

# PROGRAM GUIDE & POLICY WORDING

SARM FIDELITY BOND SELF-INSURANCE PLAN

EFFECTIVE JANUARY 1, 2018

Approved Version

October, 2017



Saskatchewan Association  
of Rural Municipalities

# SARM Fidelity Bond Self-Insurance Plan

---

## A. PROGRAM GUIDE

### 1. Establishment of the Plan

SARM (Saskatchewan Association of Rural Municipalities) shall operate a plan on behalf of its members to provide fidelity insurance and related coverages to participating municipalities. The plan shall be known as “The Saskatchewan Association of Rural Municipalities Fidelity Bond Self-Insurance Plan” (“the Plan”).

### 2. Initial Application

Municipalities who wish to participate in the Plan shall deliver to SARM a completed Application Agreement as provided.

### 3. Annual Premium

(a) SARM shall send to each participating municipality an invoice for the premium to be paid for coverage for the year:

- (i) In the initial year, after receipt of an executed copy of the Application Agreement;
- (ii) In any subsequent year, on or before December 31 of the prior year.

(b) The participating municipality shall pay its premium on or before February 15 in any year for coverage in that year. For the purposes of this paragraph, it shall be sufficient if the payment has been approved by council and mailed by the said date.

(c) Premiums shall be based on the coverage requested and shall be determined by the SARM Board of Directors (“the Board”) for each year the Plan is in operation. In the event a change in premiums is proposed, the SARM Board shall notify the participating municipalities on or before November 30 of the year preceding the year in which the change is to take effect.

### 4. Plan Administration

(a) SARM shall establish the Fidelity Bond Self-Insurance Plan Fund (“the Fund”) to account for the operations of the Plan. The financial statements of the Fund shall form part of the consolidated financial statements of SARM. The financial statements shall be prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) The Board shall administer the Plan, however it may delegate to the Executive Director such duties with respect to the administration of the Plan as the Board may determine.

(c) SARM will charge to the Plan a fee for the administration of the Plan, in an amount or based on a formula to be determined by the Board.

(d) For each fiscal year, the Fund will be financed by annual premiums received under Section 3. It will be the primary source of funds for administration expenses and payment of claims.

## SARM Fidelity Bond Self-Insurance Plan

---

- (e) SARM may invest any Plan funds not immediately required for the operation of the Plan, as permitted under the Act and in accordance with the SARM Investment Policy.
- (f) For each fiscal year, SARM shall make available on their website the audited financial statements for SARM, which include the audited financial information for the Plan, along with other relevant financial information as determined by SARM.

### 5. Borrowing

- a) If the funds of the Plan become depleted before the end of any year, the Plan may draw on the funds of SARM in an amount agreed upon by SARM. The Plan shall repay to SARM any such draws out of the next premiums payable by the members, together with interest at a rate to be set by the Board.
- b) If authorized by the Board, SARM may borrow in accordance with its Act and bylaws for the purposes of the Plan.

### 6. Special Levy

- (a) If the Plan shall incur a deficit in any given year, the Board may direct that a special levy be made on each municipality that participated in the Plan for that year, regardless of whether or not the municipality is still participating in the Plan when the special levy is made. For the purposes of this paragraph, claims and legal expenses shall be attributable to the year in which the loss which gave rise to the same was discovered. Such levies shall be paid within thirty (30) days of receipt of notice of the same.
- (b) A participating municipality's proportionate share of the special levy (a) shall be calculated as follows:

$$x/y * Z = a;$$

where x represents the participating municipality's premiums for the year in respect of which the special levy is being made, y represents the total premiums for the year in respect of which the special levy is being made, and Z represents the total levy required. For the purposes of this paragraph only, a participating municipality's premiums for the year in respect of which the special levy is being made shall be the premium initially paid for that year, without deduction for any amount that may have been returned as a result of cancellation.

