PREFACE TO THIRD EDITION

The first edition of Handling Fidelity Bond Claims, completed twenty years ago, quickly became an indispensable reference tool for all professionals involved in handling bond claims, from those new to the arena of Fidelity Bond Claims to sage veterans. The fidelity industry underwent significant change over the next decade, and by 2005, it was time to prepare the second edition of this book, to address those changes and improve on the earlier work. That book once again became an essential reference tool for all those in the industry. Now, after more than another decade of change, including the advent and proliferation of electronic crime not envisioned when the two earlier editions were written, various policy changes, and in light of the lessons of hindsight, it is time once again to replace the now tattered green second edition with this new sparking blue version, similar to the original.

If the third time is “a charm,” then this new edition of Handling Fidelity Bond Claims is the Hope Diamond. The project began in earnest over a year ago, with a careful review of the contents in light of current-day claims. A new chapter on handling computer crime claims was added, as was a chapter on rescission. The chapter on investigating the employee dishonesty claim was expanded to address the similar but yet different employee theft claim. Other chapters, such as bankruptcy and the compensability of third-party claims were deleted, while others were combined or otherwise modified. Every chapter was revised in light of new case law and industry changes. Once the contents were decided, careful consideration was given to assembling the most qualified and experienced fidelity claim professionals, including outside counsel, those working for insurance companies, forensic accountants, and SFAA and ISO representatives, to complete this third edition of the book. The chapters are comprehensive in their approach, the authors were painstaking in their attention to detail, and a small army of professionals read and re-read the manuscript multiple times to ensure the book would continue to warrant its place front and center on every claim professional’s desktop. The hope, and expectation, is that this third edition will replace the earlier well used versions and, once again, find a place front and center on every fidelity bond claim professional’s desk.
The editors, and the Fidelity and Surety Law Committee, express their sincere gratitude to the 39 authors for their significant contributions to this book, for their immense patience with the editorial process, and for their upcoming participation in the program at which this book will be presented, returning to the site of the first edition, Boston, Massachusetts on November 7 and 8, 2019. The lead editor further wishes to thank his co-editors, who provided important guidance and, just as importantly, more time and work than surely was bargained for. Special thanks also go John Riddle, Toni Scott Reed, Will Eidson and Adam Brinkley, lawyers at the law firm of Clark Hill Strasburger in Dallas, for their hard work and significant time in assisting with the editing process. And, special thanks once again goes to Marianna Green for her devoted assistance to this third edition, just as she did with the two earlier editions, and well as to Christine Grey in Clark Hill Strasburger’s Word Processing Department, for her more than keen eye to attention and detail in assembling this work. Very clearly, this third edition of Handling Fidelity Bond Claims has been a labor of love and truly a group effort of many fine people.

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PREFACE TO SECOND EDITION

When the first edition of this book went to press in 1999, the editors predicted that it would become an indispensable reference tool for all those who are involved in handling fidelity bond claims. To the delight of all those involved, this prediction seems to have come true. The original “blue fidelity book” can now be found tattered and used on many desks, and it has clearly become the reference source of choice for many claims professionals and outside attorneys involved in the handling of fidelity claims.

The fidelity industry has undergone significant change since the first edition of this book was published. Yet, while the standard forms have changed in various respects, and numerous, often complicated, manuscript policies are now in commonly in use, the lessons that can be gleamed from the first edition of this book remain true in the overwhelming number of cases. But time and experience, and the wisdom of hindsight, have called out for a second edition of this book. While most of the original authors returned to update and improve on their original excellent chapters, other leading professionals in the industry were recruited to rewrite chapters 2, 4, 6, 10, 12, 14, 15, and 17. A new chapter, