

Fidelity Guarantee Section

Definitions applicable to this Section

Acting in collusion

means where two or more **employees** assist each other in committing a **theft**

Basis of claims settlement

means the amount payable shall be the face value of the **money** or the value of the **goods** or at the time of the loss or at **our** option the replacement or reinstatement of the **goods**

Date of acceptance

means

- 1) the commencement date of the first **period of insurance** or
- 2) the date on which the **employee** enters into a contract of service or apprenticeship with **you**

whichever is the latter

Employee

means

- 1) any person under a contract of service or apprenticeship with **you**
- 2) any person undergoing training under any Government approved training scheme under **your** control in connection with the **your business** whilst in **your** service
- 3) any director of **yours** if such person
 - 3.1) is also employed by **you** under a contract of service and
 - 3.2) controls no more than 5 % of the issued share capital of **your** Company or of any subsidiary of **your Company**
- 4) any person retired from full-time employment with **you** who is working for **you** as a consultant under **your** control or direction

Excess

means the amount **you** contribute any **one claim** stated in the **appendix** or as otherwise provided for by this Section

Minimum standards of control

means the minimum standards of supervision of accounting procedures and for checking the security of **money** or **goods** as follows or as agreed between **us** and **you**

- 1) all **employees** must be instructed as to their duties or responsibilities in respect of the **minimum standards of control** and compliance enforced

2) **money**

- 2.1) **employees** are required to pay in daily all cash and cheques received in the course of the Business Monies cheques and postal orders received must be paid over to the employer or banked
- 2.2) cash in hand and petty cash must be checked independently of **employees** responsible at least monthly and additionally without warning every 6 months
- 2.3) bank statements and or stamped bank paying slips and or receipts and or counterfoils and or vouchers must be checked at least monthly against cash book entries and the balance tested with cash and unrepresented cheques. This must be done independently of the **employee** making the cash book entries and or signing cheques and/or paying into the bank
- 2.4) all cheques or other bank instructions drawn for more than £10,000 must be manually signed by two authorised persons after the amount has been inserted and **you** must have advised **your** bankers accordingly

No cheque or instrument must be signed until one signatory has validated the requisition examined the supporting documentation and ensured that the payee is a genuine client or creditor
- 2.5) wages and salary sheets must be checked independently of the **employees** responsible for their preparation to ensure that the amounts are correct and that no fictitious names have been included

3) **stocktaking**

a physical check of all stock and materials must be completed against verified stock records independently of the **employees** responsible at intervals of not more than 12 months

4) **computer security**

all

- 4.1) computer operations and security precautions must have been vetted by professional auditors at regular intervals and whenever amendments are carried out and any recommendations made fully complied with
- 4.2) **employees** with access to wage accounts or stock control functions must have a secure individual password to access the system which must be changed at least every 6 months
- 4.3) computer systems' records or similar materials which contain details of wages or accounts or stock control must be securely stored in locked cabinets when not in use by authorised **employees**

5) **auditors**

your accounting records must be examined by external auditors every 12 months all recommendations or alternative acceptable to the auditors must be implemented without delay

6) **references**

you must obtain satisfactory references direct from former employers for the 2 years immediately preceding employment to confirm the honesty of each **employee**

7) **termination of Service**

upon the termination of service of any **employee you** will take all reasonable security precautions to

prevent **theft** by that **employee**

8) investments

dual control will be exercised over all investment documents and capital expenditure to ensure that no one **employee** can complete a transaction from beginning to end

9) holidays

every **employee** will be required to take an uninterrupted holiday of at least 2 weeks duration in any period of 12 months during which they absent and perform no **business** duties

One claim

means all acts of **theft** throughout the continuation of this Section or any insurance issued in substitution therefor or for which this insurance is substituted committed by one individual **employee** or by two or more **employees acting in collusion**

Theft

means any act of fraud or dishonesty by any **employee** committed with the intent of obtaining an improper financial gain for them or for any other person or organisation

Fidelity Guarantee Section

Insurance Provided

Loss of **money** or **goods** belonging to **you** or for which **you** are legally responsible caused by any **theft** committed during the **period of insurance** by any **employee** normally resident within the **territorial limits** as stated in the **basis of claims settlement** and discovered not later than 24 months after either the

- 1) expiry of any **period of insurance** in which the act of **theft** was committed or
- 2) termination of this insurance or
- 3) termination of the insurance in respect of any **employee** specified by name or position whichever occurs first

Limit of Liability

Our liability under this Section for any **one claim** and in the aggregate any one **period of insurance**

- 1) caused by one **employee** will not exceed the Limit of Liability stated in the **appendix** applicable to that **employee**
- 2) caused by two or more **employees acting in collusion** shall not exceed the greater of the individual Limit of Liability stated in the **appendix** applicable to the **employees** involved
- 3) irrespective of the number of **periods of insurance** this Section remains in force the Limit of Liability stated in the **appendix** will be the maximum aggregate payment **we** will make

provided that if **we** are liable to indemnify more than one party the aggregate amount of indemnity to all parties shall not exceed the Limit of Liability stated in the **appendix**

