



Board of County Commissioners Agenda Request

3F
Agenda Item #

Requested Meeting Date: January 6, 2025

Title of Item: Annual Employee Dishonesty and Faithful Performance Bond

<input type="checkbox"/> REGULAR AGENDA <input checked="" type="checkbox"/> CONSENT AGENDA	Action Requested: <input checked="" type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <input type="checkbox"/> Hold Public Hearing <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Information Only
Submitted by: Kathleen Ryan		Department: Auditor
Presenter (Name and Title): Kathleen Ryan, County Auditor		Estimated Time Needed:
Summary of Issue: Approve Recording of the annual Employee Dishonesty and Faithful Performance Bond for \$50,000 and to further define employees to include the following Aitkin County Officials and any successor of such official: Administrator, Assessor, Attorney, Auditor & Treasurer and deputies, County Commissioners, County Recorder & Registrar of Titles and deputies, Engineer, Surveyor, Health & Human Services Director, Environmental Services Director, Veteran Service Officer.		
Alternatives, Options, Effects on Others/Comments:		
Recommended Action/Motion: Approve Recording of the annual Employee Dishonesty and Faithful Performance Bond		
Financial Impact: <i>Is there a cost associated with this request?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Please Explain:</i>		

COVERAGE - ARTICLE FOUR

**EMPLOYEE
DISHONESTY
AND
FAITHFUL
PERFORMANCE
OF DUTY**

Minnesota Counties
Intergovernmental Trust



INDEX

Employee Dishonesty & Faithful Performance of Duty Coverage

<u>Coverage Section</u>	<u>Page #</u>
A. Coverage Agreement	1
B. Included Coverage	1
C. Exclusions	1 - 3
D. Limit of Coverage	3
E. Deductible	3
F. Conditions	3 - 10
G. Definitions	10 - 12

MINNESOTA COUNTIES INTERGOVERNMENTAL TRUST

ARTICLE FOUR - Employee Dishonesty and Faithful Performance of Duty Coverage

Some provisions in this "Coverage Document" restrict coverage. Read the entire "Coverage Document" carefully to determine rights, duties and what is and is not covered. The titles of the various sections and paragraphs in this "Coverage Document" are inserted solely for convenience of reference and shall not be deemed in any way to limit or affect the provisions to which they relate. Throughout this "Coverage Document" the words we, us, our and MCIT refer to the Minnesota Counties Intergovernmental Trust. The words you and your refer to the "Member" shown in the "Declarations". Words and phrases that appear in quotation marks are defined in G. DEFINITIONS of this "Coverage Document", unless noted otherwise.

A. COVERAGE AGREEMENT

We will pay for loss of or damage to "Money", "Securities" and "Property Other than Money and Securities" caused:

1. Directly by "Employee Dishonesty"; or
2. Directly and immediately by the failure of an "Employee" to perform his or her duties as prescribed by "Law".

B. INCLUDED COVERAGE

Temporary Absence of Employee from Coverage Territory

We will pay for loss caused by an "Employee" during the first 90 days of his or her temporary absence from the "Coverage Territory". This coverage provision does not increase the Limit of Coverage provided by this "Coverage Document".

C. EXCLUSIONS

This "Coverage Document" does not apply to any:

1. *Deprivation of Civil Rights or Tortious Conduct*

Damages for which you are legally liable as a result of:

- a. The deprivation or violation of the civil rights of any person by an "Employee"; or
- b. The tortious conduct of an "Employee", except conversion of property of other parties held by you in any capacity.

2. *Dishonest or Criminal Acts*

Loss caused by any dishonest or criminal acts carried out by you or your partners either alone or in collusion with other persons.

3. *Failure of Depository*

Loss resulting from the failure of any entity that is a depository for your property or property for which you are responsible.

4. *Governmental Order of Property Seizure or Destruction*

Loss caused by seizure or destruction of property in response to a governmental authority's order.

