



**ace insurance**

**ACE Insurance Limited**

28-34 O'Connell Street  
SYDNEY NSW 2000  
Australia

GPO Box 4065  
Sydney NSW 1008  
Australia

(02) 9335 3200 *main*  
(02) 9335 3411 *fax*  
[www.aceinsurance.com.au](http://www.aceinsurance.com.au)

---

**PROPOSAL FORM FOR  
FINANCIAL INSTITUTIONS  
BOND & ELECTRONIC COMPUTER CRIME**

---

**Completing the Proposal Form**

- **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:**
  - a. **Most recent:**
    - 1. **Auditing Firm's Letter of Recommendation to Management.**
    - 2. **Management's written response to Letter of Recommendation.**
  - b. **Most recent Annual Report and consolidated, audited Financial Statement.**
  - c. **Most recent Interim Financial Statement.**
- **This proposal and all attachments shall be treated in strictest confidence.**
- **Please read the Important Notices on pages 2 - 3.**

---

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.

---

## **Important Notices**

---

### **Your Duty of Disclosure**

Before you enter into a contract of general insurance with an insurer, you have a duty, under the Insurance Contracts Act 1984, to disclose to ACE Insurance Limited ("ACE") ('the insurer') every matter that you know, or could reasonably be expected to know, 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 those matters to the insurer before you renew, extend, vary or reinstate a contract of general insurance.

Your duty however does not require disclosure of any matter:

- that diminishes the risk to be undertaken by the insurer;
- that is of common knowledge;
- that your insurer knows or, in the ordinary course of its business, ought to know;
- as to which compliance with your duty is waived by the insurer.

It is important that all information contained in this proposal is understood by you and is correct, as you will be bound by your answers and by the information provided by you 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 contract of insurance is entered into.

### **Non-Disclosure**

If you fail to comply with your duty of disclosure, the insurer may be entitled to reduce its liability under the contract in respect of a claim or may cancel the contract.

### **Coverage**

The policy covers loss first discovered during the policy period or discovery period, if applicable.

Section 40(3) of the Insurance Contracts Act 1984, however, provides that an insurer cannot refuse to pay a claim by reason only that the claim was made after the expiry date of the policy in circumstances where you gave notice in writing to the insurer of facts that might give rise to the claim as soon as was reasonably practicable after you became aware of those facts but before the end of the policy period.

### **Waiver of Contribution or Indemnity Rights**

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, ACE will not cover you, to the extent permitted by law, for such loss or damage.

### **Change of Risk or Circumstances**

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

## Privacy Statement

---

ACE Insurance Limited (“ACE”) is committed to protecting your privacy. ACE collects, uses and retains your personal information in accordance with the National Privacy Principles. Our detailed privacy policy is available on our website at [www.aceinsurance.com.au](http://www.aceinsurance.com.au).

ACE collects your personal information (which may include health information) when you are applying for, changing or renewing an insurance policy with us or when we are processing a claim. We collect the information to assess your application for insurance, to provide you or your organisation with competitive insurance products and services and administer them and to handle any claim that may be made under a policy. If you do not provide us with this information, we may not be able to provide you or your organisation with insurance or to respond to any claim.

We may disclose the information we collect to third parties, including contractors and contracted service providers engaged by us to deliver our services or carry out certain business activities on our behalf (such as assessors and call centres), other companies in the ACE group, other insurers, our reinsurers, and government agencies (where we are required to by law). These third parties may be located outside Australia.

You agree to us using and disclosing your personal information as set out above. This consent remains valid unless you alter or revoke it by giving written notice to our Privacy Officer.

From time to time, we may use your personal information to send you offers or information regarding our products that may be of interest to you. If you do not wish to receive such information, please contact our Privacy Officer using the contact details provided below.

If you would like to access a copy of your personal information, or to correct or update your personal information, please contact our customer relations team on 1800 815 675 or email [customer.relations@ace-ina.com](mailto:customer.relations@ace-ina.com).

If you have a complaint or want more information about how ACE is managing your personal information, please contact the Privacy Officer, ACE Insurance Limited, GPO Box 4907, Sydney NSW 2001, Tel: 1800 815 675 or email [customer.relations@ace-ina.com](mailto:customer.relations@ace-ina.com).

**A. GENERAL DETAILS**

1. a. Name of Company:

\_\_\_\_\_

b. Head Office Address:

\_\_\_\_\_  
(Street Address) (City) (State) (Post Code)

c. Internet Address or website: \_\_\_\_\_

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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

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

| a.                             | <b>EMPLOYEES</b> | <b>LOCATIONS</b> |
|--------------------------------|------------------|------------------|
| (i) Head Office:               | _____            | _____            |
| (ii) Branches:                 | _____            | _____            |
| (iii) Data Processing Centres: | _____            | _____            |
| (iv) Admin. Centres:           | _____            | _____            |

b. Automated Teller Machines:

5. Does the Company intend to offer any new services during the next twelve months?  YES  NO  
If yes, please provide details.

