

# FIDELITY SECTION

## DEFINED EVENTS

1. Loss of money and/or other property belonging to the Insured or for which they are responsible, stolen by an insured Employee during the currency of this section.
2. Direct financial loss sustained by the Insured as a result of fraud or dishonesty of an insured Employee all of which occurs during the currency of this section which results in dishonest personal financial gain for the Employee concerned.

provided that:

1. (a) **the Company is not liable for all losses which occurred more than 24 months prior to discovery;**  
(b) **all losses are discovered not later than 12 months after the termination of:**
  - (i) **this section, or**
  - (ii) **this section in respect of any insured Employee concerned in a loss, or**
  - (iii) **the employment of the insured Employee or the last of the insured Employees concerned in a loss**

whichever occurs first;

2. **BLANKET BASIS** (applicable if this basis is reflected in the schedule) - **the liability of the Company for all losses shall not exceed the insured amount stated in the schedule whether involving any one Employee or any number of Employees acting in collusion or independently of each other;**
3. **NAMED OR POSITION BASIS** (applicable if this basis is reflected in the schedule) - **the liability of the Company for all losses involving any Employee shall not exceed the insured amount stated opposite his name in the schedule or, if he is unnamed, the insured amount stated opposite the position held by him in the business as stated in the schedule;**
4. renewal of this insurance from period to period or any extension of any period of insurance **shall not have the effect of accumulating or increasing the liability of the Company beyond the insured amount stated in the schedule.** If the period of insurance is less than 12 months the Company's liability is limited to the sum stated in the schedule during any 12-month period of insurance calculated from inception or renewal;
5. **the term "dishonest personal financial gain" shall not include gain by an Employee in the form of salary, salary increases, fees, commissions, bonuses, promotions or other emoluments;**
6. **if the premium is paid monthly by debit order, the liability of the Company during any one period of 12 consecutive months from the inception or anniversary date shall not exceed the insured amount stated in the schedule at the said inception or anniversary date as the case may be (or double the insured amount if the "Reduction/Reinstatement of insured amount clause" applies).** If the insured amount is increased during the period of insurance, the 12 consecutive months applies from the anniversary date. **Any reinstatement between the date of increase and the anniversary date shall not exceed twice the insured amount.**

## DEFINITION

**Employee** shall mean:

1. any person while employed under a contract of service with or apprenticeship to the Insured;
2. any person while hired or seconded from any other party into the service of the Insured;

who the Insured has the right at all times to govern, control and direct in the performance of his work in the course of the business of the Insured and who, if this section is on a named and/or position basis, is described in the schedule by name and/or by the position held by him in the business.

## SPECIFIC EXCLUSIONS

1. **The Company shall not be liable for loss resulting from or contributed to by any defined event by:**
  - 1.1 **any partner in or of the Insured to the extent that such partner would benefit by indemnity granted under this policy;**
  - 1.2 **any principal, director or member of the Insured unless such director or member is also an Employee;**
  - 1.3 **any Employee from the time the Insured shall become aware that such Employee has committed any fraud or dishonesty;**
2. **The Company shall not be liable for any consequential losses of any kind following losses referred to under defined events.**
3. **This section does not cover any company or other legal entity acquired during the period of insurance.**
4. **The Company shall not be liable for any defined event if it results from the dishonest**
  - 4.1 **manipulation of**
  - 4.2 **input into**

#### 4.3 suppression of input into

#### 4.4 destruction of

#### 4.5 alteration of

any computer program, system, data or software by any insured Employee who is employed in the Insured's electronic data-processing department or area.

This exclusion does not apply to insured Employees who are employed in the electronic data-processing department/area of any non-networked micro/personal computer.

5. The Company shall only be liable to the extent of the participation/shareholding of any uninvolved partners/ principals/directors or members for an insured event in which any partner/principal/director or member of the Insured is or has been directly involved.

This specific exclusion only applies to partnerships, proprietary companies or close corporations.