### 7. Special Premium Refund

If the funds of the Plan reach an amount in any given year that the Board deems sufficient to cover the financial needs of the Plan, the Board may direct that a premium refund be paid to municipalities that are participating in the Plan. The overall amount of such refund, along with the calculation and distribution of such refund to each municipality are to be determined by the Board.

## SARM Fidelity Bond Self-Insurance Plan

---

### 8. Automatic Renewal of Policy

- (a) The policy insuring the municipality shall be renewed automatically from year to year after the expiry of the initial policy period. The terms and conditions of the insurance policy shall remain unchanged, unless notified to the participating municipalities in accordance with Section 11(b).
- (b) A municipality may, subject to its obligations in this guide and in particular under Section 10(a), terminate its insurance policy on written notice to SARM, delivered at or sent by registered mail to SARM's office.

### 9. Forfeiture - Penalties

- (a) Neglect or refusal by a participating municipality to pay the premium, or any levy due under the Plan by the date specified for payment shall:
  - (i) Cause the policy to automatically lapse, upon SARM giving the notice referred to in Section 12(b);
  - (ii) Give SARM the right to sue for and recover the amount due as a simple debt.
- (b) The policy shall be re-instated by SARM on payment of the amount due, plus interest at a rate to be set by the Board and an administrative penalty to be set by the Board.

### 10. Withdrawal from the Plan

- (a) A municipality may withdraw from the Plan upon compliance with the following conditions:
  - (i) It has paid all premiums and levies due under the Plan;
  - (ii) It gives written notice of its intent to withdraw to SARM, delivered at or sent by registered mail to SARM's office.
- (b) A municipality which has previously withdrawn from the Plan and wishes to re-join will be required to do so in the same manner and process as a new participant to the Plan.

### 11. Changes to the Plan by SARM

- (a) The Board has the power to change the terms and conditions of the Plan, including this Program Guide and the insurance policy from time to time as it considers necessary.
- (b) SARM shall notify participating municipalities of any such change on or before November 30 in any year. Upon notification, the change shall take effect January 1 of the following year and thereafter this Program Guide or the insurance policy shall be modified accordingly.

## SARM Fidelity Bond Self-Insurance Plan

---

### 12. Termination by SARM

- (a) The Board, on a two-thirds majority vote, may terminate the Plan, or any individual policy or policies, or all of them. This is in addition to SARM's power under Section 9 to terminate a member's policy of insurance for non-payment of any premium, contribution or levy.
- (b) In any termination, SARM shall give the participating municipality fifteen (15) days' notice by registered mail or five (5) days' written notice of termination personally delivered.

# SARM Fidelity Bond Self-Insurance Plan

---

## POLICY WORDING

### A. DECLARATIONS

1. In consideration of the annual premium charged, the Fidelity Bond Self-Insurance Plan (“the Insurer”) will indemnify the Saskatchewan Association of Rural Municipalities and its member Rural Municipalities who choose to participate in the Plan (the “Insured(s)”) in accordance with the terms and conditions of this Policy. Insurance is provided for only those coverages described in this Policy and for the specific limits of insurance which are stated on the individual Invoice Documents issued hereunder.
2. **Policy Period:** As stated on the individual Invoice Documents issued hereunder. Unless otherwise stated, the Policy shall be for the period of January 1 to December 31 of the year in respect of which the premium is paid.
3. **Description of Coverage:** Employee Dishonesty, Registered Mail, and Money and Securities, as described in the Insuring Agreements below.
4. **Limits of Coverage:** Coverage for Employee Dishonesty shall be for an amount not exceeding in the aggregate the amount stated on the individual Invoice Documents issued hereunder, for any one loss, regardless of the number of “employees” involved.

Coverage for both Registered Mail and Money and Securities shall be for the amount stated on the individual Invoice Documents issued hereunder, for any one loss.

Regardless of the number of years this Policy shall continue in force and the number of premiums which shall be payable or paid, the limit of the Insurer’s liability as specified in this paragraph for any Insuring Agreement shall not be cumulative from year to year or period to period.