5. *Indirect Loss*

Loss indirectly resulting from any act or "Occurrence" covered by this "Coverage Document" including, but not limited to, loss resulting from:

- a. Your inability to realize income that you would have realized had there been no loss of or damage to "Money", "Securities" and "Property Other than Money and Securities".
- b. Payment of damages types for which you are legally liable, but we will pay compensatory damages that directly result from a loss covered under this "Coverage Document".
- c. Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this "Coverage Document".

6. *Inventory Shortages*

Loss, or that part of any loss, whose proof of existence or amount depends upon:

- a. An inventory calculation; or
- b. A profit and loss calculation.

7. *Legal Expenses*

Expenses associated with legal actions.

8. *Nuclear*

Loss resulting from nuclear reaction, nuclear radiation or radioactive contamination, or any associated act or incident.

9. *Pollution Loss*

Loss resulting from the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any watercourse or body of water.

10. *War and Similar Actions*

Loss resulting from declared or undeclared war, warlike action, rebellion, revolution, insurrection or any associated act or incident.

11. *Probate Duties in a Fiduciary Capacity*

Loss resulting from any person or class of persons acting in the capacity of public administrator, public guardian and any other "Employee" performing probate duties in any fiduciary capacity.

D. LIMIT OF COVERAGE

The maximum amount of coverage provided by this "Coverage Document" for any one "Occurrence" is the applicable Limit of Coverage shown in the "Declarations".

E. DEDUCTIBLE

For any one "Occurrence", we will pay, subject to the Limit of Coverage, the amount of a loss covered by this "Coverage Document" that is in excess of the Deductible shown in the "Declarations".

F. CONDITIONS

1. *Application of Printed Conditions*

The "Terms" and conditions of forms attached to this "Coverage Document" shall take precedence over the printed conditions of the "Coverage Document". The terms and conditions of the Minnesota Counties Intergovernmental Trust Joint Powers or Participation Agreement and By-Laws and interpretations thereof shall take precedence over all printed conditions of the "Coverage Document" and any "Terms", conditions or endorsements attached thereto.

2. *Breach of Conditions*

The breach of any condition of this "Coverage Document" will not affect coverage if, at the time of loss or damage, the breach of condition does not exist.

3. *Cancellation of Coverage on an Employee*

Should the need arise to cancel coverage on any "Employee", the cancellation will be effective on the date specified in a notice mailed to you. That date will be at least 30 days after the date of mailing. The mailing of notice to you at the last mailing address known to us will be sufficient proof of notice. Delivery of notice is the same as mailing.

4. *Concealment, Misrepresentation or Fraud*

This coverage is void in any case of:

- a. Material misrepresentation or omission; or
- b. Fraud

by you or with your knowledge in:

- a. Obtaining this coverage; or
- b. Pursuing a claim under this "Coverage Document".

5. *Conformity with Statutes*

The "Terms" of this "Coverage Document" in conflict with applicable statutes of the State of Minnesota are changed to conform to those statutes.

6. *Consolidation - Merger*

If through consolidation or merger with, or purchase or acquisition of assets or liabilities of, some other entity:

- a. Any additional persons become "Employees"; or
- b. You acquire the use and control of any additional "Premises";

any coverage afforded for "Employees" or "Premises" also applies to those additional "Employees" or "Premises", for acts committed or events occurring within 60 days after the effective date of such consolidation, merger, or purchase or acquisition of assets or liabilities.

You must give us written notice within this 60 day period to extend this coverage to the additional "Employees" or "Premises". In return for such an extension of coverage, you may be required to pay an additional contribution.

If you fail to notify us in writing within this 60 day period, this coverage shall automatically terminate as to such additional "Employees" or "Premises".

7. *Contributions*

The "Member" shown in the "Declarations":

- a. Is responsible for the payment of all contributions; and
- b. Will be the payee for any return contributions or dividends we pay.

8. *Coordination of Coverage Application*

For any loss "Occurrence", should relevant "Terms" of this "Coverage Document" be more restrictive than, or in conflict with, provisions of the Public Employee Dishonesty and Faithful Performance of Duty Coverage generally provided to MCIT "Members" by Old Republic Insurance Company, we may, at our discretion, apply to the loss those Old Republic coverage provisions that provide the broader coverage or are in conflict with the "Terms" of this "Coverage Document".

