

## ASSET MANAGEMENT RISK SOLUTIONS™ – INSURANCE APPLICATION SUPPLEMENT COST OF CORRECTIONS COVERAGE

THIS SUPPLEMENT IS PART OF THE APPLICATION SUBMITTED BY OR ON BEHALF OF THE APPLICANT FOR THE PROPOSED INSURANCE. THE NOTICES, CONDITIONS AND REPRESENTATIONS CONTAINED IN SUCH APPLICATION ARE INCORPORATED INTO AND APPLY TO THIS SUPPLEMENT. THIS SUPPLEMENT MUST BE COMPLETED IF THE APPLICANT SEEKS COST OF CORRECTIONS COVERAGE.

If additional space is needed to answer the below questions in detail, attach a separate document to this Application to provide complete answers.

### I. APPLICANT

Name of Applicant (as identified in the Asset Management Risk Solutions™ Insurance Application):

1. Indicate the Applicant's firm's average trading volume (select one): ☐ Monthly ☐ Yearly  
Number of Trades: \_\_\_\_\_ Number of Shares: \_\_\_\_\_ Dollar Value: \_\_\_\_\_  
How frequently are trades reconciled against an account? \_\_\_\_\_

2. Does the Applicant perform routine checks to identify undiscovered errors? ☐ Yes ☐ No  
If "Yes", answer the following:  
a. By whom (include title and position): \_\_\_\_\_  
b. Are these individuals separate from those delivering and executing the trades? ☐ Yes ☐ No  
c. Provide a detailed explanation of these routine checks, including the frequency of such checks:

3. What is the average annual turnover rate across the Applicant's entire portfolio of managed assets?  
("turnover" means the gross proceeds from all sales divided by total assets) \_\_\_\_\_

4. Does the Applicant have separate employees perform the investment and trading functions? ☐ Yes ☐ No

5. Does the Applicant have automated front-end account management controls to flag account restrictions? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation:

Does the Applicant provide managers with lists of restrictions applicable to the firm's accounts? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation:

6. Does the Applicant have procedures in place for monitoring compliance with the investment guidelines of any client or funds under the Applicant's management? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation:

7. Does the Applicant prepare a report outlining trading activity and review it for compliance purposes? ☐ Yes ☐ No  
If "Yes", answer the following:  
a. How frequently: \_\_\_\_\_  
b. By whom (include title and position): \_\_\_\_\_

8. Does the Applicant have a system in place to "flag" securities that have announced share splits or bond calls? ☐ Yes ☐ No  
Provide a detailed explanation of how such events are reconciled against funds and accounts holding such securities:

9. Has the Applicant implemented automated and human controls to prevent allocation errors between or among all managed accounts? ☐ Yes ☐ No  
If "Yes", provide a detailed explanation:

10. During the last five (5) years, how many "trade errors" has the Applicant detected? \_\_\_\_\_  
If "None" please check the box ☐  
Provide a detailed explanation of each type of error, including dollar value and date of each occurrence:

Provide a detailed explanation of all procedures implemented to ensure that these types of errors do not re-occur:

Any person who knowingly and with intent to defraud any insurance company or another person, files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto, may be guilty of committing a fraudulent insurance act, which is a crime and subjects the person to criminal and civil penalties.

## II. SIGNATURE AND AUTHORIZATION

IF THE APPLICANT PREFERS TO ELECTRONICALLY SUBMIT THIS APPLICATION TO THE UNDERWRITER, ITS AUTHORIZED AGENT SHOULD DO SO BY CHECKING THE BELOW BOX AND TYPING THEIR NAME AND THE DATE. BY DOING SO, THE APPLICANT AND ITS AUTHORIZED AGENT HEREBY CONSENT AND AGREE THAT SUCH AUTHORIZED AGENT'S USE OF A KEY PAD, MOUSE OR OTHER DEVICE TO CHECK THE ELECTRONIC SIGNATURE AND ACCEPTANCE BOX CONSTITUTES THEIR SIGNATURE, ACCEPTANCE AND AGREEMENT AS IF ACTUALLY SIGNED BY SUCH AUTHORIZED AGENT IN WRITING AND HAS THE SAME FORCE AND EFFECT AS A SIGNATURE AFFIXED BY HAND.

☐ **AUTHORIZED AGENT SIGNATURE AND ACCEPTANCE**

A digital signature is as simple as:

1. Check the box.
2. Type authorized agent's name and the date.

The box must be checked by a partner, principal, director or officer of the Applicant (or equivalent positions thereof).

Applicant Name: \_\_\_\_\_  
By (Authorized Signature): \_\_\_\_\_  
Name/Title: \_\_\_\_\_  
Date: \_\_\_\_\_

NOTE: THIS APPLICATION MUST BE SIGNED BY A PARTNER, PRINCIPAL, DIRECTOR OR OFFICER OF THE APPLICANT ACTING AS THE AUTHORIZED AGENT OF ALL INDIVIDUALS AND ENTITIES PROPOSED FOR THIS INSURANCE.