5. **Premium:** As per individual Invoice Documents issued hereunder.

**Various words and phrases that appear in quotation marks have special meaning, as detailed in Section F (Definitions).**

### B. INSURING AGREEMENTS

1. Employee Dishonesty Coverage

Loss of “money” or “securities” which the Insured shall sustain resulting directly from one or more “fraudulent or dishonest acts” committed by an “employee”, acting alone or in collusion with others.

## SARM Fidelity Bond Self-Insurance Plan

---

This coverage does not apply to any loss, or to that part of any loss, as the case may be, the proof of which, either as to its factual existence or as to its amount, is dependent upon an inventory computation or a profit and loss computation; provided, however, that this paragraph shall not apply to loss of "money" or "securities" which the Insured can prove, through evidence wholly apart from such computations, is sustained by the Insured through any "fraudulent or dishonest act or acts" committed by any one or more of the "employees".

### 2. Registered Mail Coverage

Loss of "money" or "securities" while being shipped by registered mail. This coverage shall be continuous from the "premises" of the Insured to the premises of the addressee, being either a Bank or Credit Union within the Province of Saskatchewan. Both incoming and outgoing shipments are covered.

For the purposes of this coverage only, the following provision will apply:

- (a) The Insured shall maintain a record of the contents of each shipment to be covered hereunder, the information being recorded at the time of shipment.

This coverage does not apply:

- (a) To loss due to any "fraudulent or dishonest acts" by an "employee" of the Insured; or
- (b) To loss due to the package being inaccurately addressed or inadequately wrapped or where the postage was not fully prepaid.

### 3. Money and Securities Coverage

Insurance under this section shall be limited as described in the Description and Limits of Coverage, within the Declarations.

#### (a) Loss Inside the Premises Coverage

Loss of "money" or "securities" by the actual destruction, disappearance or wrongful abstraction thereof within the "premises" or within any "banking premises" or similar recognized places of safe deposit.

#### (b) Loss Outside the Premises Coverage

Loss of "money" or "securities" by the actual destruction, disappearance or wrongful abstraction thereof outside the "premises" while being conveyed by a "messenger" or any armoured motor vehicle company or while within the living quarters in the home of any "messenger".

## SARM Fidelity Bond Self-Insurance Plan

---

### (c) Money Orders and Counterfeit Paper Currency Coverage

Loss due to the acceptance in good faith, in exchange for merchandise, money or services, of any post office or express money order, issued or purporting to have been issued by any post office or express company, if such money order is not paid upon presentation, or due to the acceptance in good faith in the regular course of business of counterfeit Canadian or United States paper currency.

### (d) Depositors Forgery Coverage

Loss which the Insured shall sustain through "forgery" or alteration of, on or in any written "covered instruments" that are:

- (i) Made by, drawn by, or drawn upon the Insured, or purported to have been so made or drawn;
- (ii) Made or drawn by a third party acting as the Insured's agents, or purported to have been so made or drawn.

Whether or not any instrument referred to above are considered a forgery under the law of the place where such forgery or alteration occurred.

A signature that is a mechanical or electronic reproduction of a handwritten signature produced by a mechanical cheque-writing machine or a computer printer shall be treated the same as a handwritten signature. An "electronic signature" is not treated the same as a mechanical or electronic reproduction of a handwritten signature and is not a "forgery" under this Insuring Agreement.

### (e) Computer Fraud

Loss due to computer fraud. For the purposes of this coverage, computer fraud means the loss of "money" or "securities" caused by the fraudulent input, transfer, modification or erasure of electronic "data" on the basis of unauthorized electronic instructions, through use of a computer, whether located on the "premises", the "banking premises" or another location.

For the purposes of this coverage only, the "coverage territory" is extended to anywhere in the world for loss due to computer fraud.

