

DEFENSE WITHIN LIMITS: THE AMOUNT OF MONEY AVAILABLE UNDER THE POLICY TO PAY SETTLEMENTS OR JUDGEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED BY DEFENSE EXPENSES, INCLUDING BUT NOT LIMITED TO FEES PAID TO ATTORNEYS TO DEFEND YOU.

Application Instructions

This Application is for risks requesting limits greater than \$500,000.

Whenever used in this Application, the term "Applicant" shall mean the Named Insured and all subsidiaries or other organizations applying for coverage, unless otherwise stated.

I. General Information

Name of Applicant: _____
(Include Named Insured and all additional insureds. Attach separate sheet if necessary)

Address of Applicant: _____

City: _____ State: _____ Zip Code: _____

Telephone Number: _____ Date Business Established: _____

Internet Address: _____

Latest Fiscal Year End Revenues: \$_____ Effective Date of Coverage: _____

Does the Applicant want Employee Benefit Plans to be added as Named Insureds? ☐ Yes ☐ No
(If "Yes", please list Employee Benefit Plans)

Is the Applicant applying for: ☐ Primary Coverage ☐ Excess Coverage

Description of Applicant's Organization:

Commercial Entities: ☐ Partnership ☐ Corporation ☐ Proprietorship ☐ LLC

Predominant Activity: ☐ Manufacturer ☐ Processor ☐ Wholesaler ☐ Distributor ☐ Retailer
☐ Service ☐ Other (please explain) _____

Describe your products and services: _____

Governmental Entities: ☐ State ☐ County ☐ City ☐ Town ☐ Village
☐ Borough ☐ Other Political Subdivision (please explain) _____

Predominant Activity: ☐ Public Education Service (please explain) _____
☐ Public Utility (please explain) _____ ☐ Public Housing Authority
☐ Other (please explain) _____

Total Number of Employees: _____ Total Number of Officers: _____

Total Number of employees who handle, have custody of, or maintain records of money, securities, or other property: _____

For Non-Profits: Total number of non-compensated officers and board members: _____

Number of Domestic Locations by Type:

Manufacturing: _____ Warehouses: _____ Distribution Centers: _____ Retail: _____ Other: _____

Foreign Employee & Location Information:

Country	Type of Operation	# of Employees	# of Locations
			\$
			\$
			\$
			\$
			\$

II. Requested Crime Coverage

Indicate requested coverage limits and retentions:

I. Insuring Agreements:	Requested Limit of Liability:	Requested Retention:
A. Fidelity:		
1. Employee Theft	\$	\$
2. ERISA Fidelity	\$	\$
3. Client's Property	\$	\$
B. Forgery or Alteration	\$	\$
C. Premises Coverage	\$	\$
D. Transit Coverage	\$	\$
E. Computer Fraud	\$	\$
F. Funds Transfer Fraud	\$	\$
G. False Pretenses Fraud	\$	\$
H. Credit, Debit or Charge Card Fraud	\$	\$
I. Money Orders and Counterfeit Money	\$	\$
J. Personal Accounts Protection:		
1. Personal Accounts Forgery or Alteration	\$	\$
2. Identity Fraud Expense Reimbursement	\$	\$
II. Coverage Expenses:	Requested Limit of Liability:	
A. Investigation Expenses	\$	None
B. Data Restoration Expenses	\$	None

III. Current Crime Insurance Information

Applicant does not currently have Crime Insurance ☐

Current Insurer	Primary or Excess	Policy Period	Limit of Liability	Retention or Underlying	Expiring Premium
			\$	\$	\$

Within the past six (6) years has any similar insurance been declined, cancelled or nonrenewed? ☐ Yes ☐ No
(Not applicable in Missouri)

If "Yes", please explain:

Loss Experience (during the last 6 years)

Check if no losses in the last 6 years ☐

Description of Loss	Date	Amount of Loss	Insurance Recovery	Corrective Action Taken
		\$	\$	
		\$	\$	

