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| **ABAIS_logo-blk_no-tag_042010** | **EVEREST NATIONAL INSURANCE COMPANY**  **FINANCIAL INSTITUTION APPLICATION** |

**DIRECTORS & OFFICERS / COMPANY LIABILITY**  **EMPLOYMENT PRACTICES LIABILITY**

**FINANCIAL INSTITUTION BOND/CSD**

**FDIC No.**

**THE LIABILITY POLICIES WHICH MAY BE ISSUED BASED UPON THIS APPLICATION PROVIDE CLAIMS MADE COVERAGE WRITTEN ON A NO DUTY TO DEFEND BASIS. DEFENSE COSTS ARE INCLUDED WITHIN THE LIMIT OF LIABILITY. AMOUNTS INCURRED AS DEFENSE COSTS WILL REDUCE THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS. PLEASE READ YOUR POLICIES CAREFULLY.**

Applicant

***(List all entities applying for coverage including all Subsidiaries)***

Address       City       State       Zip Code

P.O. Box       City       State       Zip Code

Telephone       Fax       Website

Representative authorized to receive notices on behalf of all persons and entities:

Name       Title       E-mail

**GENERAL INFORMATION**

1. a. The Applicant is a:  Bank  Bank Holding Company  Financial Services Holding Co.

Savings Bank  Savings & Loan / Thrift  Other

b. Corporate structure:  C-Corporation  S-Corporation  Limited Liability Company

c. Type of ownership:  Stock Company  Mutual Company  Other

2. If a Stock Company:

a. Stock is:  Privately Held  Publicly Traded Ticker Symbol:       Exchange:

b. Number of: Holding Company Subsidiary Bank

i. Shareholders

ii. Shares outstanding

iii. % Shares owned directly or beneficially  
by directors, officers and employees      %      %

c. List all persons or entities that own more than 10% of common stock (directly or beneficially) or debentures convertible to common stock, which if exercised, would result in a controlling interest of 10% or more of common stock. Indicate name, percentage owned and if such individual/entity is represented on the board.

3. Number of:       Employees (full and part-time)       Full Service Branches (including Main Office)

      Off-Premises ATMs       Limited Facilities (accepts deposits; no lending)

      Locations with Safe Deposit Boxes       Locations with Self-Storage Safe Deposit Boxes

4. List all subsidiaries and most recent year-end income/assets below or by attachment:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Name** | **Nature of Business** | **Parent Owner** | **% Owned** | **Date Established** | **Net Income** | **Total Assets** |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY SUBSIDIARY UNLESS LISTED AND EXPRESSLY AGREED TO BY THE INSURER.**

5. **PROFESSIONAL SERVICES:** Indicate all services that are now offered or that the Applicant or any Subsidiary contemplates offering within the next 12 months. Provide the most recent year-end revenue for each applicable service.

|  |  |
| --- | --- |
| **Real Estate**  Appraisal Services $        Property Management $        Real Estate Brokerage $        Title Company $  **Investment Services**  Investment Advisory Services $        Security Broker/Dealer $        Investment Banking $        Securities Underwriting $        Private Equity Investing $        Trust Services $  (**complete Trust Services Liability Application**)  **Insurance Services**  Insurance Agency $        Insurance Company $ | **Accounting/Processing Services**  Accounting Services $        Actuarial Services $        Credit Card Processing $        Tax Preparation $  **Other (specify)**  IRA/Keogh Account   Administration $        Mortgage Banking Services $        Loan Servicing (third party) $        Wire transfer services $        Notary public services $        Other:       $ |

**IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY SERVICE OR BUSINESS ACTIVITY UNLESS LISTED ABOVE AND EXPRESSLY AGREED TO BY THE INSURER.**

6. Has the Applicant or any Subsidiary completed any of the following transactions during the past 3 years, or are any such transactions planned for the next 12 months:

a. Stock offering, merger, consolidation, acquisition, divestment or sale of stock in excess of 10% of shares  
outstanding?  Yes  No

b. Conversion from a mutual to stock form of ownership or from a Bank Holding Company to a Financial  
Services Holding Company?  Yes  No

c. Going-private transaction, conversion from a C-Corporation to a Subchapter S-Corporation or any other  
transaction that eliminates shareholders?  Yes  No

**If any of the answers to Question 6 are Yes, provide details by attachment. For stock offerings, attach a copy of the Prospectus or Placement Memorandum.**

7. **MANAGEMENT:**

a. Indicate if there have been changes in any of the following positions during the past 3 years for reasons other than internal promotion, retirement or death (**provide details and attach resumes of any new hires**):

