

## Fidelity Insurance Section

### Definitions

For the purposes of this **Section Theft** shall mean any act of fraud or dishonesty by any **Employee** committed with the clear intent of obtaining an improper financial gain for themselves or for any other person or organisation intended by the **Employee** to receive such gain other than salaries, fees, commission or other employee benefit earned in the normal course of employment.

**Employee** shall mean any person

- a. under a contract of service or apprenticeship with **the Insured**, or
- b. undergoing training under any Government approved training scheme under the control of **the Insured** in connection with the **Business** whilst in the service of **the Insured** and normally resident within the **Territorial Limits**.

The term **Employee** shall include

- i. any director of **the Insured** if such person
  - A. is also employed by **the Insured** under a contract of service and
  - B. controls no more than 5 per cent of the issued share capital of the insured company or of any subsidiary of the insured company
- ii. any person retired from full-time employment with **the Insured** who is working for **the Insured** as a consultant under the control or direction of **the Insured**.

**Date of Acceptance** shall mean

- a. the commencement date of the first **Period of Insurance**, or
  - b. the date on which the **Employee** enters into a contract of service or apprenticeship with **the Insured**
- whichever is the latest.

**System of Check** shall mean the minimum standards

- a. of supervision of accounting procedures
- b. for checking the security of money, goods or property
- c. of computer security
- d. for the vetting of employees

disclosed on the Fidelity Guarantee Proposal Form, together with any subsequent amendments required in writing by **the Insurer** or otherwise agreed in writing by **the Insurer**.

**Territorial Limits** shall mean Great Britain, Northern Ireland, the Isle of Man and the Channel Islands.

**One Claim** shall mean all acts of **Theft** throughout the continuation of this insurance (or any insurance issued in substitution therefore or for which this insurance is substituted) committed by one individual **Employee** or by two or more **Employees Acting in Collusion**.

**Acting in Collusion** shall mean all circumstances where two or more **Employees** are concerned or implicated together or materially assist each other in committing the acts of **Theft**.

## Cover

**The Insurer** will pay **the Insured** for direct loss of money or goods belonging to **the Insured** or for which they are legally responsible caused by **Theft** committed during the continuation of this **Section** by any **Employee** described in the **Schedule** under this **Section** and discovered not later than 24 months after

- i) the termination of this **Section**
  - ii) the termination of the insurance in respect of any **Employee**
- whichever occurs first.

## Exclusions

**The Insurer** will not pay

1. for loss of interest or consequential 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 **the Insured** continues 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
  - a. in the nature of the **Business**
  - b. to the **System of Check**unless such change is agreed by **the Insurer** in writing
5. for any unexplained shortages
6. for the amount of the **Excess** shown in the Schedule.

## Basis of Settlement

The amount payable by **the Insurer** as indemnity to **the Insured** shall be the value of the money or the goods at the time of the loss or at **the Insurer's** option the replacement or reinstatement of such goods.

## Limit of Indemnity

The liability of **the Insurer** under this **Section**

- a. in respect of any **One Claim**
  - i. caused by one **Employee** shall not exceed the Limit of Indemnity stated in the **Schedule** applicable to that **Employee**
  - ii. caused by two or more **Employees Acting in Collusion** shall not exceed the greater of the individual Limits of Indemnity stated in the **Schedule** applicable to the **Employees** involved
  - iii. irrespective of the number of **Periods of Insurance** during which the insurance by this **Section** (and any insurance issued in substitution therefor) shall remain in force shall not exceed the Limit of Indemnity stated in the **Schedule**  
provided that if **the Insurer** shall be liable to indemnify more than one party, the aggregate amount of indemnity to all parties shall not exceed the Limit of Indemnity stated in the **Schedule**
- b. in respect of any one **Period of Insurance** shall not exceed the Aggregate Limit of Indemnity stated in the **Schedule**.

## Extensions

### 1. Auditors Fees and Rewriting of System Records

As a direct result of loss of money or goods resulting in a valid claim under this **Section** **the Insurer** will also pay for

- a. auditors fees incurred with **the Insurer's** written consent solely to substantiate the amount of the claim
- b. 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**

provided that the total liability of **the Insurer** including any amount payable under the provisions of this Extension shall not exceed the Limit of Indemnity.

### 2. Previous Insurance

If this insurance immediately supersedes a fidelity insurance effected by **the Insured** (the "Superseded Insurance") **the Insurer** will indemnify **the Insured** 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

- a. such insurance had been continuously in force from the time of the loss until inception of this **Section**
- b. the loss would have been insured by this insurance had it been in force at the time of the loss
- c. the liability of **the Insurer** shall not exceed
  - i. the amount recoverable under the insurance in force at the time of the loss, or
  - ii. the Limit of Indemnity under this insurancewhichever is the less.

In any event the total liability of **the Insurer** in respect of any one claim continuing through both the term of the Superseded Insurance and the continuation of this insurance shall not exceed the Limit of Indemnity applicable under this **Section**.

### 3. Pension Fund Trustees

At the request of **the Insured the Insurer** will indemnify the Trustees of any pension fund or other **Employee** benefit scheme set up to provide benefit to **the Insured's 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 an **Employee of the Insured**.

For the purpose of this **Section** Extension all persons nominated as trustees shall be deemed **Employees**.