IV. Audit Procedures and Internal Controls

1. Audit Procedures

- a. Are the Applicant's financial statements **audited** by a certified public accountant annually? ☐ Yes ☐ No
If "Yes", was the certified public accountant's opinion unqualified? ☐ Yes ☐ No ☐ N/A
- b. Are all subsidiaries and locations included in the audit? ☐ Yes ☐ No ☐ N/A
- c. Does the CPA firm prepare a Management Letter/Internal Control Over Financial Reporting Letter commenting on deficiencies or material weaknesses identified, with recommendations for improvement? ☐ Yes ☐ No ☐ N/A
If "Yes", has the CPA firm identified any significant deficiencies or material weaknesses during the current or prior year? ☐ Yes ☐ No ☐ N/A
- d. Does the Applicant maintain an internal audit department? ☐ Yes ☐ No
If "No", is there an individual with internal audit responsibilities that include oversight and enforcement of internal control policies and procedures? ☐ Yes ☐ No
- e. Are internal audits conducted on a regular and surprise basis and do they include all locations? ☐ Yes ☐ No ☐ N/A
- f. Are foreign locations audited by internal audit at least annually? ☐ Yes ☐ No ☐ N/A

2. Pre-Employment Screening (Conducted prior to hiring in all business units):

- a. Does the Applicant perform criminal background checks? ☐ Yes ☐ No
- b. Does the Applicant perform prior employment verification and reference checks? ☐ Yes ☐ No
- c. Does the Applicant perform drug testing? ☐ Yes ☐ No

3. Check Handling and Disbursement Controls

- a. Do employees who reconcile the monthly bank statements also:
 - 1) Sign checks? ☐ Yes ☐ No
 - 2) Handle deposits? ☐ Yes ☐ No
 - 3) Make withdrawals? ☐ Yes ☐ No
- b. Is countersignature required on checks? ☐ Yes ☐ No
If "Yes", over what amount? \$ _____
If "No", who can sign checks individually and what controls are in place over this person(s) to prevent their issuance of unauthorized checks? _____
- c. Are internal controls designed so that no employee can control a process from beginning to end (e.g. request a check, approve a voucher or sign a check)? ☐ Yes ☐ No
- d. Are all invoices verified against purchase orders, receiving reports, and the authorized vendor list prior to issuing payment? ☐ Yes ☐ No
- e. Are the invoices stamped "paid" at the time checks are issued to prevent issuing duplicate checks? ☐ Yes ☐ No ☐ N/A
- f. Are incoming checks immediately stamped "For Deposit Only"? ☐ Yes ☐ No ☐ N/A
- g. Does the accounts payable system automatically produce exception reports to notify management and auditing of potential fraudulent transactions or trends? ☐ Yes ☐ No

- h. Are all expense reports supported by applicable receipts? ☐ Yes ☐ No
- i. Are all expense reports approved by a next level manager with knowledge of the employee's job requirements, travel itineraries and necessary and usual expenses? ☐ Yes ☐ No
- j. Are international and domestic check handling and disbursement controls the same? ☐ Yes ☐ No ☐ N/A

4. Computer Funds Transfer Controls

- a. Has separation been established between the individuals responsible for approving computer funds transfers and processing computer funds transfers? ☐ Yes ☐ No ☐ N/A
- b. Are computer funds transfers reconciled the same day the transfer verifications are received, by a person who did not initiate the request? ☐ Yes ☐ No
- c. Does the Applicant's financial institution send verification of computer funds transfers to a person who did not approve or transmit such wire transfer? ☐ Yes ☐ No
- d. Are independent checks of computer funds transfer records done by a person not authorized to approve or initiate such transfers? ☐ Yes ☐ No
- e. Are international and domestic wire transfer controls the same? ☐ Yes ☐ No ☐ N/A