## SPECIFIC CONDITIONS

1. The Insured shall institute and/or maintain and continue to employ in every material manner all such systems of check and control, accounting and clerical procedures and methods of conducting his business as has been represented to the Company but the Insured may:
  - 1.1 change the remuneration and conditions of service of any Employee;
  - 1.2 in respect of any Employee who is described in the schedule by name, change his duties and position;
  - 1.3 in respect of any Employee who is described in the schedule only by the position held by him, remove such Employee and place in his position any other person who falls within the definition of Employee;
  - 1.4 make such other changes as are approved beforehand in writing by the Insured's auditors.
2. If the Insured shall sustain any loss to which this section applies which exceeds the amount payable hereunder in respect of such loss, the Insured shall be entitled to all recoveries (except from suretyship, insurance, reinsurance, security or indemnity taken or effected by the Company or for the amount of any first amount payable) by whomsoever made on account of such loss until fully reimbursed for the uninsured loss, less the actual cost of effecting the same. Any remainder shall be due to the Company as reimbursement up to the amount paid under the claim and any remaining amount thereafter will be due to the Insured for reimbursement for any first amount payable.

## CLAUSES AND EXTENSIONS

Subject otherwise to the terms, exclusions and conditions of this section and the General section (all of which shall remain valid and applicable unless specifically deleted or amended below), the cover under this section is amended or extended as set out below under each extension and clause (but where applicable as indicated below, only if such extensions and clauses are stated as included in the schedule) **subject to any insured amounts or first amounts payable stated in the schedule under each extension.**

### Accountants

Any particulars or details contained in the Insured's books of account or other business books or documents which may be required by the Company under this section for the purpose of investigating or verifying any claim hereunder may be produced and certified by the Insured's auditors or professional accountants and their certificate shall be prima facie evidence of the particulars and details to which it relates.

### Computer losses (if stated as included in the schedule)

In consideration of the Insured having completed a satisfactory questionnaire, specific exclusion 4 is deleted.

### Costs of recovery (if stated as included in the schedule)

If the Insured shall sustain any loss to which this section applies which exceeds the insured amount hereunder, the Company will, in addition to the insured amount, pay to the Insured costs and expenses necessarily incurred with the consent of the Company (which consent shall not be unreasonably withheld) for the recovery or attempted recovery from the Employee in respect of whom the claim is made, of that part of the loss which exceeds the insured amount hereunder. All amounts recovered by the Insured in excess of the said part of the loss shall be for the benefit of the Company up to the amount of the claim paid by the Company and any remaining amount will thereafter be due to the Insured as reimbursement of any first amount payable paid by the Insured.

### Extended cover for past Employees

Any person who ceases to be an Employee shall, for the purposes of this section, be considered as being an Employee for a period of 30 days after he in fact ceased to be an Employee.

**Legal fees** (if stated as included in the schedule)

The Company will indemnify the Insured for all reasonable legal fees, costs and expenses incurred and paid by the Insured in the defence of any demand, claim, suit or legal proceeding which the Insured establishes to the satisfaction of the Company, resulted directly and solely from an insured defined event under this section **that is not otherwise excluded under this section.**

**Losses discovered more than 24 months after being committed** (if stated as included in the schedule)

In consideration of the Insured's accounting firm having conducted a satisfactory audit of the Insured's systems of

- control
- fraud, dishonesty and theft detection

and subject to the Insured implementing and maintaining all the recommendations contained in such audit:

1. proviso 1(a) of the defined events (which limits cover to that part of losses discovered within 24 months) and proviso 6 of the superseded insurance extension clause (if applicable) are deleted;
2. if any defined event is discovered more than 12 months after it was committed, **the first amounts payable are amended to the amounts stated in the schedule against this extension;**
3. notwithstanding 2 above, the Insured may opt to claim only for that part of the loss which was discovered within 12 months, **in which case the first amount payable applicable for that period will apply.**