### 4. 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 **the Insured** on a temporary or part-time basis in connection with the **Business** to perform the function and duties of an **Employee** under the control or direction of **the Insured** but excluding persons employed

- a. as drivers
  - b. in connection with warehouse duties
  - c. with computer operations or computer programming
- unless specifically stated as insured herein, provided that
- i. **the Insurer** shall not be liable for any loss caused by any such person if such loss is also covered for the benefit of **the Insured** by any insurance or guarantee held by the staff or employment agency furnishing the person concerned
  - ii. 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
  - iii. the reference condition shall not apply to the temporary agency staff described above.

## Section Conditions

### 1. Cessation of Cover

Immediately following the discovery by **the Insured** of any act of **Theft** by an **Employee** all liability for further acts of **Theft** by that **Employee** shall cease.

### 2. Claims (Action by the Insured)

On the discovery of any act which may give rise to a claim **the Insured** shall

- a. notify **the Insurer** immediately
- b. notify the police authority immediately and take all practical steps to discover any guilty person and to trace and recover the money and goods
- c. carry out and permit to be taken any action which may be reasonably practicable to prevent further loss
- d. deliver to **the Insurer** at their own expense within 30 days after such act, or such further time as **the Insurer** may allow
  - i. full information in writing of the money or goods lost and of the amount of the loss
  - ii. details of any other insurances on any money or goods hereby insured
  - iii. all such proofs and information relating to the claim as may be reasonably required
  - iv. if demanded, a statutory declaration of the truth of the claim and of any matters connected with it.

No claim under this **Section** shall be payable unless the terms of this **Section** condition have been complied with.

### 3. Non Contribution

If

- a. at the time of loss of money or goods for which **the Insured** is legally responsible, or
- b. at the time a claim arises for money or goods for which **the Insured** is legally responsible **the Insured** is, or would but for the existence of this insurance be, entitled to indemnity under any other insurance or to recover under any guarantee or indemnity fund, **the Insurer** shall not be liable except in respect of any excess beyond the amount which would have been payable under such other insurance, guarantee or fund had this insurance not been effected.

### 4. Conditions Precedent to Liability

Every condition applied to this **Section** or to any item of this **Section** (whether a General, Section or Special Condition) shall apply from the time the condition attaches and continue to be in force during the whole currency of this **Section**.

Failure to comply with any such condition, to the extent that it increases the risk of loss or damage, shall be a bar to any claim in respect of such loss or damage.

### 5. Subrogation

Any claimant under this **Section** shall, at the request and expense of **the Insurer**, take and permit to be taken all necessary steps for enforcing rights against any other party in the name of **the Insured** before or after any payment is made by **the Insurer**.

### 6. Arbitration

If any differences arise as to the amount to be paid under this **Section** (liability being otherwise admitted) such difference shall be referred to an arbitrator to be appointed by the parties in accordance with statutory provisions. Where any difference is by this **Section** condition to be referred to an arbitrator the making of an award shall be a condition precedent to any right of action against **the Insurer**.

## 7. Employee's Money

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

## 8. Recoveries of further Monies

Any recoveries effected by **the Insured** less any costs incurred in recovery shall accrue

- a. in the event that **the Insured's** claim has exceeded the Limit of Indemnity, firstly to the benefit of **the Insured** to reduce or extinguish the amount of **the Insured's** loss (but not in respect of the amount of the **Excess**)
- b. thereafter to the benefit of **the Insurer** to the extent of the claim paid or payable
- c. finally to the benefit of **the Insured** where the **Excess** had been deducted from the claim.

## 9. Termination of Service

Upon the termination of service of any **Employee the Insured** shall take all reasonable precautions to prevent a loss as insured by this **Section**, including but not limited to

- a. the changing of all alarm and other security codes or passwords the **Employee** had or may have had knowledge of
- b. the deletion or invalidation of any access codes or passwords the **Employee** has to access computer or other systems.

## 10. Premium Adjustment

If the premium for this **Section** is based on estimates provided by **the Insured, the Insured** shall keep an accurate record containing all relevant particulars and shall at all times allow **the Insurer** to inspect such record.

Within one month of the expiry of the **Period of Insurance the Insured** shall supply such particulars as **the Insurer** may require upon which **the Insurer** shall adjust the premium.

The amount of any premium adjustment shall be subject to

- a. any return of premium not exceeding 50 per cent of the premium paid on the estimated figures
- b. retention by **the Insurer** of **the Insurer's** standard minimum premium for this **Section**.

## 11. System of Check

**The Insured** must

- a. operate and enforce the **System of Check**
- b. not make any changes to such **System of Check** unless and until **the Insurer** is advised and their written approval is obtained
- c. instruct all **Employees** as to their duties or responsibilities in respect of such **System of Check** and enforce compliance.

## 12. Auditors

The accounts of **the Insured**, including all subsidiary companies, must be examined by external auditors every twelve months. All recommendations or alternatives acceptable to the auditors must be implemented without delay.

## 13. References

**The Insured** must obtain satisfactory references to confirm the honesty of each **Employee** who will be responsible for money, goods, accounts, computer operations or computer programming.

Such references must be obtained directly from former employers for the three years immediately preceding engagement and before the **Employee** is entrusted without supervision. Any gaps in service must be accounted for.

References need not be obtained in respect of **Employees** who have satisfactorily and continuously served **the Insured** for at least three years in another capacity before being entrusted with the duties referred to above.

In respect of **Employees** joining directly from School or Government sponsored youth training schemes one character reference shall be obtained.

A written report of any verbal reference shall be made at the time it is obtained. The original copy of each written reference and the record of any verbal reference shall be retained by **the Insured** and shall be made available for inspection by **the Insurer** upon request.