

# EVEREST NATIONAL INSURANCE COMPANY

## APPLICATION AND DECLARATIONS PAGE ADDENDUM NEW YORK DISCLOSURE NOTICE

**CLAIMS-MADE POLICY:** The Policy is written on a claims-made basis with Defense Costs included in the Limit of Liability. The Limit of Liability available to pay judgments or settlements shall be reduced and may be completely exhausted by the payment of Defense Costs and Defense Costs shall be applied against the Retention. PLEASE READ THE ENTIRE POLICY CAREFULLY.

**CLAIMS-MADE DURING POLICY PERIOD:** The Policy covers only Claims actually made against the Insured while the Policy remains in effect. All Coverage under this Policy ceases upon the effective date of Policy termination except for the Automatic Discovery Period or the Optional Discovery Period (if purchased).

**CLAIMS-MADE POLICY MATURITY:** During the first several years of a claims-made relationship, claims-made rates are comparatively lower than occurrence rates, and the Company can expect substantial annual premium increases, independent of overall rate increases, until the claims-made relationship reaches maturity.

**DISCOVERY PERIOD:** The Policy provides an Automatic Discovery Period of sixty (60) days at no charge. A one (1) year Optional Discovery Period may be purchased for Directors and Officers Liability, Fiduciary Liability or Employment Practices Liability Insurance (if the respective coverage is purchased). For any other coverage purchased, a three (3) year Optional Discovery Period may be purchased. Potential coverage gaps may arise upon expiration of the Automatic Discovery Period and the Optional Discovery Period if prior acts coverage is not subsequently provided by another insurer. The premium for the Optional Discovery Period is based on the rates in effect on the date the Policy was last issued or renewed.

**RETROACTIVE DATE:** If the Policy contains a retroactive date, the Policy provides no coverage for Claims based upon, arising out of, or attributable to any wrongful act (as defined within the Policy) that took place prior to the retroactive date.



**7. LEVELS OF REVIEW:**

- a. Internal audits are performed:  Monthly  Quarterly  Annually  Other \_\_\_\_\_
- b. Loan reviews are performed:  Monthly  Quarterly  Annually  Other \_\_\_\_\_
- c. External audits are:  Full-scope  Directors-scope  Not Performed Date of Audit \_\_\_\_\_
- d. Was the most recent audit opinion unqualified (favorable)?  Yes  No  Not Applicable
- e. Date of the most recent regulatory exam: \_\_\_\_\_ Regulatory Agency \_\_\_\_\_
- f. During the past 3 years, has the Applicant been placed under, or to the best of your knowledge, does management anticipate:
  - i. any type of formal enforcement actions, orders or agreements; or  Yes  No
  - ii. any memorandums of understanding requiring public disclosure as dictated by securities law?  Yes  No
- g. Current level of internally classified assets: Substandard \$\_\_\_\_\_ Doubtful \$\_\_\_\_\_ Loss \$\_\_\_\_\_

**If the answers to Question 7(d) is No or 7(f) is Yes, provide details by attachment.**

**8. FIDUCIARY LIABILITY:** Complete this section only if the Applicant desires Fiduciary Liability coverage.

- a. Total Assets: \_\_\_\_\_ Type of Plan:  401k  ESOP  Defined Benefits

**9. FRAUD PREVENTION MEASURES:**

**a. INTERNAL CONTROLS**

- i. Are signatures on all notes and documents obtained in the presence of a bank employee, attorney, closing agent, escrow agent or title company employee?  Yes  No
- ii. Are all loans prepared and disbursed by someone other than the officer approving the loan?  Yes  No
- iii. Is there a formal program requiring the segregation of duties, so that no single transaction can be fully controlled from origination to posting by one person?  Yes  No  
If No, is there a formal program requiring the rotation of duties without prior notice thereof?  Yes  No
- iv. Are all employees required to take at least one consecutive week of vacation each year, and are they prohibited from accessing their work stations during the vacation period?  Yes  No
- v. Check kite suspect reports are reviewed:  Daily  Weekly  Other \_\_\_\_\_  Not Reviewed

**If any of the answers to Questions 9(a) are No, provide details by attachment.**

**b. COMPUTER SYSTEMS:**

- i. Core Processing is:  Performed internally by the Applicant  
 Outsourced (entirely) Vendor: \_\_\_\_\_  Outsourced (partially) Vendor: \_\_\_\_\_

**10. INTERNET/ELECTRONIC BANKING LIABILITY:** Complete this section only if the Applicant has a transactional website and coverage is desired.

