

# **SELF-INSURED FIDELITY BOND PROGRAM**

## **ARKANSAS FIDELITY BOND TRUST FUND STATE, COUNTY, MUNICIPAL AND SCHOOL DISTRICT BLANKET DISHONESTY BOND**

**Policy No. FBTF16**

*Administered By*

**THE ARKANSAS GOVERNMENTAL BONDING BOARD**

**Chair**

**Arkansas Insurance Commissioner**

**Board Members**

**President of the Association of Arkansas Counties**

**President of the Arkansas Municipal League**

**Director of the Department of Finance and Administration**

**Commissioner of Education, Department of Education**

### **COVERAGE PROVIDED BY THE SELF-INSURED FIDELITY BOND PROGRAM IS SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:**

#### **1. COVERAGE**

The Self-Insured Fidelity Bond Program, administered by the Arkansas Governmental Bonding Board shall provide coverage for losses sustained by the Participating Governmental Entities through fraudulent or dishonest act or acts committed by Employees or Officials of the Participating Governmental Entities during the Bond Period.

#### **2. LIMIT OF COVERAGE AND PER OCCURRENCE DEDUCTIBLE**

\$300,000 Per Occurrence\*.

\$2,500 Per Occurrence Deductible.

*\*Effective for all claims reported by Arkansas Legislative Audit after 6/30/2015.*

#### **3. BOND PERIOD**

The bond period begins on July 1, 2023, and ends on the effective date of cancellation of this bond in its entirety. Both dates are 12:01 a.m., Central Standard Time.

#### **4. DEFINITIONS**

- a. "Self-Insured Fidelity Bond Program" ("Bond Program") means the bond program established by A.C.A. §21-2-701 et. seq.
- b. "Arkansas Governmental Bonding Board" ("Board") means the State Board composed of the following members or appointed designee:
  - i. The President of the Association of Arkansas Counties;
  - ii. The President of the Arkansas Municipal League;
  - iii. The Commissioner of the Department of Education;



property on the day the loss was discovered.

- s. "Audit" or "Audit Report" means an audit or other statutorily allowed financial examination of the books and records of a Participating Governmental Entity.
- t. "Arkansas Fidelity Bond Trust Fund" ("Trust Fund") means the fund established on the books of the Treasurer of State by ACA §21-2-711.

## **5. FRAUDULENT OR DISHONEST ACT**

A fraudulent or dishonest act of an Employee or Official of a Participating Governmental Entity shall mean an act or acts, involving fraud, dishonesty or breach of trust, which is punishable under the Criminal Code in the jurisdiction within which the act occurred, for which said Employee or Official:

- a. could be tried and convicted by a court of proper jurisdiction; or
- b. pleads guilty or nolo contendere; or
- c. is found guilty.

## **6. AUDIT REQUIREMENT**

Each Participating Governmental Entity shall procure an audit or other statutorily allowed examination of its books and records, for each fiscal year ending after January 1, 1995. If an audit or other statutorily allowed examination of a Participating Governmental Entity is not conducted by the Arkansas Legislative Audit, then the Participating Governmental Entity shall procure an audit of its books and records by accountants in good standing with the Arkansas State Board of Public Accountancy in accordance with Governmental Auditing Standards issued by the Comptroller General of the United States. Audits must be completed within eighteen (18) months of the close of each Participating Governmental Entity's fiscal year for each fiscal year ending after January 1, 2007. All audit reports revealing or disclosing unauthorized expenditures, asset shortages or unaccounted-for funds shall be forwarded immediately upon completion to the Arkansas Legislative Audit, the State Risk Manager and the appropriate prosecuting attorney. The audit requirements of this section shall apply to the books and records of each segment or component of each Participating Governmental Entity. Coverage under this bond shall not apply to losses sustained by a Participating Governmental Entity when said Participating Governmental Entity has not complied with the audit requirements of this section.

## **7. NOTICE AND PROOF OF LOSSES**

The Arkansas Legislative Audit, with the approval of the Legislative Joint Auditing Committee shall give notice and make proof of loss to the Board, when audits or audit reports of Participating Governmental Entities disclose actual losses sustained as a result of fraudulent or dishonest act or acts committed by employees or officials of the Participating Governmental Entities.

## **8. DETERMINATION OF COVERAGE AND BOND PAYMENTS**

The Board shall determine coverage under the Bond Program upon the receipt of notice and proof of loss from the Arkansas Legislative Audit. The Board may withhold claim determination and payments until all information deemed necessary for determination of coverage has been received by the Board. All bond payments approved by the Board, less the applicable deductible, will be issued from the Trust Fund directly to the appropriate Participating Governmental Entity.

## **9. LOSS CAUSED BY UNIDENTIFIED EMPLOYEE**

The Participating Governmental Entity shall have the benefit of this bond, excluding a loss of property other than money and securities, if a loss is alleged to have been caused by the fraud or dishonesty of one or more Employees or Officials and the Participating Governmental Entity or the Arkansas Legislative Audit shall be unable to designate the specific Employees or Officials causing such loss; provided that the evidence submitted reasonably proves that the loss was in fact due to fraud or dishonesty of one or more of said Employees or Officials.

## **10. OTHER INSURANCE**

This bond does not apply to losses recoverable or recovered under other bonds or policies. However, if the limit of the other bonds or policies is insufficient to cover the entire amount of the loss, this bond will apply to that part of the loss, other than that falling within the deductible amount of this bond, not recoverable under the other bonds or policies, but not for more than the Limit of Coverage under this bond.

