



BASED ON REGULATIONS ISSUED BY REGULATORY AUTHORITIES FOR FINANCIAL INSTITUTIONS, FINANCIAL INSTITUTIONS ARE REQUIRED TO ESTABLISH GUIDELINES FOR RISK CONTROLLING PROCEDURES AND FOR THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS, INCLUDING A CLEAR SEGREGATION OF DUTIES WITH REGARD TO OPERATING FINANCIAL ACTIVITIES, SETTLEMENT, ACCOUNTING AND CONTROLLING.

ACCORDINGLY, THE FOLLOWING QUESTIONS SHOULD BE COVERED IN THE UNDERWRITING ASSESSMENT OF THIS TOPIC:

1. DOES THE COMPANY ACTIVELY PURSUE A STRATEGY OF PROPRIETARY TRADING IN DERIVATIVES? YES [] NO []

A. IF IT DOES ACTIVELY PURSUE PROPRIETARY TRADING, PLEASE DETAIL THE EXTENT AND TYPES OF PROPRIETARY

TRADES THE COMPANY PERFORMS IN DERIVATIVES? _____

B. PLEASE DETAIL THE LEVEL OF EXPERTISE OF THE INDIVIDUALS PURSUING THE PROPRIETARY TRADING?

C. IS THE ACTIVITY CENTRALLY CONTROLLED OR IS IT DISTRIBUTED IN THE COMPANY? YES [] NO []

IRRESPECTIVE OF WHETHER A PROPRIETARY TRADING IS PURSUED, THE FOLLOWING QUESTIONS WILL BE PERTINENT TO GENERAL HEDGING ACTIVITIES.

2. OTHER THAN PROPRIETARY TRADING WHAT IS THE COMPANY'S DERIVATIVE EXPOSURE? _____

3. HAS THE COMPANY ESTABLISHED GUIDELINES TO ADMINISTER A RISK MANAGEMENT POLICY? YES [] NO []

A. IF YES, PLEASE DETAIL THE NATURE, GUIDELINES AND REPORTING REQUIREMENTS OF THE RISK MANAGEMENT POLICY.

B. WHAT PROCESS DOES THE COMPANY HAVE IN PLACE TO ENSURE AND/OR TEST COMPLIANCE WITH THE GUIDELINES?

C. HOW OFTEN ARE THE POLICIES REVISED? _____

4. HOW DOES THE COMPANY MEASURE POTENTIAL CONCENTRATIONS OF RISK?

A. WHAT VALUATION METHODOLOGY IS USED? _____

B. HOW OFTEN IS THE VALIDATION PERFORMED? _____

C. WHAT IS THE NATURE OF THE TESTING PERFORMED TO EVALUATE THE MAXIMUM NEGATIVE EXPOSURE? _____

D. IS ANY BACKWARD REVIEW PERFORMED TO ESTABLISH IF ACTUAL RESULTS WERE OUTSIDE THE TEST RANGES? _____

E. HOW OFTEN IS THE UNDERLYING VALUATION METHODOLOGY ASSUMPTIONS REVIEWED? _____

5. HAVE ANY FINANCIAL REGULATORS, INDEPENDENT AUDITORS OR INTERNAL AUDITORS RAISED CONCERNS REGARDING THE DERIVATIVE ACTIVITIES OF THE COMPANY? YES [] NO []

6. HAS THE COMPANY ENGAGED ANY THIRD PARTY TO REVIEW THE DERIVATIVE ACTIVITIES EITHER AS PART OF A PERIODIC REVIEW OR IN RESPONSE TO A SPECIFIC CONCERN? YES [] NO []

A. IF YES, DID THEY RAISE CONCERNS REGARDING THE DERIVATIVE ACTIVITIES OF THE COMPANY? YES [] NO []

WE HEREBY DECLARE THAT THE ABOVE STATEMENTS AND PARTICULARS ARE TRUE AND COMPLETE TO THE BEST OF OUR KNOWLEDGE AND THAT WE HAVE NOT SUPPRESSED OR MISSTATED ANY MATERIAL FACTS AND WE AGREE THAT THIS APPLICATION SHALL BE THE BASIS OF ANY CONTRACTS SUBSEQUENTLY EFFECTED BETWEEN THE APPLICANT AND UNDERWRITERS.

NOTICE: ANY PERSON WHO KNOWINGLY AND WITH THE INTENT TO DEFRAUD PROVIDES FALSE INFORMATION IN AN INSURANCE APPLICATION, OR PRESENTS, ASSISTS, OR MAKES A FRAUDULENT CLAIM FOR THE PAYMENT OF A LOSS OR OTHER BENEFIT, OR PRESENTS MORE THAN ONE CLAIM FOR THE SAME INCIDENT OF DAMAGE OR LOSS, WILL COMMIT A FELONY AND IF CONVICTED WILL BE SENTENCED FOR EACH VIOLATION WITH A FINE OF NO LESS THAN FIVE THOUSAND (\$5,000) DOLLARS AND NOT EXCEEDING TEN THOUSAND (\$10,000) DOLLARS, OR BE SENTENCED TO IMPRISONMENT FOR A THREE (3) YEAR TERM, OR BOTH PENALTIES. IN THE EVENT OF AGGRAVATING CIRCUMSTANCES, THE TERM COULD BE INCREASED TO A MAXIMUM OF FIVE (5) YEARS; IN THE EVENT OF INTERVENING EXTENUATING CIRCUMSTANCES IT COULD BE REDUCED UP TO A MINIMUM OF TWO (2) YEARS.

DATE: _____ SIGNATURE: _____
(Authorized Officer)

SIGNING THIS QUESTIONNAIRE DOES NOT BIND THE APPLICANT TO COMPLETE THIS INSURANCE.

DATED THIS: _____ DAY OF: _____ 20

FOR AND ON BEHALF OF: _____
(Insert name of firm)

SIGNED: _____ TITLE OF OFFICER: _____

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