**Losses discovered more than 24 months after being committed, but not more than 36 months thereafter** (if stated as included in the schedule)

1. Proviso 1(a) of the defined events is restated to read:
  1. (a) **the Company is not liable for all losses which occurred more than 36 months prior to discovery.**
2. **If this policy section includes the superseded policy clause, the period referred to in proviso 6 thereof is increased from 24 months to 36 months.**
3. if any defined event is discovered more than 12 months after it was committed, **the first amounts payable are amended to the amounts stated in the schedule against this extension.**
4. notwithstanding 3 above, the Insured may opt to claim only for that part of the loss which was discovered within 12 months, **in which case the first amount payable applicable for that period will apply.**

**Reduction/Reinstatement of insured amount** (if stated as included in the schedule)

The payment by the Company of any loss involving one Employee or any number of Employees shall not reduce the Company's liability in respect of the remaining insured Employees provided that:

1. **the maximum amount payable by the Company for all insured Employees shall not exceed double the insured amount shown in the schedule;**
2. the Insured pays additional premium calculated in terms of the following formula:

$$\text{Annual premium in force at time of discovery of loss} \times \frac{\text{Amount of claim payment}}{\text{Insured amount at time of discovery of loss}}$$

The additional premium shall be payable in full and may not be reduced due to the period between the date of discovery of loss and the expiry date being less than 12 months.

The words "annual premium" in the above calculation are amended to read "twelve times the monthly premium" for policies paid monthly by debit order.

**Restoring of records or documents** (if stated as included in the schedule)

The Company will indemnify the Insured for all costs and expenses incurred by the Insured in replacing and/or restoring any computer files and data media documents, manuscripts, business books, plans, design specifications or programs destroyed, damaged or missing due to the actions of an Employee in the course of committing an act covered by an insured defined event under this section **that is not otherwise excluded under this section.**

**Retroactive cover (no previous policy in force)** (if stated as included in the schedule)

This section will also apply to defined events as insured herein which occurred up to the number of months as stated in the schedule prior to inception of this section **but not more than 24 months prior to discovery, provided the events are discovered within the shorter period of 12 months of the termination of the employment of the Employee concerned or 12 months of the expiry of this section.**

**Superseded insurance** (if stated as included in the schedule)

This section will apply to defined events insured herein which occurred during the currency of any insurance superseded by this section and specified in the schedule provided that:

1. **this extension is restricted to losses which would have been payable by the superseded insurance but which are not claimable because of the expiry of the period of time allowed by the superseded insurance for the discovery of the defined events;**
2. **the defined events are discovered within the shorter period of 12 months of the termination of the employment of the Employee concerned or 12 months of the expiry of this section;**
3. **the amount payable under this extension shall not exceed the amount insured by this section or the amount insured by the superseded insurance whichever is the lesser;**
4. **in the event of the defined events involving one Employee or any number of Employees occurring during both the currency of this section and that of the superseded policy, the maximum amount payable shall not exceed the amount insured by this section at the time of discovery of the defined events;**
5. **this extension will not apply to defined events which occurred more than the number of months stated in the schedule before inception of this section;**
6. **the Company is not liable for any loss which occurred more than 24 months prior to discovery.**

**MEMORANDA**

1. In the event of the discovery of any loss resulting from a defined event, the Insured may, notwithstanding anything to the contrary contained in General condition 6, refrain from reporting the matter to the police but shall do so immediately should the Company or legislation require such action to be taken.
2. Non-disclosure of his own fraud or dishonesty or that of others with whom he is in collusion by the person signing any proposal form or giving renewal or other instructions shall not prejudice any claim under this section.
3. General exclusions 1 and 2 and General condition 9 do not apply to this section.
4. If the insured amount shall be increased at any time, **such increased amount shall apply only to defined events committed after the date of such increase.**
5. Any first amount payable under this section shall be applicable and calculated the same irrespective whether any single defined event arises out of the action of one Employee or any number of Employees acting in collusion.

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