- a. Provide the home page addresses, vendor that provides Internet banking capabilities, and program utilized

<u>Website</u>	<u>Vendor</u>	<u>Program Utilized</u>
_____	_____	_____
_____	_____	_____

**11. Which insurance carrier currently provides Property and General Liability coverage? \_\_\_\_\_**

- a. What are the policy expiration dates? \_\_\_\_\_

**LOSSES, PENDING LITIGATION AND CLAIMS HISTORY**

**All Applicants**

- 1. Is the Applicant or any subsidiary a defendant in any lawsuit which, if allegations are proven, could materially affect the financial condition of the Applicant or any Subsidiary?  Yes  No

**New Applicants Only**

- 2. During the past 3 years, have there been or are there now any lawsuits, written or oral demands, employee grievances, negotiated settlements or administrative proceedings (EEOC, NLRB, etc) involving:
  - a. any past or present director, officer or employee resulting from their activities as such?  Yes  No
  - b. the Applicant or any Subsidiary?  Yes  No
- 3. Have there been any Financial Institution Bond losses in excess of \$5,000 during the past 3 years, whether reimbursed or not?  Yes  No

4. Does the undersigned or any director or officer have any knowledge of any fact, circumstance or situation involving the Applicant, its Subsidiaries, or any past or present director, officer or employee, which could reasonably be expected to give rise to a future liability claim or Bond loss?

Yes  No

If any of the answers in this section are Yes, provide details by attachment.

**RENEWAL APPLICANTS: IT IS UNDERSTOOD AND AGREED THAT IF THE UNDERSIGNED OR ANY INSURED HAS KNOWLEDGE OF ANY FACT, CIRCUMSTANCE OR SITUATION WHICH COULD REASONABLY BE EXPECTED TO GIVE RISE TO A FUTURE CLAIM, THEN ANY INCREASED LIMIT OF LIABILITY OR COVERAGE ENHANCEMENT SHALL NOT APPLY TO ANY CLAIM ARISING FROM OR IN ANY WAY INVOLVING SUCH FACTS, CIRCUMSTANCES OR SITUATIONS. IN ADDITION, ANY INCREASED LIMIT OF LIABILITY OR COVERAGE ENHANCEMENT SHALL NOT APPLY TO ANY CLAIM, FACTS, CIRCUMSTANCES OR SITUATIONS FOR WHICH THE INSURER HAS ALREADY RECEIVED NOTICE.**

**NEW APPLICANTS: IT IS UNDERSTOOD AND AGREED THAT ANY CLAIM ARISING FROM ANY PRIOR OR PENDING LITIGATION OR WRITTEN OR ORAL DEMAND SHALL BE EXCLUDED FROM COVERAGE. IT IS FURTHER UNDERSTOOD AND AGREED THAT IF KNOWLEDGE OF ANY FACT, CIRCUMSTANCE OR SITUATION WHICH COULD REASONABLY BE EXPECTED TO GIVE RISE TO A CLAIM EXISTS, ANY CLAIM OR ACTION SUBSEQUENTLY ARISING THEREFROM SHALL BE EXCLUDED FROM COVERAGE.**

**REPRESENTATION STATEMENT**

The undersigned declare that, to the best of their knowledge and belief, the statements in this application, any prior applications, any additional material submitted, and any publicly available information published or filed by or with a recognized source, agency or institution regarding business information for the Applicant for the 3 years preceding the Policy's inception, and any amendments thereto [hereinafter called "Application"] are true, accurate and complete, and that reasonable efforts have been made to obtain sufficient information from each and every individual or entity proposed for this insurance. It is further agreed by the Applicant that the statements in this Application are their representations, that they are material and that the Policy is issued in reliance upon the truth of such representations. No misrepresentation by the Applicant shall be deemed material unless knowledge by the Insurer of the facts misrepresented would have led to the refusal by the Insurer to issue or renew the Policy/Bond for the premium charged and with the same terms and conditions as offered.

The signing of this Application does not bind the undersigned to purchase the insurance and accepting this Application does not bind the Insurer to complete the insurance or to issue any particular Bond/Policy. If a Bond/Policy is issued, it is understood and agreed that the Insurer relied upon this Application in issuing each such Bond/Policy and any Endorsements thereto. The undersigned further agrees that if the statements in this Application change before the effective date of any proposed Bond/Policy, which would render this Application inaccurate or incomplete, notice of such change will be reported in writing to the Insurer immediately.

**FRAUD WARNING**

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 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. The person may also be subject to a civil penalty not to exceed five thousand dollars (\$5,000) and the stated value of the claim for each such violation.

**Chief Executive Officer, President or Chairman of the Board:**

Print Name:	Signature:
Title:	Date:

**Chief Financial Officer or Equivalent Officer:**

Print Name:	Signature:
Title:	Date:

**A BOND/POLICY CANNOT BE ISSUED UNLESS THE APPLICATION IS SIGNED/DATED BY TWO INDIVIDUALS.**

Agent Name \_\_\_\_\_

License Number \_\_\_\_\_

Agent Signature \_\_\_\_\_

Submit Application to:  
 ABA Insurance Services, Inc.  
 3401 Tuttle Road, Suite 300 • Shaker Heights, OH 44122  
 Telephone: (800) 274-5222 • Fax: (800) 456-6590 • www.abais.com