No changes  Chairman of the Board  President and/or CEO

Senior Operations Officer  Senior Loan Officer  Internal Auditor

b. List all board members who missed more than 25% of the board meetings within the past 12 months and reasons:

c. During the past 3 years, have there been any problems involving extensions of credit to directors or officers?  Yes  No

d. During the past 3 years, has any past or present director, officer or employee been charged with a crime or  
been the subject of a criminal investigation or disciplinary proceeding by a regulatory agency or organization?  Yes  No

**If the answer to Question 7(c) or 7(d) is Yes, provide details by attachment.**

8. **LEVELS OF REVIEW:**

a. The internal audit function is performed by:  Employee(s)  External Firm  Not Performed

b. Internal audits are performed:  Monthly  Quarterly  Annually  Other

c. Is the Audit Committee comprised only of outside directors?  Yes  No

d. Summarize auditor’s qualifications (or attach resumes)

e. Are audit reports submitted directly to the:  Board of Directors (or)  Audit Committee

f. External audits are:  Full-scope  Directors-scope  Not Performed Date of Audit

g. The external audit is performed:  Annually  Every other year  Other

h. Was the most recent audit opinion unqualified (favorable)?  Not Applicable  Yes  No

i. Were any material weaknesses noted in the most recent Management Letter?  Not Applicable  Yes  No

j. Current level of internally classified assets: Substandard $       Doubtful $       Loss $

k. **Attach a copy of the most recent Audit Report, Management Letter and Applicant’s response.**

l. Regulatory Agency       Date of Exam

m. Have all criticisms in the exam report been addressed by the board of directors?  Yes  No

n. During the past 3 years, has the Applicant or any Subsidiary been placed under, or to the best of your

knowledge, does management anticipate:

i. any type of formal enforcement action, order or agreement; or  Yes  No

ii. a memorandum of understanding requiring public disclosure as dictated by securities law?  Yes  No

**If the answer to Question 8(m) is No or 8(n) is Yes, provide details by attachment.**

9. **LOAN REVIEW:**

a. Loan reviews are conducted:  Monthly  Quarterly  Annually  Other

b. The loan review function is performed by:  Employee(s)  External Firm (specify)

c. During the past 3 years, has any director or officer become aware of any of the following conditions as a result of an internal audit or loan review:

i. Concentration of credit that warrants reduction or correction?  Yes  No

ii. Extension of credit that exceeds the legal lending limit?  Yes  No

iii. Conflict of interest transaction?  Yes  No

**If any of the answers to Question 9(c) are Yes, provide details by attachment.**

**LENDER AND DEPOSITOR LIABILITY**

**Complete this section only if coverage is desired.**

1. Is a written loan application required for every extension of credit?  Yes  No

2. For loans originated by the Applicant, 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

3. For loans originated by third parties (e.g., mortgage brokers, other banks, etc.), are signatures on all notes and

documents obtained in the presence of a bank employee, attorney, closing agent, escrow agent or title company

employee?  Not Applicable  Yes  No

4. Prior to opening a corporate account, is the customer required to provide a signed corporate resolution or letter

designating certain individuals to sign on the account?  Yes  No

5. Does the Applicant prohibit the acceptance of checks made payable to corporate payees, but endorsed by

individuals or endorsed over to individuals?  Yes  No

6. Are account statements forwarded to customers on a monthly basis?  Yes  No

If No, how often?

7. Are makers’ signatures verified on checks in excess of $10,000 drawn on the Applicant?  Yes  No

8. Are endorsements on negotiable instruments verified upon presentment?  Yes  No

**If any of the answers to Questions 1 through 8 are No, provide details by attachment.**

9. Indicate if the Applicant or any Subsidiary engages in the following:

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Answer** | | **Existing Amount** |
| Loan servicing for third parties | | Yes  No | $ |
| Out-of-territory lending greater than 25% of total loans | | Yes  No | $ |
| Loan participations originated by third parties | | Yes  No | $ |
| Loan participations sold with recourse | | Yes  No | $ |
| Unsecured commercial lending | | Yes  No | $ |
| Construction lending for speculative buildings or homes | | Yes  No | $ |
| Construction lending without firm take-out commitments | | Yes  No | $ |
| Dealer floor planning | | Yes  No | $ |
| Subprime lending | | Yes  No | $ |
| “Payday” lending (i.e., cash advances on checks held for future deposit) | | Yes  No | $ |
| Purchase of brokered loans or books of loans | | Yes  No | $ |
| Use of mortgage brokers or other third-party loan or lease producers | | Yes  No | $ |
| Origination of loan syndications or securitizations | | Yes  No | $ |

