

## Part 1 of Fidelity Guarantee Insurance: Protecting your Business against Employee Infidelity

The fidelity guarantee cover is a critical cover for your business irrespective of its size. It covers direct financial loss sustained by the insured because of fraud or dishonesty of an employee, which results in dishonest personal financial gain of the employee. The article shall explain this cover by identifying the risks, followed by the insured perils and notable exclusions. We will cover other aspects of the Fidelity Guarantee cover in upcoming articles.

### Risk Identification



### **In Tanzania, the risk of theft by employees is relatively high**

Operating your business requires an awareness of different factors known only to you. Your focus shall be on constantly

improving your operations to achieve your targets and reducing the risks associated with getting there.

To achieve this goal, you must assess the risks that your business faces and maintain the risk management strategy sufficiently to control the risk.

A significant risk in any business, especially in Tanzania, is theft by employees appears to be relatively high. Some examples include:

1. Customer requests a product, the required quantity is delivered but an excess amount is stolen from the warehouse, which is offloaded

elsewhere and goes undiscovered during standard inventory checks.

2. Employee steals money and rents an entire guesthouse to be isolated. Caught by the police and the client.
3. Driver steals a truckload of goods in collusion with third parties.
4. Cashier steals small amounts of money from the cash register machine over a period of time and runs away
5. Bank teller collects money from clients and does not declare in their daily report
6. Manager forges signatures to transfer money to his account.

The above examples are just some of the situations that Fidelity Guarantee insurance can provide relief. It is your duty to prove that there are sufficient

measures in place to limit the extent of the loss in the future.

## Fidelity Guarantee Insurance Scope of Cover



## **Fidelity Guarantee protects against financial infidelity of employees**

The policy specifically covers loss of money and / or other property belonging to the Insured stolen by an employee of the insured during the insurance period that leads to a direct financial loss.

Certain provisions limit the cover, as per the following list:

1. Time limit for discovery of loss as per the policy. This is usually two years from the date of the loss, subject to uninterrupted cover (for example, the cover is from 27<sup>th</sup> of May 2019 to 26<sup>th</sup>

May 2021 without any break in between).

2. When insuring on a blanket basis, the insurer shall pay up to the sum insured stated in the schedule, regardless of whether it is a single employee or multiple employees working in collusion. If the cover is on a named basis, the insurer shall not pay more than the sum insured for the named person. If the cover is on a position basis, the insurer shall not pay more than the sum insured for the position.
3. Renewal of the cover does not increase the insurer's liability beyond the sum insured in the schedule.

The cover is subject to certain key exclusions and conditions, some of which are in the following section.

## Exclusions



## **Loss related to computers, acquired new entities and consequential loss are not usually covered**

- One of the key exclusions in the cover is the one stating that loss caused by dishonest alteration of any computer programme, system, data or software by an insured employee/ consultant.
- Another exclusion is that if you acquire a company or other legal entity during the period of insurance and do not declare it. You must advise your broker and ensure it reflects in the policy through an endorsement for it to be covered.
- Loss resulting from or contributed to by any defined event is excluded.