

	<p>Department of Administration</p> <p>State of Montana</p> <p>Issued by: The Risk Management & Tort Defense Division</p> <p>Subject: Crime and Fidelity Bond Insurance</p>	<p>Number: RMTDINS0805</p>
	<p>The state's crime and fidelity insurance coverage and program requirements.</p>	<p>History Log:</p> <p>Approval Date: 10/01/99 Effective Date: 07/01/00 Reviewed: 07/01/07 Last Revision: 10/06/10 Contact: Brett E. Dahl</p>
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I. DESCRIPTION

In accordance with §2-9-101, MCA through §2-9-305, MCA, the Department of Administration, Risk Management & Tort Defense Division administers a comprehensive insurance plan in behalf of Montana state government. The division also defends and indemnifies state agencies and employees in any TORT claim for damages arising from the lawful discharge of official duties rendered or which should have been rendered in the course of employment and within the scope of duty. This document provides a broad overview of insurance coverage provided under the state property/casualty insurance plan as well as specific program requirements for state agencies that participate in the state's crime insurance program. This document does not amend, alter, or extend coverage provided under the state property/casualty insurance program or statute. Do not attempt to interpret coverage, limits, or exclusions and apply these to state activities without contacting the Risk Management & Tort Defense Division. Specific exclusions, limits, or conditions may apply.

II. DEFINITIONS

Division means the Risk Management & Tort Defense Division.

Employee means any person while in the service of the state (and for 30 days after termination of service), whom the state compensates directly by salary, wages, or commissions and whom the state has the right to direct and control while performing services for the state; and any person who is furnished to the state to substitute for a permanent employee on leave, or meet seasonal or short-term workload conditions, while that person is subject to the state's direction and control and performing services for the state excluding, however, any such person while having care and custody of property outside the premises.

Employee does not mean any agent, broker, person leased to the state by a labor leasing firm, factor, commission merchant, consignee, independent contractor or representative of the same general character; or director or trustee while performing acts coming within the scope of the usual duties of an employee.

Money means currency, coins, bank notes in current use and having a face value, travelers checks, register checks and money orders held for sale to the public.

Occurrence means an accident, including continuous or repeated exposure to conditions, which result in bodily injury or property damage during the policy period, neither expected nor intended from the standpoint of the state.

Property Other Than Money & Securities means tangible property that

has intrinsic value that is not excluded under the state's policy.

Securities mean negotiable and non-negotiable instruments or contracts representing either money or other property including tokens, tickets, revenue and other stamps in current use, evidences of debt issued in connection with credit or charge cards not issued by the state.

State means the State of Montana or any office, department, agency, authority, commission, board, institution, hospital, college, university, or other instrumentality thereof.

III. INSURING AGREEMENT

Subject to the terms, conditions, and exclusions specified in statute (§2-9-101, MCA through §2-9-305, MCA) and in the state's crime policy, fraud, theft, embezzlement, and similar crimes caused by the intentional acts of state employees are covered. This policy applies to insured property within the United States of America, U.S. Virgin Islands, Puerto Rico, Canal Zone, and Canada. For coverage outside these territories please contact the Risk Management and Tort Defense Division.

IV. EXTENSIONS OF COVERAGE

The state's policy is extended to cover:

- A. Public Employee Dishonesty Insurance to cover money, securities and property other than money and securities from covered dishonest acts committed by an employee. Coverage is extended to including Faithful Performance of Duty.
- B. Forgery or Alteration Insurance to cover checks, drafts, promissory notes or similar written promises, orders or directions to pay a sum from covered forgery or alteration losses.
- C. Theft, Destruction, and Disappearance of money and securities on or off state premises.
- D. Computer Fraud Insurance to cover money, securities and property other than money and securities from theft related to the use of any computers to fraudulently transfer such property.
- E. All coverages per the terms, conditions and exclusions of the state's policy.

V. GENERAL EXCLUSIONS

- A. Governmental Action - Loss from seizure or destruction of property by order of governmental authority.
- B. Indirect Loss - Loss that is an indirect result of any act or occurrence covered by this insurance (i.e. fees or other expenses incurred in establishing the amount of loss).
- C. Legal Expenses - Expenses related to any legal action.
- D. Nuclear - Loss resulting from nuclear reaction, nuclear radiation or radioactive contamination.
- E. War - Loss resulting from war, whether or not declared, warlike action, insurrection, rebellion or revolution.
- F. Leased Labor Firm Employees – losses arising from leased labor firm employees.

Additional Employee Dishonesty Exclusions:

- A. Employee Cancelled Under Prior Insurance - Loss caused by any employee for whom similar prior insurance has been cancelled and not reinstated since the last such cancellation.
- B. Inventory Shortages - Loss amount that is dependent upon an inventory computation or profit and loss computation.
- C. Damages - Damages for which the state is legally liable as a result of: (1) deprivation or violation of civil rights of any person by an employee; or (2) tortious conduct of any employee, except conversion of property of other parties held by you in any capacity.

Additional Forgery or Alteration Exclusions:

- A. Acts of employees, directors, or trustees.

Additional Theft, Disappearance, and Destruction Exclusions:

- A. Acts of employees, directors, or trustees.
- B. Money operated devices unless the money unless the amount of money in it is operated by a continuous monitoring device.
- C. Fire
- D. Vandalism

- E. Voluntary parting of title or possession of property.

Additional Computer Fraud Exclusions:

- A. Acts of employees, directors, or trustees.
- B. Inventory Shortages - Loss amount that is dependent upon an inventory computation or profit and loss computation.

VI. PROGRAM REQUIREMENTS

- A. State agencies must notify the Risk Management & Tort Defense Division of a claim or potential claim as soon as possible.
- B. State agencies must list number and type FTES they want insured by classification of FTE on the state Property/Casualty Insurance Information System and submit the report to the division by January 15th of each fiscal year. Failure to accurately report FTEs may result in inadequate coverage.
- C. The Risk Management & Tort Defense Division and participating carriers shall be subrogated to the state's recovery against third parties. The state shall do nothing to prejudice such rights.
- D. The state's policy may be cancelled with 30 days notice. Should this occur, the Risk Management & Tort Defense Division would secure coverage from other carriers.
- E. The state's policy may be void if the state has concealed or misrepresented material facts or circumstances.

VII. SPECIAL SERVICES

- A. State agencies that need coverage for theft of cash, securities, or other assets by third parties (not state employees) and not mentioned above are encouraged to contact the Risk Management & Tort Defense Division. The division or its brokers may be able to form a plan of self-insurance to assist your agency. Any plan must be consistent with §2-9-201, MCA. The division may have to obtain legislative approval for the plan. The division may be able to obtain commercial insurance to meet your needs.
- B. The Risk Management & Tort Defense Division may be able to help you develop a risk control plan that will remove or reduce your need for coverage.

VIII. REPORTING LOSSES

The **State Report of Incident Form** should be used. State agencies

must notify the Risk Management & Tort Defense Division of a claim or potential claim as soon as possible, preferably within 24 hours, but not less than 5 business days. Claims not reported within a reasonable period of time may be denied.

Sample forms may be found on the division's website under 'Claims.' You may photocopy them (front and back) as needed.

IX. LIMITS

\$5,000,000 Public Employee Dishonesty.

\$5,000,000 Forgery or Alteration;

\$5,000,000 Theft, Disappearance, and Destruction;

\$5,000,000 Computer Fraud.

\$2,000,000 Faithful Performance

X. DEDUCTIBLES

\$500,000

XI. PREMIUMS

Premiums must be promptly remitted by state agencies after receiving billing notices from the Risk Management & Tort Defense Division.