6. 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? \_\_\_\_\_

b. Have they been trained to fulfill 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: \_\_\_\_\_

\_\_\_\_\_

3. How often are full internal audits conducted? \_\_\_\_\_

### External Audit

4. State the name of the external auditors who fully audit your accounts.

\_\_\_\_\_

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?

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:

\_\_\_\_\_

\_\_\_\_\_

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

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.

### 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? \_\_\_\_\_  
\_\_\_\_\_

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. a. Is joint custody maintained for the safeguarding of:
- i) Access to property in safes or vaults?  YES  NO
  - ii) Codes, ciphers and test keys?  YES  NO
  - iii) Data processing memory storage facilities (tapes, files, discs, etc.)?  YES  NO

- b. Is dual control maintained for the handling of:
- i) All types of securities, negotiable and non-negotiable instruments, loan collateral and unissued and blank forms of said items?  YES  NO
  - ii) The reserve supply of official cheques and unissued travellers cheques?  YES  NO

8. 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?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

5. Do you permit cashing of cheques drawn upon other banks?  YES  NO

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

\_\_\_\_\_

\_\_\_\_\_

**E. PHYSICAL SECURITY**

1.

| State MAXIMUM Value of:                 | Bearer or Negotiable Securities | Cash, Bullion, Precious Stones and Similar Items |
|---|---------------------------------|--|
| at: Head Office:                        |                                 |  |
| Branches:                               |                                 |  |
| Austraclear or Similar Clearing Houses: |                                 |  |

|                  |  |  |
|------------------|--|--|
| Other Locations: |  |  |
|------------------|--|--|

2.

| State MAXIMUM Amount 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:   |                            |            |                  |            |
| Austraclear or Similar 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.

---



---

4. Teller Positions

- i) Can each teller activate a hidden alarm?  YES  NO
- ii) Is excess teller cash immediately transferred to the vault?  YES  NO
- iii) Is all teller cash transferred to the vault at the end of each working day?  YES  NO
- iv) Are tellers provided with 'bait' money?  YES  NO
- v) 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.

|                                     | 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?

\_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. For the previous two years, indicate the amount of loans that are:

|                               |   |   |
|-------------------------------|---|---|
|                               | <u>    </u> / <u>    </u> / <u>    </u> | <u>    </u> / <u>    </u> / <u>    </u> |
| (a) 90 days or more past due: | \$ <u>                    </u>          | \$ <u>                    </u>          |
| (b) Non accruals:             | \$ <u>                    </u>          | \$ <u>                    </u>          |

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?

---

---

---

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

---

---

---

2. (a) If the Company is involved in wire transfers of funds does it specify and define:

(i) Authorised personnel?  YES  NO  
(ii) Authorised personnel of correspondents and corporate customers?  YES  NO  
(iii) Call-back procedures?  YES  NO  
(iv) Transfer limits?  YES  NO

(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.

---

---

---

(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.).

---

---

---

(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:

---

---

---

## H. ELECTRONIC AND COMPUTER CRIME

### Data Processing

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

---

---

---

---

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.

---

---

---

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

a) In house operations: \_\_\_\_\_

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?

---

---

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: \_\_\_\_\_
7. Are there positive entry control procedures used to restrict the entry of non-authorized 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

**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:

i) The name of the bureau or facilities manager \_\_\_\_\_

ii) The service provided.

---

---

---

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.

---

---

---

### 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?

---

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

---

---

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

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.

---

---

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-authorized 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?

(a) password?  YES  NO

(b) key encryption?  YES  NO

(c) digital signature?  YES  NO

(d) other, please specify \_\_\_\_\_

31. Are firewalls and/or comparable software used to authorise access to your Internet facility?



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
3. 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.

**M. STAMP DUTY AND GST**

For the purpose of calculating the Stamp Duty and GST charges, please provide us with a breakdown of the number of Employees of the corporation operating in each State, Territory or Overseas.

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

**N. DECLARATION**

We agree that this proposal, together with any other information or documents supplied, shall form the basis of any contract of insurance.

We acknowledge that if this proposal 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 ACE.

We declare after enquiry that the statements, particulars and information contained in this proposal and in any documents accompanying this proposal are true and correct in every detail and that no other material facts have been misstated, suppressed or omitted.

We undertake to inform ACE of any material alteration to those facts before completion of the contract of insurance.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

For and on behalf of the Company\_\_\_\_\_

Signed By \_\_\_\_\_

Chief Executive Officer  
(or other Senior Officer if the Chief Executive  
Officer is also the Chairman, Board of Directors)

Signature of Chairman, Board of Directors