Extensions

The terms Conditions and Exclusions of this **policy** and or Section apply to these Extensions

Where no Limit or maximum liability is stated in the Extensions the Section Limit of Liability applies

Auditor's fees rewriting of system records

As a direct result of loss of **money** or **goods** resulting in a valid claim under this Section **we** will also pay for auditor's fees incurred with **our** written consent solely to substantiate the amount of the claim and the reasonable cost of rewriting or amending the software programs or systems where such rewriting or amending is necessary to correct the programs or amend the security codes following the fraudulent use of computer hardware or software programs or computer systems the subject of a claim for which liability is admitted under this Section

Previous insurance

If this insurance immediately supersedes a fidelity guarantee insurance affected by **you** (hereinafter referred as superseded insurance) **we** will indemnify **you** in respect of any loss discovered during the continuation of this insurance but committed during the continuation of the superseded insurance if the loss is not recoverable thereunder solely because the period allowed for discovery has expired provided that

- 1) such insurance had been continuously in force from the time of the loss until inception of this Section
- 2) the loss would have been insured by this Section had it been in force at the time of the loss
- 3) **our** liability will not exceed whichever is the lesser of
 - 3.1) the amount recoverable under the insurance in force at the time of the loss or
 - 3.2) the Limit of Liability stated in the **appendix**

Our total liability in respect of any **one claim** continuing through both the term of the superseded insurance and the continuation of this Section shall not exceed the Limit of Liability stated in the **appendix**

Non-contribution – legal liability

If at the time of loss of **money** or **goods** for which **you** are legally responsible or at the time a claim for such **property** arises **you** are or would but for the existence of this Section be entitled to indemnity under any other insurance or to recover under any guarantee or indemnity fund **we** will not be liable except in respect of any excess beyond the amount which would have been payable under such other insurance or guarantee or fund had this Section not been effected

Pension fund trustees

At **your** request **we** will indemnify the trustees of any pension fund or other employee benefit scheme set up to provide benefit to **your employees** in respect of any loss of **money** or **goods** which the trust may incur as a result of any act of **theft** as otherwise insured by this Section committed by any **employee**

For the purpose of this Extension all persons nominated as trustees shall be deemed **employees**

Temporary agency staff

The term **employee** shall include any person furnished by a staff or employment agency who by arrangement with such agency is working for **you** on a temporary or part-time basis in connection with **your business** to perform the function and duties of an **employee** under **your** control or direction but not including persons

employed as drivers or in connection with warehouse duties or with computer operations or computer programming unless specifically stated as insured herein provided that

- 1) **we** will not be liable for any loss caused by any such person if such loss is also covered for **your** benefit by an insurance or guarantee held by the staff or employment agency furnishing the person concerned
- 2) the amount of wages and salaries declared shall include the total amount of fees paid to staff and employment agencies in respect of temporary agency staff described above

Exclusions additional to the policy Exclusions

We will not indemnify **you**

- 1) for loss of interest or subsequent or inevitable loss of any kind
- 2) for loss caused by any act of any **employee** committed prior to the **date of acceptance** applicable to that **employee**
- 3) for loss where **you** continue to entrust the defaulting **employee** with **money** or **goods** after becoming aware of any material fact bearing on the honesty of the said **employee**
- 4) if there is any change
 - 4.1) in the nature of **your business**
 - 4.2) in the position of employment of the defaulting **employee**

unless such change is agreed by **us** in writing

- 5) for any unexplained shortages
- 6) for the **excess** amount stated in the **appendix**

Conditions additional to the policy Conditions
--

Cessation of cover

Immediately following the discovery by **you** of any act of **theft** by an **employee** all liability for further acts of **theft** by that **employee** shall cease

Employee's money

Any **money** of the **employee** in **your** hands upon discovery of any loss and any **money** which but for the **employee's theft** would have been due to the **employee** from **you** shall be deducted from the amount of the loss before a claim is made under this Section

Minimum standards of control

It is a **condition precedent** to **our** liability to indemnify **you** in relation to any claim under this **Fidelity Guarantee Section** that **you** will observe and fully comply with this **policy Section minimum standards of control**

Recoveries of further monies

Any **money** recovered by **you** less any costs incurred in recovery shall accrue in the following order

- 1) if **your** claim exceeds the Limit of Liability stated in the **appendix** firstly to **your** benefit to reduce or extinguish the amount of **your** loss but not the **excess** for which **you** are responsible
- 2) thereafter to **our** benefit to the extent of the claim paid or payable
- 3) finally to **your** benefit where the **excess** had been deducted from the claim

Termination of service

Upon the termination of service of any **employee you** will take all reasonable security precautions to prevent **theft** by that **employee**