### (f) Funds Transfer Fraud

Loss of "money" or "securities" contained in any account maintained by the Insured at a financial institution within the Province of Saskatchewan directly caused by funds transfer fraud. For the purposes of this coverage, funds transfer fraud means the fraudulent written, electronic, telegraphic, cable, teletype or telephone instructions issued to a financial institution directing such institution to transfer, pay or deliver "money" or "securities" from an Insured's account without the Insured's knowledge or consent.



## SARM Fidelity Bond Self-Insurance Plan

---

### (g) Social Engineering Fraud

Loss which the Insured shall sustain from the transferring, paying or delivering of “money” or “securities”, directly caused by social engineering fraud committed by a person purporting to be:

- (i) A “vendor”;
- (ii) A “client”; or
- (iii) An “employee”.

For the purposes of this coverage, social engineering fraud means the intentional misleading of an “employee” through the use of a “communication”.

### (h) Telecommunications Theft

Loss which the Insured shall sustain through the intentional, unauthorized and fraudulent gaining of access to outgoing long-distance telephone services through infiltration and manipulation of the Insured’s telecommunications system from a location other than the Insured’s “premises”.

This coverage does not apply:

- (i) to loss due to war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection or military power.
- (ii) Under Insuring Agreements 3 a) and 3 b), to loss due to any “fraudulent or dishonest acts” by an “employee” of the Insured, while working or otherwise and whether acting alone or in collusion with others; provided, this exclusion does not apply to “safe burglary” or “robbery” or attempt thereat.
- (iii) Under Insuring Agreements 3 a) and 3 b), to loss (i) due to the giving or surrendering of “money” or “securities” in any genuine exchange or purchase; or (ii) due to accounting or arithmetical errors or omissions.
- (iv) Under Insuring Agreement 3 b), to loss of “money” or “securities” while in the custody of any armoured motor vehicle company, unless such loss is in excess of the amount recovered or received by the Insured under:
  - The Insured’s contract with said armoured motor vehicle company;
  - Insurance carried by said armoured motor vehicle company for the benefit of users of its service; and
  - All other insurance and indemnity in force in whatsoever form carried by or for the benefit of users of said armoured motor vehicle company’s service, and then this Policy shall cover only such excess;
- (v) Under Insuring Agreement 3 g), to loss due to:

## SARM Fidelity Bond Self-Insurance Plan

---

- Any investment in “securities”, or ownership in any corporation, partnership, real property or similar investment, whether or not such investment is genuine;
- The failure, malfunction, illegitimacy, inappropriateness or inadequacy of any product or service;
- Any non-payment of or default upon any loan, extension of credit or similar promise to pay;
- Any party’s use of or acceptance of any credit or debit card or similar card or instrument, whether or not genuine; or
- Items of deposit which are not finally paid for any reason, including “forgery” or any other fraud;

(vi) Under Insuring Agreement 3 g), to loss resulting directly or indirectly from the failure of any party to perform in whole or in part under any contract.

#### 4. Claim Preparation Costs

The Insurer will pay for the reasonable and necessary claim preparation costs, up to \$5,000.00, for external auditors, accountants and investigators retained by the Insured, to quantify the extent of any loss claimed herein.

The Insurer will not pay for the services of the Insured or the services of the Insured’s employees, legal counsel, “public adjusters” or claims consultants.

#### 5. Replacement of Lost or Stolen Cheques

The Insurer agrees to reimburse the issuer for costs involved in replacing lost or stolen cheques, to a maximum of \$5,000.00 for any one loss. This shall apply in the event of a loss under Insuring Agreements 2, 3 a) and 3 b).

### **C. GENERAL AGREEMENTS**

#### 1. Requirement for Financial Reporting

Notwithstanding any extension of time provided by the minister pursuant to section 404 of The Municipalities Act, S.S. 2005, c.M-36.1(the Act), in the event that the Insured has not complied with the requirements of section 186(1) of the Act, the coverage afforded under Insuring Agreement 1 shall be forfeited in respect of any loss occurring during the period of time from the date specified in the said section until the date on which the Insured has fully complied with the requirements of the said section, unless the Insured has requested and received an extension of time from the Insurer.