## **11. RECOVERIES**

The Participating Governmental Entities shall be entitled to all recoveries, except from suretyship, insurance, reinsurance, security or indemnity taken by or for the benefit of the Bond Program by whomever made, on account of such loss until fully reimbursed less the amount of the deductible; if the Participating Governmental Entities shall sustain any loss which exceeds the Limit of Coverage provided by this bond. Any remainder shall be applied to reimbursement of the Trust Fund. Any recoveries of the deductible received by a Participating Governmental Entity and not reimbursed to the Trust Fund, shall be deducted from future payments under the Bond Program to the Participating Governmental Entity and/or withheld from the Treasury Funds of the Participating Governmental Entity only to the extent that the Trust Fund has not been reimbursed for the amount of its payment.

## **12. TRANSFER OF RIGHTS OF RECOVERY**

The Participating Governmental Entity must transfer to the Bond Program all its rights of recovery against any person or organization for any loss it sustained and for which the Bond Program has paid or settled. The Participating Governmental Entity must also do everything necessary to secure those rights and do nothing after loss to impair them. The Participating Governmental Entity shall sign and return a Transfer of Rights form, assigning to the Bond Program, to the extent of the payment, all rights and claims that the Participating Governmental Entity may have against the official or employee involved before any bond payment is issued from the Trust Fund.

## **13. CANCELLATION AS TO ANY EMPLOYEE OR OFFICIAL**

This bond shall be deemed cancelled as to any Employee or Official:

- a. Effective as of the date approved by the Board at 12:01am Central Standard Time; and
- b. Written notice of cancellation shall be mailed to the Participating Governmental Entity by the Board.

## **14. CANCELLATION AS TO THE BOND IN ITS ENTIRETY**

This bond shall be deemed cancelled in its entirety at 12:01 a.m., Central Standard Time, upon the effective date specified in a written notice mailed to the Participating Governmental Entity by the Board.

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

There shall be no coverage for any fraudulent or dishonest act or acts committed by an Employee or Official, if the Participating Governmental Entity has knowledge of a prior fraudulent or dishonest act or acts committed by the Employee or Official. The Bond Program shall not be liable, if prior to the issuance of this bond, any fidelity insurance in favor of any Participating Governmental Entity and covering one or more of the Participating Governmental Entity's Employees or Officials shall have been cancelled as to any such Employee or Official by reason of:

- a. the discovery of any fraudulent or dishonest act or acts on the part of such an Employee or Official, or
- b. the giving of written notice of cancellation by the Insurer issuing said fidelity insurance, whether Fidelity or not; and if such Employee or Official shall not have been reinstated under

the coverage of said fidelity insurance or superseding fidelity insurance.  
The Bond Program shall not be liable under this bond on account of such Employee or Official, unless the Board shall agree in writing to include such Employee or Official within the coverage of this bond.

## **16. NON-CUMULATION OF LIMIT OF COVERAGE**

Regardless of the number of years, this bond remains in force, or the number of premiums paid, no Limit of Coverage cumulates from year to year or period to period.

## **17. EXCLUSIONS**

Coverage under this bond shall not apply to:

- a.** Losses sustained by the Participating Governmental Entities as a result of:
  - i. Liability imposed upon or assumed by the Participating Governmental Entities to exonerate or indemnify an Employee or Official from or against liability incurred by such Employee or Official in the performance of duties; or
  - ii. Damages for which the Participating Governmental Entities are legally liable as a result of:
    1. deprivation or violation of the civil rights of any person by an Employee or Official; or
    2. the tortuous conduct of any Employee or Official, except conversion of property of other parties held by the Participating Governmental Entities in any capacity; or
    3. losses sustained by any party other than the Participating Governmental Entities; or
  - iii. Loss of property other than money and securities, unless the Participating Governmental Entity or the Arkansas Legislative Audit shall designate the specific Employee or Official causing such loss; or direct physical damage to, or loss of property, as a result of a fraudulent or dishonest act or acts on the part of the employee or official; or
  - iv. Any fraudulent or dishonest act or acts committed by any Employee of the Participating Governmental Entity known by the Participating Governmental Entity to have pleaded guilty or nolo contendere or have been found guilty of any criminal offense committed in connection with the Employee's job duties with the Participating Governmental Entity.
- b.** Losses sustained by a Public Utility through fraudulent or dishonest act or acts committed by Municipal Employees. Public Utility means any utility other than a utility owned by a Participating Governmental Entity.
- c.** Losses in which a Participating Governmental Entity, through fraudulent means, takes money or other property from another Participating Governmental Entity.
- d.** Compensatory, punitive or exemplary damages, interest or penalty amounts, investigative expenses, legal fees or court costs.

## **18. DEDUCTIBLE**

The Bond Program will not pay when the actual loss is less than or equal to the per occurrence deductible. The per occurrence deductible shall be subtracted from the actual loss when the actual loss exceeds the deductible. The Bond Program will pay the remaining actual loss or the policy limit, whichever is less.

Authorized Signature:

  
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Alan McClain, Chair  
ARKANSAS GOVERNMENTAL BONDING BOARD

  
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Date

<p><b>ARKANSAS INSURANCE DEPARTMENT</b> <b>Risk Management Division</b> 1 Commerce Way, Suite 504 Little Rock, Arkansas 72202 Phone: 501-371-2690 Fax: 501-371-2842 Email: <a href="mailto:insurance.risk.management@arkansas.gov">insurance.risk.management@arkansas.gov</a> <a href="http://www.insurance.arkansas.gov">www.insurance.arkansas.gov</a></p>	
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