5. Payroll Controls

- a. Does the Applicant outsource its payroll function? ☐ Yes ☐ No
- b. Are separation of duties and management policies in place to prevent individual(s) authorized to hire, terminate or change salary information from accessing payroll systems? ☐ Yes ☐ No
- c. Are notification systems in place that prompt HR about any changes to payroll? ☐ Yes ☐ No
- d. Does the Applicant have a program in place to detect possible "Ghost" employees?
"Ghost" employee means a person added to your payroll to collect a wage, even though they are not an actual employee ☐ Yes ☐ No
- e. Are international and domestic payroll controls the same? ☐ Yes ☐ No ☐ N/A

6. Vendor and Purchasing Controls

- a. Is the responsibility for authorizing vendors, approving purchase requisitions and purchase orders, approving vendor invoices, and processing vendor payments separated amongst different individuals? ☐ Yes ☐ No
- b. Is an authorized vendor list used and updated at least annually? ☐ Yes ☐ No
- c. Are procedures in place to verify the existence and ownership of all new vendors prior to adding them to the authorized vendor list?
If "Yes", is "due diligence" conducted by someone other than the person requesting such addition? ☐ Yes ☐ No ☐ N/A
- d. Are those who have vendor approval authority prohibited from having access to or editing the authorized vendor list? ☐ Yes ☐ No ☐ N/A
- e. Are all invoices checked against the authorized vendor list? ☐ Yes ☐ No ☐ N/A
- f. Does the Applicant have a system to detect payments to fictitious or unauthorized suppliers? ☐ Yes ☐ No
- g. Do those who have access to purchasing systems also have access to accounts payable systems? ☐ Yes ☐ No ☐ N/A
- h. Are all persons with purchase or sales responsibility prohibited from having any involvement in shipping and receiving? ☐ Yes ☐ No
- i. Does the purchasing system automatically produce exception reports to notify management and auditing of potential fraudulent transactions or trends? ☐ Yes ☐ No
- j. Are international and domestic vendor and purchasing controls the same? ☐ Yes ☐ No ☐ N/A

7. Inventory Controls

- a. Does the verification of merchandise received involve more than one individual? ☐ Yes ☐ No ☐ N/A
- b. Are physical inventory counts conducted at least annually? ☐ Yes ☐ No
- c. Are perpetual inventories of materials and supplies maintained and periodically reconciled to physical inventory counts? ☐ Yes ☐ No ☐ N/A
- d. Is physical inventory protected by:
 - 1) Alarm system? ☐ Yes ☐ No
 - 2) Video camera? ☐ Yes ☐ No
 - 3) Security guards? ☐ Yes ☐ No
 - 4) Security fencing? ☐ Yes ☐ No
- e. Does the Applicant use, purchase, or sell any base metals in its business operations such as steel, aluminum, copper, nickel, or iron? ☐ Yes ☐ No ☐ N/A
- f. Are international and domestic inventory controls the same? ☐ Yes ☐ No ☐ N/A

8. Computer Security

- a. Are firewall systems current? ☐ Yes ☐ No
- b. Does the Applicant have an Intrusion Detection System that identifies unauthorized access? ☐ Yes ☐ No
- c. Does the Applicant employ Multifactor Authentication (MFA) before allowing any external access to their computer systems? ☐ Yes ☐ No
- d. Are passwords and access codes changed at regular intervals and when users are terminated? ☐ Yes ☐ No
- e. Are access controls in place to prevent unauthorized users from gaining access to programs and files? ☐ Yes ☐ No
- f. Are reports kept of unsuccessful or unauthorized attempts to access programs and files that require passwords or access codes? ☐ Yes ☐ No
- g. Does the Applicant have a formal process for authenticating all transactions done electronically prior to shipping product or authorizing payment? ☐ Yes ☐ No
- h. Are international and domestic computer security controls the same? ☐ Yes ☐ No ☐ N/A

V. Declarations, Notices and Signature

The authorized signer of this Application represents to the best of their knowledge and belief that the statements set forth herein are true, accurate, complete and include all material information. The authorized signer also represents that any fact, circumstance or situation indicating the probability of a loss, claim, or legal action now known to any entity, official, or employee involving the proposed coverage has been declared, and it is agreed by all concerned that the omission of such information shall exclude any such loss, claim, or action from coverage under the insurance being applied for, whether or not disclosed. Any loss or claim based upon, arising out of or in connection with any misrepresentation, omission, concealment, untruthful, inaccurate, or incomplete statement of a material fact in this Application or otherwise shall be excluded from coverage.* Signing of this Application does not bind The Hanover Insurance Company or any of its insurance affiliates or subsidiaries to offer, nor the authorized signer to accept insurance. It is agreed this Application and any attachments hereto shall be the basis of the insurance.