## SARM Fidelity Bond Self-Insurance Plan

---

### 2. Loss Under Prior Bond or Policy

If the coverage of an Insuring Agreement of this policy, other than Insuring Agreement 3 d), is substituted for any prior bond or policy of insurance carried by the Insured, which prior bond or policy is terminated, cancelled or allowed to expire as of the time of such substitution, the Insurer agrees that such Insuring Agreement applies to loss which is discovered as provided in Section D of the Conditions and Limitations and which would have been recoverable by the Insured under such prior bond or policy except for the fact that the time within which to discover loss thereunder had expired; provided:

- (a) The insurance afforded by this paragraph shall be a part of and not in addition to the amount of insurance afforded by the applicable Insuring Agreement of this Policy;
- (b) Such loss would have been covered under such Insuring Agreement had such Insuring Agreement with its agreements, conditions and limitations as of the time of such substitution been in force when the acts or events causing such loss were committed or occurred; and
- (c) Recovery under such Insuring Agreement on account of such loss shall in no event exceed the amount which would have been recoverable under such Insuring Agreement in the amount for which it is written as of the time of such substitution, had such Insuring Agreement been in force when such acts or events were committed or occurred, or the amount which would have been recoverable under such prior bond or policy had such prior bond or policy continued in force until the discovery of such loss, if the latter amount be smaller.

Insuring Agreement 3 d) shall also cover loss sustained by the Insured at any time before the termination or cancellation of Insuring Agreement 3 d), which would have been recoverable under the coverage of some similar form of forgery insurance (exclusive of fidelity insurance) carried by the Insured, had such prior forgery insurance given all of the coverage afforded under Insuring Agreement 3 d); provided, with respect to loss covered by this paragraph:

- (a) The coverage of Insuring Agreement 3 d) is substituted on or after the date hereof for such prior forgery coverage and the Insured carried such prior forgery coverage on the office at which such loss was sustained continuously from the time such loss was sustained to the date the coverage of Insuring Agreement 3 d) was substituted therefor;
- (b) At the time of discovery of such loss, the period for discovery of loss under all such prior forgery insurance has expired; and
- (c) If the amount of insurance carried under Insuring Agreement 3 d) applicable to the office at which such loss is sustained is larger than the amount applicable to such office under such prior forgery insurance, and in force at the time such loss is sustained, then liability hereunder for such loss shall not exceed the smaller amount.

**Notwithstanding any other Conditions described in this Policy, the following Conditions and Limitations shall apply in respect of insurance provided by this Policy.**

## SARM Fidelity Bond Self-Insurance Plan

---

**THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENTS ARE SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:**

### **D. POLICY PERIOD, TERRITORY, DISCOVERY**

Loss is covered under this Policy only if discovered not later than one year from the end of the Policy Period except that under Insuring Agreement 1, loss is covered only if discovered not later than two years from the end of the Policy Period.

Subject to General Agreement 2:

1. This Policy, except under Insuring Agreements 1 and 3 d), applies only to loss which occurs during the Policy Period within the "coverage territory".
2. Insuring Agreement 1 apply only to loss sustained by the Insured through "fraudulent or dishonest acts" committed during the Policy Period by any of the "employees" engaged in the regular service of the Insured within the territory designated above or while such "employees" are elsewhere for a limited period.
3. Insuring Agreement 3 d) applies only to loss sustained during the Policy Period.

### **E. EXCLUSIONS**

This Policy does not apply:

1. Under any Insuring Agreement to:
  - (a) Loss due to any "fraudulent or dishonest acts" by any director or elected official of the Insured, whether acting alone or in collusion with others;
  - (b) To the defence of any legal proceeding brought against the Insured, or to fees, costs or expenses incurred or paid by the Insured in prosecuting or defending any legal proceeding whether or not such proceeding results or would result in a loss to the Insured covered by this Policy; or
  - (c) Loss of potential income, including but not limited to interest and dividends, not realized by the Insured because of a loss covered under this Policy;

### **F. DEFINITIONS**

The following terms are referenced in this Policy and have special meaning as described below:

1. **Actual Cash Value:** The monetary worth of "securities" or other similar financial instruments at market value immediately preceding the "occurrence" of a loss.
2. **Banking Premises:** The interior of that portion of any building occupied by a banking institution to conduct its business.

