

**UNAUTHORISED TRADING INSURANCE PROPOSAL – 06/09**

Nova Underwriting Pty Ltd  
ABN 42 127 786 823 / AFSL 324767

**IMPORTANT – PLEASE READ THE FOLLOWING ADVICE BEFORE COMPLETING THIS PROPOSAL.**

**1. 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 [ICA], to disclose to the insurer every matter which 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 use before you renew, extend, vary or reinstate a contract of insurance. Your duty however does not require disclosure of a matter:

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

**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. If your non-disclosure is fraudulent, the insurer may also have the option of avoiding the contract from its beginning.

**COMMENT**

*The requirement of full and frank disclosure of anything which may be material to the risk for which you seek cover [EG: claims, whether founded or unfounded], or to the magnitude of the risk, is of the utmost importance with this type of insurance. It is better to err on the side of caution by disclosing anything which might conceivably influence the insurer's consideration of your proposal.*

**2. UTMOST GOOD FAITH:**

Every insurance contract is subject to the doctrine of utmost good faith which requires the contracting parties to act toward each other with the utmost good faith. Failure to do so on your part may prejudice any claim or the continuation of the insurance contract.

**3. SUBROGATION WAIVER**

Our policy contains a provision that has the effect of excluding or limiting cover for a liability incurred as a result of you entering an agreement that impairs your legal rights against another party.

**4. PRIVACY**

We comply with the Privacy Act when dealing with you personal information. We need to collect personal information to deliver our services and products, and we may also need to pass that information to third parties such as our security, their reinsurers, agents, lawyers and other service providers.

You can have access to, and if necessary, correct your personal information, by contacting our privacy officer.

When you give us personal or sensitive information about other individuals, we rely on you to have made or make them aware that you will or may provide their information to us, the purposes we use it for, the types of third parties that we

disclose it to and how they can access it. If it is sensitive information we rely on you to have obtained their consent on these matters. If you have not done either of these things, you must tell us before you provide the relevant information.

## 5. NOT A RENEWABLE POLICY

Any policy issued by us will terminate at a time and date specified in the policy. There is no right to automatic extension or renewal of the policy. If you wish to effect similar insurance for a subsequent period, it's necessary to complete a new proposal prior to the termination of the expiring policy so that we may consider whether or not to offer a replacement policy, and if so, on what terms.

## 6. CHANGE OF RISK OR CIRCUMSTANCES

The terms of any policy issued by us are based and rely on the information provided to us. If any material change occurs to the information provided on or with this proposal prior to inception of the policy, you must tell us about these changes before the policy incepts, as failure to do so could prejudice any claim and/or continuation of the policy.

## 7. OUR POLICY

You should familiarise yourself with our standard policy wording before submitting this proposal to us. Obtain a copy form your broker, us or download from [www.novaunderwriting.com.au](http://www.novaunderwriting.com.au)

## 8. COMPLETING THE PROPOSAL

The proposal forms the basis of the contract between you and the insurers, and it's important that you answer each question fully and accurately. If there is insufficient space in the form for you answer or you are asked to attach further details, please attach your answer on you letterhead. If a question does not apply to you, simply answer as "N/A" or "Not Applicable". If a question is answering by reference to another document, attach that document and identify where the answer may be found. Answers such as "Known to broker" are not acceptable.

## 9. DEFINITIONS OF TERMS USED IN THE PROPOSAL

- **Trading** means engaging in one or more **Trades**.
- **Trade(s)** means an actual purchase or sale for your own account of [a] securities, commodities, futures, options or other instruments traded through an established securities or commodities exchange; or [b] over-the-counter securities with a financial institution; or [c] government securities or foreign currencies.
- **Trader(s)** means an **Employee** who has been specifically designated by you to conduct **Trading** for your own account.
- **Employee** means one of your officers and other full time staff compensated by salary, wages or commissions and who have the right to govern and direct in the performance of duties (including your directors who are employees as salaried officers or employees) while acting in the course of their employment by you.
- **Unauthorised Trading** means **Trading** with an actual counterparty which at the time of the **Trade** is [a] in excess of permitted limits; or [b] outside of permitted product lines; or [c] not with a counterparty with whom the **Trader** is authorised by you to engage in trading with you.

## 10. GENERAL INSURANCE CODE OF PRACTICE

We have adopted the General Insurance Code of Practice. The purpose of the Code is to raise standards of practice and service in the general insurance industry, including the manner in which complaints must be handled. For further information about the Code, visit our website [www.novaunderwriting.com.au](http://www.novaunderwriting.com.au) or visit the Code website [www.codeofpractice.com.au](http://www.codeofpractice.com.au) or contact our Compliance Manager. As part of our Code compliance obligations, we advise that the key factors affecting premiums are the nature and size of the risk, and the claims experience.

