

Theft by Employees

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Definitions

The following Definitions apply to this Section in addition to the General Definitions at the front of this policy and keep the same meaning wherever they appear in the Section, unless an alternative definition is stated to apply.

Acting in Collusion

All circumstances where 2 or more **Employees** are concerned or implicated together or materially assist each other in committing the acts of **Dishonesty**.

Any One Claim

All acts of **Dishonesty** throughout the continuation of this insurance (or any insurance issued in substitution thereof or for which this insurance is substituted) committed by one individual **Employee** or **Employees Acting in Collusion**.

Employee

Any person:

- (a) under a contract of service or apprenticeship with **You**
- (b) while working under **Your** control in connection with the **Business** who is under a work experience or training scheme
- (c) who is a director of **Yours** if such person:
 - (i) is also employed by **You** under a contract of service and
 - (ii) owns or controls no more than 5% of the issued share capital of **Your** company or of any subsidiary of **Your** company.
- (d) who is retired from full-time employment with **You** and who is working for **You** as a consultant under **Your** control or direction.

Provided that person is normally resident within the **Territorial Limits**.

Dishonesty

Any act of fraud or dishonesty by any **Employees** committed with the clear intent of obtaining an improper financial gain for themselves or for any other person or organisation intended by the **Employees** to receive such gain (other than salaries, fees, commission or other employee benefit earned in the normal course of employment).

Cover

We will pay **You** for direct loss of **Money** or property belonging to **You** or for which **You** are responsible caused by any act of **Dishonesty** committed during the **Period of Insurance** in connection with the **Business** by any **Employees** discovered and notified to **Us** no later than 12 months after:

- (a) the expiry of any **Period of Insurance** in which the act of **Dishonesty** was committed; or
- (b) the termination of this insurance; or
- (c) the cessation of the employment in respect of any **Employees** identified in such loss

whichever occurs first.

Basis of Claims Settlement

The amount payable shall be the value of the **Money** or property at the time of the loss or, at **Our** option, the replacement or reinstatement of the property.

Limit of Liability

Our liability under this Section shall not exceed:

- (a) in respect of **Any One Claim** caused by one **Employee** or **Employees Acting in Collusion** the Limit of Liability stated in the **Schedule**
- (b) in respect of any one **Period of Insurance** the aggregate Limit of Liability stated in the **Schedule**.

Extensions

The following Extensions apply to this Section.

Auditors Fees

We will pay the cost of any professional audit to substantiate the amount of loss provided that those costs are incurred with **Our** prior written consent.

Reinstatement of Electronic Data Cover

We will pay for the reasonable cost of rewriting or amending any computer software programs or security codes, so as to prevent recurrence of **Dishonesty** arising from the fraudulent use of computer hardware, software programs or systems and which was the subject of a claim under this Section.

Conditions

The following Conditions apply to this Section in addition to the General Conditions and Claims Conditions at the front of this policy.

Cessation of Cover

Upon discovery of **Dishonesty** by an **Employee** all indemnity under this Section in relation to further **Dishonesty** by such **Employee** shall cease with immediate effect.

Claims (Action by You)

On the discovery of any act which may give rise to a claim **You** must:

- (a) notify **Us** immediately or at the latest within 14 days
- (b) notify the police authority immediately and assist in taking all practical steps to identify the **Employee** responsible and to trace and recover the **Money** and/or property
- (c) carry out and permit to be taken any action which may be reasonably practicable to prevent further loss
- (d) deliver to **Us** at **Your** own expense within 30 days after such act or such further time as **We** may allow:
 - (i) full information in writing of the **Money** and/or property lost and the amount of the loss

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- (ii) details of any other insurances on any **Money** or property 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.

Employee's Money

Any monies owed by **You** to an **Employee** found responsible for **Dishonesty** must be withheld and such sum will be deducted from any payment made by **Us**.

Minimum Standards of Control

Unless **We** agree in writing to any alteration, the following Minimum Standards of Control must be maintained in force and adhered to by **You**.