However, this condition shall in no event apply to any differences between:

- a. The Limit of Coverage or Deductible provisions of this "Coverage Document" and any Limit of Insurance or Deductible provisions of the Old Republic coverage; or
- b. Exclusion 9. POLLUTION of this "Coverage Document" and any application of the Old Republic coverage to a pollution loss.

9. *Coverage Changes, Cancellation and Termination*

The first "Member" shown in the "Declarations" is authorized to make changes in the "Terms" of this "Coverage Document" with our consent. Changes, cancellation or termination shall be made only in accordance with the MCIT By-Laws and Joint Powers or Participation Agreement. This "Coverage Document" and the MCIT By-Laws and Joint Powers or Participation Agreement contain all the agreements between you and us concerning the coverage afforded. The "Coverage Document's" "Terms" can be amended or waived only by endorsement issued by us and made a part of this "Coverage Document".

10. *Coverage Under Two or More Coverages*

If two or more MCIT coverages apply to the same loss, we will pay no more than the actual amount of the loss.

11. *Divisible Document*

The breach of any condition of this "Coverage Document" with respect to any one or more covered items shall not prejudice the right to recover for loss occurring to any other covered item with which, at the time of the loss, a breach of condition does not exist.

12. *Examination of Your Books and Records*

We may examine and audit your books and records as they relate to this "Coverage Document" at any time during the "Coverage Period" and up to one year afterward.

13. *Indemnification*

We will indemnify your officials who are required by "Law" to give bonds for the faithful performance of their service against direct and immediate loss to "Money", "Securities" and "Property Other than Money and Securities" caused by an "Employee" under their supervision failing to faithfully perform his or her duties as prescribed by "Law"

14. *Inspection and Surveys*

MCIT shall have the right, but not the obligation, to at all reasonable times during the "Coverage Period":

- a. Make inspections and surveys of covered property;
- b. Give you reports on the conditions we find; and

- c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to the assessment of risk and contribution to be charged. MCIT does not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public.

And MCIT does not warrant that conditions:

- a. Are safe or healthful; or
- b. Comply with "Laws", regulations, codes or standards.

This condition applies not only to MCIT, but also to any rating, advisory, rate service or similar organization which makes inspections, surveys, reports or recommendations.

15. *Joint Member*

- a. If more than one "Member" is named in the "Declarations", the first named "Member" will act for itself and for every other "Member" for all purposes of this coverage. If the first named "Member" ceases to be covered, then the next named "Member" will become the first named "Member".
- b. If any "Member" named in the "Declarations", or a partner or officer of that "Member", has knowledge of any information relevant to this coverage, that knowledge is considered knowledge of every "Member" named in the "Declarations".
- c. An "Employee" of any "Member" named in the "Declarations" is considered to be an "Employee" of every "Member" named in the "Declarations".
- d. If this coverage or any part of it is cancelled or terminated as to any "Member", loss sustained by that "Member" is covered only if discovered no later than 60 days from the date of that cancellation or termination.

However, this extended period to discover loss terminates as to that "Member" immediately upon the effective date of any other similar coverage or insurance obtained by that "Member" that covers the loss in whole or in part.

- e. We will not pay more for loss sustained by more than one "Member" than the amount we would pay if all the loss had been sustained by one "Member".

16. *Legal Action Against MCIT*

- a. The MCIT Board of Directors has sole authority for resolving disputes regarding the coverage afforded under the "Coverage Document". Decisions of the MCIT Board which determine coverage, or are based upon, caused by, or arise out of coverage or a coverage determination, are final and binding on the "Member" and the MCIT Board. In circumstances where a "Suit" by a "Member" is not precluded by the above limitation, no legal action may be brought against the Minnesota Counties Intergovernmental Trust unless the action is brought within two (2) years

after the date on which the loss or the situation that may give rise to a loss is discovered.

- b. Any civil action taken against MCIT as may be permitted by Section (16) (a) must be venued in Ramsey County, Minnesota.

