

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 Checkunless 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 Scheduleprovided 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 Insureds 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. Employees 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 Insureds claim has exceeded the Limit of Indemnity, firstly to the benefit of the Insured to reduce or extinguish the amount of the Insureds 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.

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