*For state of Washington and South Dakota applicants only: Any loss or claim based upon, arising out of or in connection with any intentional misrepresentation, omission, concealment, untruthful, inaccurate, or incomplete statement of a material fact in this Application or otherwise shall be excluded from coverage.

GENERAL FRAUD NOTICE: Any person who knowingly presents a false or fraudulent claim for payment of a loss or benefit or knowingly provides false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

ATTENTION APPLICANTS IN THE FOLLOWING JURISDICTIONS

ALABAMA, ARKANSAS, DISTRICT OF COLUMBIA, LOUISIANA, MARYLAND, NEW MEXICO, RHODE ISLAND AND WEST VIRGINIA: Any person who knowingly (or willfully in MD) presents a false or fraudulent claim for payment of a loss or benefit or knowingly (or willfully in MD) presents false information in an application for insurance is guilty of a crime and may be subject to fines and confinement in prison.

CALIFORNIA: For your protection, California law requires the following to appear on this form. Any person who knowingly presents false or fraudulent information to obtain or amend insurance coverage or to make a claim for payment of a loss is guilty of a crime and may be subject to fines and confinement in state prison.

COLORADO: 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 Agencies.

FLORIDA AND OKLAHOMA: 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 (of the third degree in FL).

KANSAS: Any person who, knowingly and with intent to defraud, presents, causes to be presented or prepares with knowledge or belief that it will be presented to or by an insurer, purported insurer, broker or any agent thereof, any written, electronic, electronic impulse, facsimile, magnetic, oral, or telephonic communication or statement as part of, or in support of, an application for the issuance of, or the rating of an insurance policy for personal or commercial insurance, or a claim for payment or other benefit pursuant to an insurance policy for commercial or personal insurance which such person knows to contain materially false information concerning any fact material thereto; or conceals, for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act.

KENTUCKY, OHIO AND PENNSYLVANIA: 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.

MAINE, TENNESSEE, VIRGINIA, AND WASHINGTON: 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 and denial of insurance benefits. *Applies in ME Only.

NEW HAMPSHIRE AND NEW JERSEY: Any person who includes any false or misleading information to the best of her/his knowledge on an application for an insurance policy is subject to criminal and civil penalties.

OREGON: Any person who knowingly and with intent to defraud or solicit another to defraud the insurer by submitting an application containing a false statement as to any material fact may be violating state law.

PUERTO RICO: Any person who knowingly and with the intention of defrauding presents false information in an insurance application, or presents, helps, or causes the presentation of a fraudulent claim for the payment of a loss or any other benefit, or presents more than one claim for the same damage or loss, shall incur a felony and, upon conviction, shall be sanctioned for each violation by a fine of not less than five thousand dollars (\$5,000) and not more than ten thousand dollars (\$10,000), or a fixed term of imprisonment for three (3) years, or both penalties. Should aggravating circumstances [be] present, the penalty thus established may be increased to a maximum of five (5) years, if extenuating circumstances are present, it may be reduced to a minimum of two (2) years.

VERMONT: Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.

NEW YORK: 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 civil penalties not to exceed five thousand dollars and the stated value of the claim for each such violation.

SIGNATURE OF APPLICANT'S AUTHORIZED REPRESENTATIVE

Date

Signature**

Title

**This Application must be signed by the chief executive officer, president, or chief financial officer of the Applicant's parent organization acting as the authorized representatives of the person(s) and entity(ies) proposed for this insurance.

Produced By: Producer: _____ Agency: _____

Taxpayer ID: _____ License Number: _____ Email: _____

Address (Street, City, State, Zip): _____