## SARM Fidelity Bond Self-Insurance Plan

---

3. **Client:** A customer of an Insured to whom an Insured provides goods or services as specified under written contract or for a fee, but only while such contract is in force.
4. **Communication:** An electronic, telegraphic, cable, teletype, telephone or written instruction received by an “employee” that:
  - (a) Directs the “employee” to transfer, pay or deliver “money” or “securities”;
  - (b) Contains a misrepresentation of a material fact; and
  - (c) Is relied upon by the “employee”, believing the material fact to be true.
5. **Coverage Territory:** Canada and the United States of America.
6. **Covered Instruments:**
  - (a) Cheques, drafts, promissory notes, bills of exchange or similar written promises, orders or directions to pay a sum certain in “money”; and
  - (b) Written instruments required in conjunction with any transaction involving any credit or debit card issued to the insured or the Insured's “employees” for business purposes.
7. **Data:** Representations of information or concepts, in any form.
8. **Electronic Signature:**
  - (a) An electronic identifier created by computer, within, attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record; or
  - (b) An electronic sound, symbol or process, within, attached to, or logically associated with a record and executed or adopted by a person with the intent to sign the record.
9. **Employee(s):** Any natural person (except a director or elected official in the service of the Insured) who, on the effective date of this Policy, or at any time during the Policy Term is in the regular service of the Insured in the ordinary course of the Insured’s business and who is compensated by salary, wages or commissions and who the Insured has the right to govern and direct in the performance of such service. Contractors are not considered to be “employees” under this Policy, except for an Administrator working as a contractor.
10. **Fraudulent or Dishonest Acts:** Acts committed by an “employee” with the manifest intent to cause the Insured to sustain loss or to obtain financial benefit for the “employee”, or for any other person or organization intended by the “employee” to receive such benefit, other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other “employee” benefits, all earned in the normal course of employment.

## SARM Fidelity Bond Self-Insurance Plan

---

### 11. **Forgery:**

- (a) The signing of the name of another person or organization with a handwritten signature physically affixed directly to “covered instruments” with or without authority and with the intent to deceive, but does not mean a signature which consists in whole or in part of one's own name signed with or without authority in any capacity, for any purpose. Mechanically or electronically produced or reproduced signature shall be treated the same as hand- written signatures; or
- (b) The alteration of a “covered instrument” with or without authority and with the intent to deceive.

12. **Messenger:** The Insured or any “employee” who is duly authorized by the Insured to have care and custody of the insured property outside the “premises”.

13. **Money:** Currency, coins, bank notes and bullion; however, money does not mean "securities".

14. **Occurrence:** A loss or series of losses arising directly or indirectly out of or caused by a single cause or event. All such covered loss or damage shall be treated as a single “occurrence”.

15. **Premises:** The interior of that portion on any building the Insured occupies in conducting their business. As respects “robbery” only, this definition is extended to include the area immediately surrounding such buildings.

16. **Public Adjusters:** Individuals or groups, including consultants, secured specifically for the purpose of representing the Insured’s interest in the adjustment of a claim or claims under this Policy.

17. **Robbery:** The taking of insured property from the Insured, one of the Insured’s “employees” or a “watchman” employed exclusively by the Insured (while on duty within the “premises”) through violence or threat of violence during the commission of an overt criminal act in the presence of the Insured, or one of the Insured’s “employees” or a “watchman”, provided in each case the act is not committed by the Insured, an officer, elected official or an “employee”. This definition includes the taking of insured property from the Insured or one of the Insured’s “employees” after the Insured or one of the Insured’s “employees” have been killed or disabled by injuries sustained either intentionally or accidentally.