**EMPLOYMENT PRACTICES LIABILITY**

**Complete this section only if coverage is desired.**

1. Does the Applicant have a written manual of all personnel policies and procedures?  Yes  No

a. If Yes, does it include an employment-at-will statement?  Yes  No

b. If Yes, does it include a Sexual Harassment Policy?  Yes  No

c. If Yes, does it include a Discrimination Policy?  Yes  No

2. Prior to terminating employees, does the Applicant seek legal counsel?  Yes  No

3. Has employee turnover exceeded 25% in either of the past 2 years?  Yes  No

4. Have there been during the past 12 months, or does the Applicant anticipate in the next 12 months, any branch/

office closings, layoffs, or reorganizations?  Yes  No

5. 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

6. **Attach a copy of the Applicant’s Employment Application used for all applicants for hire. If there are exceptions to Questions 2 through 5, provide details by attachment.**

**FIDUCIARY LIABILITY**

**Complete this section only if coverage is desired.**

Fiduciary Liability coverage pertains to retirement and welfare benefit plans for the benefit of the Applicant’s employees.

1. Complete the following for all Plans.

|  |  |  |  |
| --- | --- | --- | --- |
| **Plan Name** | **Asset**  **Value** | **Year Established** | **Number of Participants** |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY PLAN UNLESS LISTED ABOVE AND EXPRESSLY AGREED TO BY THE INSURER.**

2. Is any Plan an Employee Stock Ownership Plan (ESOP)?  Yes  No

If Yes, percentage of Company stock owned:      %

3. Are any Plan assets (other than ESOP) currently:

a. loaned to or invested in the securities of the Applicant, any Subsidiary or any affiliate?  Yes  No

b. invested in bank deposits or any other investment vehicle sponsored by the Applicant?  Yes  No

4. Does any Plan have a funding deficiency?  Yes  No

5. Is any Plan currently under examination or is any issue related to a Plan currently pending before the Internal

Revenue Service Department of Labor, the Pension Benefit Guaranty Corporation or any court?  Yes  No

6. Did any of the past 3 actuarial assessments or external audit reports contain any qualifications?  Yes  No

**If any of the answers to Questions 3 through 6 are Yes, provide details by attachment.**

**BROKERAGE / ADVISORY SERVICES**

**Complete this section only if coverage is desired.**

1. Type of brokerage services offered:

Referral-basis only (if applicable, skip to next section)  Investment advisory services only

Discount brokerage only (purchase and sale of securities;  Full-service brokerage

no investment advice)

2. Brokerage services are offered by:

The Applicant’s own employees

The Applicant’s own employees, who are also managed and/or compensated by a third-party broker-dealer   
(i.e., “dual employees”) Firm name:

3. Total assets under management: $       Total Number of Accounts

4. If dual employees are used, does the Applicant's contract specify that the broker/dealer is responsible for supervision of the dual employees?  Not Applicable  Yes  No

5. Are all securities and funds forwarded directly to the client or deposited directly into the client’s account?  Yes  No

6. Do address changes require management approval and a written, signed request from the client?  Yes  No

7. Are account statements forwarded directly to the client from a central location at least quarterly?  Yes  No

8. Is a process in place to ensure that all transactions over $5,000 are verified with the client by an individual other

than the broker?  Yes  No

9. Are all employees prohibited from accessing client funds?  Yes  No

**If any of the answers to Questions 4 through 9 are No, provide details by attachment.**

10. Indicate all services that are now offered or that the Applicant or any Subsidiary contemplates offering within the next 12 months. Provide the most recent year-end revenue for each applicable service.  Not Applicable

|  |  |
| --- | --- |
| Market making services $  Market timing services $  Private placements $ | Underwriting activities $  Economic forecasting $  Other (specify)       $ |

**INSURANCE SERVICES LIABILITY**

**Complete this section only if coverage is desired.**

1. Type of insurance offered: **% of Total Premium**

Credit Life & Disability      %  
 Homeowners & Personal Automobile      %  
 Health & Life      %  
 Commercial P&C      %  
 Annuities      %  
 Consulting/Loss Control Services      %  
 Claims Adjusting/TPA      %