<b>1.0 GENERAL</b>			
1.1	Name of Company  <i>(Please attach a list on your letterhead with the names and principal activities of all wholly owned companies to be covered.)</i>		
1.2	Principal Address		
1.3	Identify each permanent or temporary office at or from which <b>Trading</b> is conducted, the number of <b>Traders</b> employed at each, and the total number of <b>Employee</b> (other than Traders) whose duties are mainly or exclusively within your <b>Trading</b> operations.  <i>(If <b>Trading</b> is conducted from subsidiary or affiliated companies that you want covered, please complete the supplementary application provided in respect of each such company.)</i>	<b>Address</b>	<b># Traders</b>
		<b>TOTAL</b>	
1.4	If any <b>Trader</b> does not conduct <b>Trading</b> from any of the above-mentioned offices, please identify such <b>Trader(s)</b> and the address from which such <b>Trader(s)</b> have the authority to conduct <b>Trading</b> .	<b>Trader(s) Name</b>	<b>Address</b>
1.5	Identify any temporary office used for the purpose of disaster recovery.		
1.6	State your total opening profit/(loss) <b>before tax</b> for each of the last three financial years and the contribution made by all <b>Trading</b> activities.	<b>Year</b>	<b>Total Profit/(Loss)</b>
1.7	Show those profits/losses from <b>Trading</b> activities for the most <i>recent</i> financial year broken down by the <i>type</i> of <b>Trading</b> book.		
<b>2.0 LOSS RECORD</b>			
2.1	Have you experienced any incidents of <b>Unauthorised Trading</b> in the past 5 years, whether or not any loss resulted?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
		<i>(If "Yes", attach a full narrative description of each such incident, any loss which resulted, and the steps taken to prevent recurrence.)</i>	
<b>3.0 TRADING PROCEDURES</b>			
3.1	Please identify those persons who comprise your <b>Market Risk Committee</b> and their titles.  <i>(Market Risk Committee means those senior business-line manager and managers independent of the line areas that collectively have direct accountability for all corporate-wide market risk activities.)</i>	<b>Name</b>	<b>Title</b>

<p>3.2 Have you established written policies and procedures for all <b>Trading</b> that include:</p> <p>a) permitted financial limits b) permitted product lines c) permitted counterparties</p> <p>applicable to the activities of each individual <b>Trader</b>?</p>	<p>a) Yes <input type="checkbox"/> a) No <input type="checkbox"/> b) Yes <input type="checkbox"/> b) No <input type="checkbox"/> c) Yes <input type="checkbox"/> c) No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.3 If such written policies and procedures are established, are all <b>Traders</b> provided with an initial instruction as to their content?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.4 Are all <b>Traders</b> continuously updated as to any changes or modifications to the written policies and procedures?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.5 Is there an independent review and reconciliation of each day's <b>Trading</b> by your officers who are independent of the <b>Traders</b>?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.6 Is such a review and reconciliation recorded, signed dated and retained?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.7 Have you established a separation of duties as to:</p> <p>a) trade reconciliation? b) trade statements? c) trade confirmations?</p>	<p>a) Yes <input type="checkbox"/> a) No <input type="checkbox"/> b) Yes <input type="checkbox"/> b) No <input type="checkbox"/> c) Yes <input type="checkbox"/> c) No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.8 Have you assigned responsibility for and Monitoring of <b>Trading</b> activities to a group or department outside of the <b>Trading</b> departments themselves?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>
<p>3.9 Have you established written policies and procedures forbidding <b>Brokers' Points</b> and <b>Adjusted Price Trading</b>?</p> <p><i>(Adjusted Price Trading mean a collusive agreement with a party from whom you previously purchased a security that has now dropped in value and the security is resold to the party at your original purchase price, and you purchase other securities from the dealer at an inflated price.)</i></p> <p><i>Brokers' Points means one party agreeing to the other party's price in a disputed trade, but with the caveat that the discrepancy will be made up in the future.</i></p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>(If "No", please attach details)</p>

<p>3.10 Do you maintain written policies and procedures for:</p> <p>a) dealing with trades conducted off market rates?  b) regular re-valuation of positions?  c) proper use of trade tickets and blotters?</p>	<p>a) Yes <input type="checkbox"/> a) No <input type="checkbox"/>  b) Yes <input type="checkbox"/> b) No <input type="checkbox"/>  c) Yes <input type="checkbox"/> c) No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p>3.11 After a <b>Trading</b> transaction has been completed, is there a requisite period of time within which that <b>Trade</b> must be recorded?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p>Time <input type="text"/></p> <p><i>(If "No", please attach details)</i></p>
<p>3.12 Do you have established procedures to price thinly traded or non-exchange traded instruments and do you independently review such pricing on a regular basis?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p>3.13 Are all <b>Trading</b> telephone conversations at your premises recorded and are the recordings retained for at least three years?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p>3.14 Are all traded instruments marked to market on a daily basis by employees independent of your <b>Traders</b>?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p>3.15 Do you permit <b>Trading</b> away from your premises [e.g. from a <b>Trader's</b> home]?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "Yes", please attach details of the procedures and controls you apply to such <b>Trading</b>.)</i></p>
<p>3.16 Are all <b>Traders</b> and support staff, whose duties are within your <b>Trading</b> operations, required to take an uninterrupted holiday of at least two weeks in each calendar year during which they perform no duties and are required to stay away from the premises?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p><b>4.0 SYSTEMS</b></p>	
<p>4.1 Is all <b>Trading</b> entered and monitored on a globally centralised computer system such that management can be aware of your total positions and exposures on a world-wide basis at any given time?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details of how you control and co-ordinate <b>Trading</b> exposures)</i></p>
<p>4.2 Do your procedures require that all <b>Trades</b> are entered into the system immediately upon execution or within a designated maximum period?</p>	<p>Yes <input type="checkbox"/> No <input type="checkbox"/></p> <p><i>(If "No", please attach details)</i></p>
<p>4.3 What is the maximum period during which a trade may remain unrecorded by a <b>Trader</b> after execution?</p>	<p>Period <input type="text"/></p>

