FEDERAL BONDING FACTS

What is the Federal Bonding Program?

The U.S. Department of Labor established the Federal Bonding Program in 1966 to provide fidelity bonds to employers to insure their business if they hire at-risk, hard-to-place job seekers who cannot get private coverage. Many private bonding companies will not bond job applicants with criminal histories or questionable past behaviors, so they are not hired.

The Federal Bonding Program provides a fidelity bond that is a limited-liability insurance policy at no cost to the job applicant or employer. The federal fidelity bond from Chubb Insurance insures employers against theft, forgery, larceny or embezzlement by the bonded employee for the first six months of employment. The bond does not cover liability due to poor workmanship, job injuries or work accidents. It does not provide bail, contract or performance bonds, or license bonds for self-employment.

Who is Eligible?

New hires in one of the following categories are eligible:

- Ex-offenders
- Individuals in recovery from substance use disorders
- Public assistance recipients
- Individuals with poor credit records
- Economically disadvantaged youth and adults who lack work histories
- Individuals dishonorably discharged from the military
- Economically disadvantaged persons who lack a stable work history
- Anyone already employed who needs bonding to prevent termination or secure a transfer or promotion

Bonds can be issued as soon as the applicant has a job offer and a scheduled start date. Workers must be paid wages with federal taxes automatically deducted from pay; self-employed persons cannot be covered. Part-time and temporary workers are eligible.

More than 95 percent of bonds are issued for $5,000 coverage for a six-month period. Exceptions are possible based on the situation. When the initial bond coverage expires, employers can purchase continued bond coverage from Travelers Insurance if the worker has demonstrated job honesty.

Kentucky Career Center
Career Training Employer

Federal Bonding is a no-cost benefit for employers administered by the Kentucky Career Center.

How to Apply

Contact your local Kentucky Career Center or KCC Federal Bonding Coordinator:

Michelle DeJohn
Direct (502) 782-3252
Michelle.DeJohn@ky.gov

Melody Westerfield
Direct (502) 782-3638
Melody.Westerfield@ky.gov

You may also visit the Federal Bonding Program website at www.bonds4jobs.com for more information.

Did you know that...

- federal bonding has helped over 40,000 individuals become employed?
- over 99 percent of those bonded have proven to be honest employees, resulting in only a 1 percent default rate?
- employment is the #1 reason for successful re-entry of ex-offenders into society? Employed ex-offenders are twice more likely to stay OUT of prison than those who do not have jobs.

CHUBB

Westchester Fire Insurance Company

Federal Bonding Program Individual Employee Dishonesty Bond

Bond No. <BOND NO>

KNOW ALL MEN BY THESE PRESENTS that WESTCHESTER FIRE COMPANY, a corporation duly organized and existing under the law of the State of Pennsylvania as Surety, is held and firmly bound unto <NAME AND ADRESS OF EMPLOYER>, as Obligee, in the penal sum of <BOND LIMIT>, for the payment of which well and truly to be made, Surety binds itself and its successors and assigns firmly by these presents.

Whereas, the Obligee intends to employ <EMPLOYEE> (the "Principal") on the condition that the Principal provide the Obligee with a fidelity bond as security against the loss of Property as the result of any Fraudulent or Dishonest Act that may occur during the period this Bond is in effect; and

Whereas, "Property" is defined as (i) money or other property that the Obligee owns, leases, holds for others on its premises, or holds for others while the property is in its care and custody for purposes of transit; and (ii) money or other property that a Customer owns, leases, or holds for others on the Customer's premises; and

Whereas, "Customer" is defined as any entity for which the Obligee performs services as specified in a written agreement, but only while the agreement is in effect; and

Whereas, "Fraudulent or Dishonest Act" is defined as any act committed by the Principal (whether alone or in collusion with others) with the manifest intent to both: (i) cause the Obligee, or a Customer, to sustain a loss; and (ii) obtain financial benefit (other than the employee benefits earned in the normal course of employment, including salaries, commissions, fees, bonuses, promotions, awards, profit sharing or pensions) for the Principal or for any person or organization intended by the Principal to receive that benefit.

NOW, THEREFORE, the condition of this obligation is such that if the Principal shall act in a manner that is devoid of any Fraudulent or Dishonest Acts that result in the loss of Property, then this obligation shall be null and void; otherwise to remain in full force and effect.

This Bond is issued subject to the following express conditions:

1. This Bond shall be in effect for the six month period commencing on <EFFECTIVE DATE> and ending on <TERMINATION DATE>, unless earlier terminated in accordance with this paragraph. The Surety may terminate this Bond at any time by providing fifteen (15) days' advance written notice to the Obligee and to <NAME AND ADDRESS OF PRINCIPAL'S SPONSOR>. This Bond will automatically terminate immediately upon any of the following events: (a) the Obligee's discovery of a Fraudulent or Dishonest Act; (b) the Principal leaving the employ of the Obligee; (c) the Obligee retiring from business; or (d) the taking over of the Obligee by a receiver, other liquidator or another organization. To the extent this Bond affords the Obligee with coverage substantially similar to coverage afforded by an immediately preceding bond or policy issued by Surety (a "Preceding Bond"), this Bond shall be deemed to be effective as of the effective date of the Preceding Bond.
2. This Bond does not apply to (a) loss, or any part of any loss, as the case may be, the proof of which either as to its factual existence or as to the amount is dependent upon an inventory computation or a profit and loss computation; (b) the defense of any legal proceeding brought against the Obligee, or the fees, costs or expenses incurred or paid by the Obligee in prosecuting or defending any legal proceeding whether or not such proceeding results or would result in a loss to the Obligee covered by this Bond; (c) potential income, including but not limited to interest and dividends, not realized by the Obligee because of a loss covered under this Bond; (d) damages of any type for which the Obligee is legally liable, except direct compensatory damages arising from a loss covered under this Bond; (e) costs, fees and other expenses incurred by the Obligee in establishing the existence of or amount of loss covered under this Bond; or (f) loss resulting directly or indirectly from any Fraudulent or Dishonest Acts involving intangible property or confidential information, including trade secret information, confidential processing methods or other confidential information or intellectual property of any kind.
3. This Bond is solely for the benefit of the Obligee and provides no rights or benefits to any other party.
4. In order to maintain a claim under this Bond the Obligee must: (a) discover the loss prior to the earlier of: (i) the end of the one (1) year period commencing on the effective date of termination of this Bond; or (ii) the

effective date of any new bond or policy that affords the Obligee with coverage substantially similar to the coverage afforded by this Bond; (b) provide the Surety with notice of such loss within fifteen (15) days of the Obligee's discovery of such loss; (c) provide the Surety with a written, itemized proof of loss, duly sworn to by Obligee, within ninety (90) days of the Obligee's discovery of such loss; (d) file a police report and provide information and documentation which could lead to the Principal's arrest; and (e) take all necessary steps to ensure that the Principal is prosecuted to the fullest extent possible under applicable law. Any claim under this Bond should be sent to Chubb Group of Insurance Companies, Attn: Claims Department, 82 Hopmeadow St., P.O. Box 2002, Simsbury, CT 06070-7683, or to specialtyclaims@chubb.com. Any suit under this Bond must be brought within fifteen (15) months from the date the Obligee provided Surety with the itemized proof of loss required by subsection (b) of this paragraph. To the extent this limitation period is less than the minimum limitation period allowed by applicable law, this provision will be amended to require suit within the minimum limitation period allowed by applicable law.

5. Regardless of how long this Bond remains in effect or the number of claims made, in no event shall the Surety's aggregate liability under this Bond and any Preceding Bond exceed the penal sum of this Bond.