17. *Liberalization*

If any authorized endorsements or filed rules or regulations affecting this "Coverage Document" are revised by statute or otherwise so as to broaden the coverage without additional contribution, such extended or broadened coverage shall inure to the benefit of the "Member" hereunder, effective as of the date of the change.

18. *Limit of Coverage Non-Cumulation*

The Limit of Coverage does not cumulate from one "Coverage Period" to another, regardless of the number of years this "Coverage Document" remains in force or the contributions paid.

19. *Loss Coverage, Discovery Period and Extended Discovery Period*

We will pay only for losses sustained by you within the "Coverage Territory":

- a. As a result of acts committed or events occurring at any time and discovered by you during the "Coverage Period"; or
- b. Prior to the effective date of termination or cancellation of this coverage and discovered by you no later than 60 days from the date of that termination or cancellation. However, this extended loss discovery period terminates upon the effective date of any other similar coverage or insurance obtained by you that covers the loss in whole or in part.

Loss discovery occurs when you first become aware of facts which would cause a reasonable person to assume that a loss covered by this "Coverage Document" has been or will be incurred, even though the exact amount or details of loss may not then be known.

Loss discovery also occurs when you receive notice of an actual or potential claim against you involving a loss covered under this "Coverage Document".

20. *Member Responsibilities After Loss*

Upon discovery of a loss or a situation that may give rise to a loss under this "Coverage Document", the "Member" must:

- a. Notify MCIT as soon as the "Member" reasonably should have known of any loss of the type covered by this "Coverage Document", even if the loss may be less than the Deductible.
- b. Provide MCIT with a detailed statement of loss, under oath if requested, within 120 days.

- c. Cooperate with MCIT in investigating and settling any resulting claim and performing all other acts as required by this "Coverage Document".

21. *Other Coverage or Insurance*

If other coverage or insurance applies to the same loss or damage, we will pay only for the amount of the loss or damage covered by this "Coverage Document" that is in excess of the amount recoverable from the other coverage or insurance. However, we will not pay the amount of the loss that falls within any Deductible nor more than the applicable Limit of Coverage stated in the "Declarations" of this "Coverage Document".

22. *Property Ownership, Interests Covered and Exclusive Benefit*

The coverage provided by this "Coverage Document" applies exclusively to the interest of the "Member" in covered property:

- a. Owned by the "Member";
- b. Held in the "Member's" care, custody or control; or
- c. For which the "Member" is legally liable.

Except as required by "Law", this "Coverage Document" is for the exclusive benefit of the "Member" and, therefore, confers no rights or benefits to any person or organization other than the "Member".

23. *Records*

The "Member" must keep records of all "Money", "Securities" and "Property Other than Money and Securities" so MCIT can verify the amount of loss.

24. *Subrogation*

In the event of any payment under this "Coverage Document", MCIT shall be subrogated to the extent of such payment to all the "Member's" rights of recovery therefor against any person or organization and the "Member" shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The "Member" shall do nothing after loss to prejudice such rights. The "Member" must notify us or we must notify the "Member" promptly if either receives a recovery for a loss which we have paid.

25. *Recoveries*

- a. Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this coverage will be distributed in the following order:
 - 1) You will be reimbursed for any loss you sustain in excess of the Limit of Coverage;
 - 2) We will be reimbursed for the settlement made;

- 3) You will be reimbursed for that part of the loss equal to any applicable Deductible.

b. Recoveries do not include any recovery:

- 1) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
- 2) Of original "Securities" after duplicates of them have been issued.

26. *Transfer of Your Rights and Duties Under This Coverage Document*

Your rights and duties under this "Coverage Document" may not be transferred without our written consent.