<b>5.0 AUDIT CONTROLS</b>	
5.1 Identify the firm(s) of external accountants who audit your accounts annually.	
5.2 Do the external accountants review all <b>Trading</b> operations annually?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
5.3 Do the external accountants perform any internal control audits of the <b>Trading</b> function whereby an opinion letter or similar document is furnished?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
5.4 Describe the role performed by your internal audit department with respect to your <b>Trading</b> operations.	
5.5 Are written reports identifying any weaknesses in controls or procedures made by internal and external auditors on an annual basis?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
5.6 Have all such weaknesses been corrected to the auditor's satisfaction?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
<b>6.0 REGULATORY</b>	
6.1 Identify any governmental regulatory authorities charged with overseeing your <b>Trading</b> operations.	
6.2 Has any regulatory authority issued any report in the last three years, required to submit reports or operate under any imposed requirements or restrictions concerning your <b>Trading</b> activities at the insistence of a regulatory authority?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "Yes", please identify the regulatory authority, the negative observation or the directive, and the action taken.)</i>
6.3 Are you presently, or were you at any time in the last three years, required to submit reports or operate under any imposed requirements or restrictions concerning your <b>Trading</b> activities at the insistence of a regulatory authority?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "Yes", please attach details)</i>
6.4 Have you at any time in the last three years, incurred a fine, penalty or censure from a regulatory authority arising from your <b>Trading</b> operations or staff employed in it?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "Yes", please attach details)</i>
<b>7.0 COUNTERPARTIES</b>	
7.1 Describe the procedures which are required in order for a counterparty to be approved for <b>Trading</b> purposes.	
7.2 Is such approval required before a <b>Trader</b> may engage in <b>Trading</b> involving such counterparty?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
7.3 Is your computer system programmed to identify and reject a transaction which is not with an approved counterparty?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>

**8.0 PRODUCT LINES**

8.1 Describe the procedures which are required in order for a product line to be approved for <b>Trading</b> purposes.	
8.2 Is such approval required before a <b>Trader</b> may engage in <b>Trading</b> involving such product line?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
8.3 Is your company system programmed to identify and reject a transaction which is not within an approved product line?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "No", please attach details)</i>
8.4 Are you involved in the design/creation of 'complex/exotic' propriety derivative instruments?	Yes <input type="checkbox"/> No <input type="checkbox"/> <i>(If "Yes", please attach details, including whether such instruments are used for <b>Trading</b> with financial institutions.)</i>

**9.0 AGGREGATE LIMIT OF INDEMNITY**

9.1 What limit of indemnity is required? \$ .....

We declare that the statements and particulars in this proposal are true and that we have not misstated or suppressed any material facts. We agree that this proposal together with any other information supplied by us shall form the basis of any contract of insurance effected thereon and shall be incorporated therein. We undertake to inform insurers of any material alteration to these facts whether occurring before or after completion of the contract of insurance. It is agreed that signing this proposal form does not bind us to complete this insurance.

Dated this ..... day of ..... 20....

FOR AND ON BEHALF OF .....  
 [Insert name of Company]

- SIGNED ..... Position .....
- SIGNED ..... Position .....
- SIGNED ..... Position .....

**NOTE: This proposal form should be signed by the Chief Executive Officer, Chairman of the Market Risk Committee and Head of Internal Audit.**

<b>UNAUTHORISED TRADING SUPPLEMENTARY APPLICATION – SUBSIDIARIES/AFFILIATES</b>			
1.0 Name of Subsidiary/Affiliate and percentage of ownership where less than 100%.	<b>Name</b>		<b>%</b>
2.0 Principal Address			
Identify each location at or from which <b>Trading</b> is conducted, the number of <b>Traders</b> employed at each, and the total number of <b>Employees</b> (other than <b>Traders</b> ) whose duties are mainly or exclusively within your <b>Trading</b> operations.	<b>Address</b>	<b># Traders</b>	<b># Other Employees</b>
	<b>TOTAL</b>		
3.0 State your total operating profit/(loss) before each of the last three financial years and the contribution made by all <b>Trading</b> activities.	<b>Year</b>	<b>Total Profit/(loss)</b>	<b>Trading Contribution</b>
4.0 Show those profits/(loss) from <b>Trading</b> activities for the most recent financial year broken down by type of <b>Trading</b> book.			
<p>Dated this ..... day of ..... 20....</p> <p>FOR AND ON BEHALF OF ..... [Insert name of Subsidiary/Affiliate]</p> <p>• SIGNED ..... Position .....</p>			