- (a) All **Employees** must be instructed as to their duties and responsibilities in respect of the Minimum Standards of Control and compliance enforced
- (b) **Audit**
Your accounts must be independently audited every twelve months by external auditors and any recommendations on internal controls implemented.
- (c) **Banking**
 - (i) **You** must operate a system of dual control and independent validation for all payments from bank accounts, including the drawing and signing of cheques and the use of electronic funds transfers
 - (ii) **You** must operate a system of dual control over the opening of new bank accounts or amending approved signatory details
 - (iii) Bank statements must be reconciled at least monthly independently of **Employees** permitted to receive or make payments, draw or sign cheques, or transfer funds electronically.
- (d) **Computer Systems Control**
 - (i) All computer operations and security precautions must have been vetted by professional auditors and any recommendations made fully complied with
 - (ii) All **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 months
 - (iii) All computer media (disc tapes etc) in respect of wages, accounts or stock control must be securely stored in locked cabinets when not in use by authorised **Employees**
 - (iv) All amendments to computer system programmes and authorisation levels must be approved independently of the persons making the amendment
 - (v) All passwords must be withdrawn when **Employees** leave.
- (e) **Contracts Control**
 - (i) **You** must ensure that no single **Employee** can control the process of appointing suppliers and / or awarding contracts from commencement to completion, without referral to others
- (ii) Responsibility for the ordering of stock and materials, the recording of receipt and the authorising of payment for them, must be performed by different **Employees** acting independently.
- (f) **Money**
 - (i) Cash Receipts – **Employees** are required to pay in daily all cash and cheques received in the course of the **Business. Money** received must be paid over to the employer or banked
 - (ii) Cash and Petty Cash - Cash in hand and petty cash must be checked independently of **Employees** responsible for receiving or holding the cash, at least monthly and additionally without warning every 6 months
 - (iii) Reconciliation – bank statements, stamped bank paying slips, receipts, counterfoils and vouchers must be checked at least monthly against cash book entries and the balance tested with cash and unpresented cheques. This must be done independently of the **Employee**
 - making the cash book entries
 - signing cheques
 - paying into the bank
 - (iv) Cheques signing – all cheques or other bank instruments drawn for more than £10,000 must be manually signed by two authorised persons after the amount has been inserted. **You** must have advised **Your** bankers of the above requirements as to signatures
 - (v) No cheque or instrument must be signed until one signatory has validated the requisition, examined the supporting documentation and ensured the payee is a genuine client or creditor
 - (vi) Wages – wages and salary sheets must be checked independently of the **Employee** responsible for their preparation to ensure that the amounts are correct and that no fictitious names have been included.
- (g) **Statements of Account Control**
 - (i) Statements of account for all sums due must be issued at least monthly and direct to customers independently of **Employees** receiving payments
 - (ii) Management actions must be taken at least monthly to examine sales receipts and outstanding customer accounts and any variances against budget or expected income investigated.
- (h) **Stock Controls**
Stock is to be independently and physically checked at least once every twelve months by **Employees** not responsible for daily stock handling or ordering and accounted for against stock records.
- (i) **Termination of Service**
Immediately upon the termination of service of any **Employee**, **You** must take all reasonable precautions to prevent **Dishonesty** arising, including but not limited to:
 - (i) the changing of all alarm and other security codes or passwords the **Employee** had or may have had knowledge of
 - (ii) the deletion or invalidation of any access codes or passwords the **Employee** has to access computer or other systems.

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

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Other Insurances

If at the time any claim arises under this Section of the policy there is any other insurance, indemnity or guarantee covering the same loss, **We** shall not be liable except to the extent of any excess beyond the amount payable, under such other insurance, indemnity or guarantee had this Section of the policy not been effected.

Recovery Condition

Any recoveries obtained by **You** less any costs incurred in recovery will be applied in the following order:

- (a) in the event that **Your** claim has exceeded the Limit of Liability, firstly to the benefit of **You** to reduce or extinguish the amount of **Your** loss (but not in respect of the amount of the **Excess**)
- (b) in reduction of the loss suffered by **Us** to the extent of the claim paid or payable
- (c) in reduction of the loss suffered by **You** for the amount of the **Excess** under this Section of the policy.

References

You must obtain satisfactory references to confirm the honesty of each **Employee** who will be responsible for **Money**, property, 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 **You** 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, college, university or Government sponsored youth training schemes or returning to work after a gap of more than three years, 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 **You** and shall be made available for inspection upon request by **Us**.

Exclusions

The following Exclusions apply to this section in addition to the General Exclusions at the front of this policy.

This Section does not cover:

1. any unexplained shortages
2. loss of interest, loss of profits or any indirect loss resulting from any acts of **Dishonesty**
3. loss caused by an **Employee** before the cover for such **Employee** inception
4. loss where **You** continue to entrust the defaulting **Employee** with access to **Money** and/or property, after becoming aware of any material fact that questions the honesty of the **Employee**
5. loss arising from malicious damage including computer viruses, worms, trojan horses and the like
6. loss arising from any act or acts of **Dishonesty** committed by an **Employee** who **You** have continued to employ after discovering a prior act of **Dishonesty** committed by the same **Employee**
7. loss arising from any act of **Dishonesty** committed by any **Employee** who **You** are unable to identify by name
8. the **Excess** stated in the **Schedule**.