Other (specify)            %

**100%**

2. Most recent year-end premium volume: $

**FINANCIAL INSTITUTION BOND**

**Complete this section only if coverage is desired.**

1. **INTERNAL CONTROLS**:

a. Are all loans prepared and disbursed by someone other than the officer approving the loan?  Yes  No

b. 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

c. Are all employees required to take vacations each year, and are they prohibited from accessing their work

stations during the vacation period?  Yes  No

If Yes, vacations are required for a period of:  At least two consecutive weeks

At least one consecutive week

d. Check kite suspect reports are reviewed:  Daily  Weekly  Other        Not Reviewed

e. Does the Applicant fund loans or leases originated by mortgage brokers or leasing companies?  Yes  No

If Yes, signatures on all notes and documents are obtained by the:  Applicant  Broker or Leasing Company

Other (specify)

f. Are all currency shipments prepared, received and counted under dual control?  Yes  No

g. Are employees’ accounts segregated and reviewed for unusual activity at least monthly?  Yes  No

h. Are dormant accounts flagged, segregated and maintained under dual control?  Yes  No

i. Are all accounts (including suspense accounts) reconciled at least monthly by individuals who have no

authority to post transactions to the accounts?  Yes  No

**If any of the answers to Question 1 are No, provide details by attachment.**

2. **COMPUTER SYSTEMS:**

a. Core processing is:  Performed internally by the Applicant

Outsourced (entirely) Vendor:        Outsourced (partially) Vendor:

b. Specify all computer systems to be covered under the Bond (other than the Applicant’s proprietary systems):

**IT IS UNDERSTOOD AND AGREED THAT COVERAGE WILL NOT BE PROVIDED FOR ANY COMPUTER SYSTEM UNLESS LISTED AND EXPRESSLY AGREED TO BY THE INSURER.**

3. **BROKERAGE SERVICES:** If the Applicant provides brokerage services (either directly or indirectly), provide the following:

a. Type of brokerage services offered:

Referral-basis only (if applicable, skip to next section)  Investment advisory services only

Discount brokerage only (purchase and sale of securities;  Full-service brokerage

no investment advice)

b. Brokerage services are offered by:

The Applicant’s own employees

The Applicant’s own employees, who are also managed and/or compensated by a third-party broker-dealer (i.e., “dual employees”) Firm name:

**LOSSES, PENDING LITIGATION AND CLAIMS HISTORY**

**All Applicants**

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

**New Applicants Only**

2. Have there been any Financial Institution Bond losses in excess of $5,000 during the past 3 years, whether  
reimbursed or not?  Yes  No

3. Does the undersigned or any director or officer have 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 claim?  Yes  No

4. Has any carrier declined, cancelled or non-renewed any policy similar to the coverage herein applied for?

(**NOT APPLICABLE IN MISSOURI**)  Yes  No

5. During the past 3 years, have there been or are there now any lawsuits, administrative charges, written or oral

demands involving the Applicant, any Subsidiary, or any past or present director, officer or employee?  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 Bond/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, they are material and that the Bond/Policy is issued in reliance upon the truth of such representations.**

**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 WARNINGS**

**ARKANSAS, LOUISIANA, MARYLAND, NEW JERSEY, NEW MEXICO** and **VIRGINIA**: 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. In Arkansas, Louisiana and Maryland, that person may be subject to fines, imprisonment or both. In New Mexico, that person may be subject to civil fines and criminal penalties. In Virginia, penalties may include imprisonment, fines and denial of insurance benefits.

**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.

**DISTRICT OF COLUMBIA, KENTUCKY,** **PENNSYLVANIA** and **OREGON**: 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. In District of Columbia, penalties include imprisonment and/or fines. In addition, the Insurer may deny insurance benefits if the applicant provides false information materially related to a claim. In Pennsylvania and Oregon, the person may also be subject to criminal and civil penalties.

**FLORIDA** and **OKLAHOMA**: Any person who knowingly and with intent to injure, defraud or deceive the Insurer, files a statement of claim or an application containing any false, incomplete or misleading information is guilty of a felony. In Florida it is a felony to the third degree.

**MAINE, TENNESSEE** 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/or denial of insurance benefits.

**OHIO:** Any person who, with intent to defraud or knowing that he is facilitating a fraud against the Insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

**OREGON:** Any person who knowingly and with intent to defraud any insurance company or another 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, may be committing a fraudulent insurance act, which may be a crime and may subject the person to criminal and civil penalties.

**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.

5910 Landerbrook Drive, Suite 100 • Mayfield Heights, OH 44124

Telephone: (800) 274-5222 • Fax: (800) 456-6590 • [www.abais.com](http://www.abais.com)

ABA Insurance Services Inc., dba Cabins Insurance Services in CA; ABA Insurance Services of Kentucky Inc. in KY; and

ABA Insurance Agency Inc. in MI