18. **Safe Burglary:** The felonious abstraction of:

- (a) A safe from within the “premises”; or

## SARM Fidelity Bond Self-Insurance Plan

---

(b) Insured property from within a vault or safe, the door of which is equipped with a combination or time lock, located within the “premises”, by a person making felonious entry into such vault or such safe and any vault containing the safe, when all doors thereof are duly closed and locked by all combination locks or time locks thereon, provided such entry shall be made by actual force and violence, of which force and violence there are visible marks made by tools, explosives, electricity or chemicals upon the exterior of:

(i) All of said doors of such vault or such safe and any vault containing the safe, if entry is made through such doors; or

(ii) The top, bottom or walls of such vault or such safe and any vault containing the safe through which entry is made, if not made through such doors.

19. **Securities:** All negotiable or non-negotiable contracts or other written documents representing “money”, including revenue and other stamps in current use, tokens and tickets; however, this definition does not include “money”.

20. **Watchman:** Any person retained by the Insured specifically to have care and custody of property inside the “premises” and who has no other duties.

21. **Vendor:** An entity or natural person that has provided goods or services to the Insured under a genuine, pre-existing:

(a) Written agreement; or

(b) Other arrangement.

“Vendor” does not mean any financial institution, asset manager, armored motor vehicle company or similar entity.

### **G. LOSS CAUSED BY UNIDENTIFIABLE EMPLOYEES**

If a loss is alleged to have been caused by the “fraudulent or dishonest acts” of any one or more of the “employees” and the Insured shall be unable to designate the specific “employee or employees” causing such loss, the Insured shall nevertheless have the benefit of Insuring Agreement 1, subject to the provisions of Exclusion 2 of this Policy, provided that the evidence submitted reasonably proves that the loss was in fact due to the “fraudulent or dishonest acts” of one or more of the said “employees”, and provided, further, that the aggregate liability of the Insurer for any such loss shall not exceed the Limit of Liability applicable to Insuring Agreements 1.

### **H. OWNERSHIP OF PROPERTY; INTERESTS COVERED**

The insured property may be owned by the Insured, or may be property as respects which the Insured is legally liable.

# SARM Fidelity Bond Self-Insurance Plan

---

## **I. BOOKS AND RECORDS**

The Insured shall keep records of all the insured property in such manner that the Insurer can accurately determine therefrom the amount of loss.

## **J. PRIOR FRAUD, DISHONESTY OR CANCELLATION**

The coverage of Insuring Agreement 1 shall not apply to any “employee” after thirty (30) days from the time that the Insured or any officer thereof not in collusion with such “employee” shall have knowledge or information that such “employee” has committed any “fraudulent or dishonest act” in the service of the Insured or otherwise, whether such act be committed before or after the date of employment by the Insured; provided however, that this condition shall not apply to any loss caused by an “employee” if such loss did not exceed \$50.00 and if such loss was repaid promptly by such ‘employee”.

If, prior to the issuance of this Policy, any fidelity insurance in favour of the Insured covering one or more of the its “employees” shall have been cancelled as to any of such “employees” by reason of the giving of written notice of cancellation by the Insurer issuing such fidelity insurance, and if such “employees” shall not have been reinstated under the coverage of said fidelity insurance, the Insurer shall not be liable on account of such “employees”, unless the Insured has notified the Insurer and the Insurer has agreed in writing to include such “employees” within the coverage of Insuring Agreement 1.

## **K. LOSS – NOTICE – PROOF – ACTION AGAINST COMPANY**

Upon knowledge or discovery of loss or of an “occurrence” which may give rise to a claim for loss, the Insured shall:

1. Give notice thereof to the Insurer as soon as practicable and in any event not later than 15 days following discovery and also to the police if the loss is due to a violation of law;
2. File detailed proof of loss, duly sworn to, with the Insurer within four months after the discovery of the loss.