27. *Valuation - Settlement*

a. Subject to the applicable Limit of Coverage, we will pay for:

- 1) Loss of "Money" but only up to and including its face value. We may, at our option, pay for loss of "Money" issued by any country other than the United States of America:
 - a) At face value in the "Money" issued by that country; or
 - b) In the United States of America dollar equivalent determined by the rate of exchange on the day the loss was discovered.
- 2) Loss of "Securities" but only up to and including their value at the close of business on the day the loss was discovered. We may, at our option:
 - a) Pay the value of such "Securities" or replace them in kind, in which event you must assign to us all your rights, title and interest in and to those "Securities"; or
 - b) Pay the cost of any Lost Securities Bond required in connection with issuing duplicates of the "Securities". However, we will be liable only for the payment of so much of the cost of the bond as would be charged for a bond having a penalty not exceeding the lesser of the:
 - (1) Value of the "Securities" at the close of business on the day the loss was discovered; or
 - (2) Limit of Coverage.
- 3) Loss of or damage to "Property Other than Money and Securities" or loss from damage to the "Premises" for not more than the:
 - a) Actual cash value of the property on the day the loss was discovered;
 - b) Cost of repairing the property or "Premises"; or

c) Cost of replacing the property with property of like kind and quality.

We may, at our option, pay the actual cash value of the property or repair or replace it.

b. We may, at our option, pay for loss of, or loss from damage to, property other than "Money":

1) In the "Money" of the country in which the loss occurred; or

2) In the United States of America dollar equivalent of the "Money" of the country in which the loss occurred determined by the rate of exchange on the day the loss was discovered.

c. Any property that we pay for or replace becomes our property.

G. DEFINITIONS

1. "Coverage Document" means this Minnesota Counties Intergovernmental Trust Employee Dishonesty and Faithful Performance of Duty Coverage form, unless the context indicates otherwise.

2. "Coverage Period" means the time from 12:01 a.m. central standard time of the effective date to 12:01 a.m. central standard time of the expiration date shown in the "Declarations" of this "Coverage Document".

3. "Coverage Territory" means:

a. The United States of America, including its territories and possessions;

b. The Commonwealth of Puerto Rico;

c. The Virgin Islands;

d. The Canal Zone; and

e. Canada.

4. "Declarations" means the document which sets forth information that identifies the "Member", the types of coverage to be provided by MCIT, the amount of any Deductibles, effective date and expiration date of coverages, the Limits of Coverage of MCIT including any aggregate limit or any sublimit, and such other information and matters as determined by MCIT.

5. "Employee" means:

Any natural person:

a. In your service and for 30 days after termination of that service whom you compensate directly by salary, wages or commissions and whom you have the right to direct and control while performing services for you;

b. Furnished to you to:

- 1) Substitute for a permanent "Employee" on leave; or
- 2) Address staffing needs;

while that person is subject to your direction and control and performing services for you excluding, however, any such person while having care and custody of property outside the "Premises";

- c. Sitting on your governing board, commission or committee; or
- d. Serving as one of your elected or appointed officials.

But "Employee" does not mean any agent, broker, person leased to you by a labor leasing firm, unpaid intern, volunteer, factor, commission merchant, consignee, independent contractor or representative of the same general character.

6. "Employee Dishonesty" means only dishonest acts committed by an identified or unidentified "Employee" acting alone or in collusion with other persons, with the manifest intent to:
 - a. Cause you to sustain loss; and also
 - b. Obtain financial benefit (other than employee benefits earned in the normal course of employment, including: salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions) for:
 - 1) The "Employee"; or
 - 2) Any person or organization intended by the "Employee" to receive that benefit.
7. "Law" means all governmental statutes, laws, ordinances, rules, regulations or other similar enactments having the force or effect of law and judicial or administrative interpretations thereof.
8. "Member" means the entity first named in the "Declarations".
9. "Money" means currency, coins and bank notes in current use and having a face value; bullion; negotiable instruments; and orders.
10. "Occurrence" means all loss up to the Limit of Coverage caused by each "Employee", whether the result of a single act or series of acts.
11. "Premises" means the interior of that portion of any building you occupy in conducting your business.
12. "Property Other than Money and Securities" means any tangible property other than "Money" and "Securities" that has intrinsic value but does not include any property listed by this "Coverage Document" as not being covered.

13. "Securities" means negotiable and nonnegotiable instruments representing either "Money" or other property and includes:
- a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
 - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you;
- but does not include "Money".
14. "Terms" means the conditions, definitions, exclusions, limitations and all other provisions included in or attached to this "Coverage Document".