State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF RISK MANAGEMENT

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GOVERNOR

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COMMISSIONER OF ADMINISTRATION

April 11, 2002

INSURANCE INFORMATION NOTICE NO. 2002-4

Subject: State Employee Faithful Performance Blanket Bond Exclusion

The Office of Risk Management issued Insurance Information Notice 2002-2 in February 2002 about the exclusion of coverage under the State Employee Faithful Performance Bond Coverage for all employees, officers, directors, etc. who had committed a dishonest act. The question, "What is a dishonest act encompass?", has been raised by several agencies.

Employee dishonesty is defined in the policy as any dishonest acts committed by an employee acting alone or in collusion with other persons, with the manifest intent to:

1)   Cause you to sustain loss; and also

2)   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:

  a)   The "employee"; or
  b)   Any person or organization intended by the "employee" to receive that benefit.

While the commercial insurance market does not provide for a specific definition of the term "dishonest act", below are some examples which would be considered a "dishonest act":

1)   An employee was convicted of a felony wherein he/she was found guilty of committing a dishonest act of stealing or embezzling funds for their own use.

2)   An individual admitted committing a dishonest act by embezzling funds, made restitution and avoided prosecution.

3)   An individual stole property, was confronted, and returned/replaced the property (with or without prosecution).

4)   An employee was discovered to have stolen funds, or anything of value, made restitution, and the employer gave that employee a second chance in the same type of position.

If you have any questions, please contact Tommy Arbour at (225) 342-8414.

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Whitman J. Kling Jr.
Acting State Risk Director