delegated to anyone verbally or in writing? Yes No
- (h) Do you accept requests for payment, funds transfer, delivery or change in method, destination or bank account information instructions from authorised employees:
- (i) over the telephone? Yes No
 - (ii) by telefacsimile? Yes No
 - (iii) by electronic mail? Yes No
 - (iv) by text message? Yes No
 - (v) by other methods? Yes No

If 'Yes' to (v), please provide details of those other methods

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11 Fraudulent Induced Transfer (continued)

(i) Once a request is initiated, to whom does it go for verification, authentication and processing?

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(j) Whose signatures of approval are needed to release the funds or securities?

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(k) Please provide details of the dollar amount and the level of approval needed to release the funds or securities

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(l) Is there segregation of duties between the person(s) who is/are authorised to receive payment or funds/securities transfer requests and the individual(s) authorised to process the requests? Yes No

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(m) What is the average length of the entire funds transfer process from the receipt of instruction until the funds or securities are disbursed?

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(n) If online banking software is used to perform funds transfer functions, is access to the portal restricted to specific users and terminals? Yes No

(o) Do the procedures for international funds transfers differ in any way from the domestic procedures? Yes No
If 'Yes', please advise in what way(s) they differ and how many international funds transfers are processed each month

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(p) Do those employees responsible for executing payment, funds or securities transfers receive training on social engineering scams? Yes No

If 'Yes',

(i) how often is this training updated?

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(ii) do you test employees randomly with simulated bait e-mails, calls, telefacsimile, or other means that are generated by you or a third party contracted to perform such testing? Yes No

(iii) how are employees subsequently trained to be aware of suspicious e-mails, calls, or telefacsimile that were subject of testing?

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(iv) Is there an internal department or person to whom employees can direct suspicious e-mails, calls, or telefacsimile to maintain a record of and further investigate? Yes No

If 'Yes' to (iv), please provide details

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Loss experience

List all social engineering/fraudulent induced transfer losses discovered by the Proposer in the last six (6) years

Tick if none:

| Date of Loss | Description of Loss | Total Amount of Loss | Amount paid by insurance | Date Paid |
|--------------|---------------------|----------------------|--------------------------|-----------|
| | | \$ | \$ | |
| | | \$ | \$ | |
| | | \$ | \$ | |
| | | \$ | \$ | |

Please attach a description of the corrective measures taken to mitigate future losses of this type

12 Claims / Circumstances

(a) Has the business or any principal, partner or director ever been refused insurance of the type proposed, had a similar policy cancelled or had special terms imposed? Yes No

Professional Liability

(b) Have any claim/s ever been made against the business or its predecessors or against any present or past principals, partners or directors? Yes No
If 'Yes', please provide details

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(c) Are any of the principals, partners or directors aware, after enquiry of all staff, managers and contractors, of any facts or circumstances which may give rise to a claim or claims of the type insured by this policy? Yes No

Fraud

(a) Please give brief details of any loss or losses you have sustained (whether insured or uninsured), during the past five years which would have impacted upon the coverage you are now seeking had it have been in force at the time of such loss or losses.

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(b) Unless the information has already been provided, please attach full details of the circumstances surrounding each loss and the corrective measures taken to prevent reoccurrence.

(c) Has any proposal for insurance of this nature been declined by any insurance company or has any policy been cancelled or renewal thereof refused? Yes No

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13 GST and stamp duty

(a) What is the Proposer's Australian Business Number?

(b) Does the Proposer intend to claim an input tax credit for the premium of the proposed policy if provided? Yes No
If 'Yes', to what extent is an input tax credit being claimed? (e.g. answer – full claim or %)

(c) For the purpose of calculating the stamp duty and GST charges, please provide a breakdown of the number of employees of the Proposer based in each of the following locations

| | | | | |
|-----|-----|-----|----------|-------|
| NSW | VIC | QLD | SA | WA |
| TAS | NT | ACT | OVERSEAS | TOTAL |

14 Declaration

We (the undersigned), for and on behalf of the Proposer:

- (a) acknowledge that we have read and understand the important notices contained in this Proposal;
- (b) agree that this Proposal, together with any other information or documents supplied, shall form the basis of any resulting contract of insurance;
- (c) acknowledge that if this application is accepted, the contract of insurance will be subject to the terms and conditions as set out in the policy wording as issued or as otherwise specifically varied in writing by Zurich;
- (d) declare after enquiry that the statements, particulars and information contained in this application and in any documents accompanying this application are true and correct in every detail and that no other material facts have been misstated, suppressed or omitted;
- (e) undertake to inform Zurich of any material alteration to those facts before completion of the contract of insurance.

Name of Chairperson

| | |
|--------------------------|------|
| Signature of Chairperson | Date |
| X | / / |

Name of Managing Director/Chief Executive Officer

| | |
|--|------|
| Signature of Managing Director/Chief Executive Officer | Date |
| X | / / |