The Insured shall give the Insurer notice of any loss of the kind covered by Insuring Agreement 1, whether or not the Insurer is liable therefor or for any part thereof, and upon the request of the Insurer shall file with it a brief statement giving the particulars concerning such loss.

Proof of loss under Insuring Agreement 3 d) shall include the instrument which is the basis of claim for such loss. Provided, however, that if it is impossible to file such instrument, the affidavit of the Insured or the Insured’s bank of deposit setting forth the amount and cause of loss shall be accepted in lieu thereof.

Upon the Insurer’s request, the Insured shall submit to examination by the Insurer, subscribe the same, under oath if required, and produce for the Insurer’s examination all pertinent records, all at such reasonable times and places as the Insurer shall designate, and shall cooperate with the Insurer in all matters pertaining to loss or claims with respect thereto.



## SARM Fidelity Bond Self-Insurance Plan

---

No action shall lie against the Insurer unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy, nor until ninety days after the required proofs of loss have been filed with the Insurer, nor at all unless commenced within two years from the date when the Insured discovers the loss. If any limitation of time for notice of loss or any legal proceeding herein contained is shorter than that permitted to be fixed by agreement under any statute controlling the construction of this Policy, the shortest permissible statutory limitation of time shall govern and shall supersede the time limitation herein stated.

### **L. VALUATION – PAYMENT- REPLACEMENT**

In no event shall the Insurer be liable as respects “securities” for more than the “actual cash value” thereof at the close of business on the business day next preceding the day on which the loss was discovered.

### **M. SUBROGATION AND RECOVERIES**

1. If any payment under this Policy shall equal 50% or more of the Insured’s total loss in any one “occurrence”, the Insurer shall be subrogated to all the Insured’s rights of recovery therefor against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after loss to prejudice such rights.
2. Any recoveries, less the cost of obtaining them, made after settlement of loss insured by this policy will be distributed as follows:
  - (a) To the Insured, until the Insured is reimbursed for any loss that they have sustained that exceeds the Limit of Insurance;
  - (b) Then to the Insurer, until they are reimbursed for the settlement made.
3. Recoveries do not include recovery:
  - (a) From insurance, suretyship, reinsurance, security or indemnity taken for the Insurer’s benefit; or
  - (b) Of original “securities” after duplicates of them have been issued.
4. The Insured is entitled to the recovered property upon reimbursing the Insurer for the amount of indemnity paid to the Insured for such property. Whoever recovers such property will immediately notify the other party in writing.

### **N. LIMIT OF LIABILITY UNDER THIS RIDER AND PRIOR INSURANCE**

This Item shall apply only to Insuring Agreements 1 and 3 d).

## SARM Fidelity Bond Self-Insurance Plan

---

With respect to loss caused by any person (whether one of the “employees” or not) or in which such person is concerned or implicated or which is chargeable to any “employee” as provided in Section G and which occurs partly during the Policy Period and partly during the period of other bonds or policies issued by the Insurer to the Insured and terminated or cancelled or allowed to expire and in which the period for discovery has not expired at the time any such loss thereunder is discovered, the total liability of the Insurer under this Policy and under such other bonds or policies shall not exceed, in the aggregate, the amount carried under the applicable Insuring Agreement of this Policy on such loss or the amount available to the Insured under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss, if the latter amount be the larger.

### **O. CANCELLATION AS TO ANY EMPLOYEE**

Insuring Agreement 1 shall be deemed cancelled as to any “employee”:

1. Thirty (30) days following discovery by the Insured, or any officer thereof not in collusion with such “employee”, of any “fraudulent or dishonest act” on the part of such “employee”; or
2. At 12:01 am., Regina time as aforesaid, upon the effective date specified in a written notice mailed to the Insured. Such date shall be not less than fifteen days after the date of mailing. The mailing by the Insurer of notice as aforesaid to the Insured at the address shown on the individual certificate issued hereunder shall be sufficient proof of notice. Delivery of such written notice by the Insurer shall be equivalent to mailing.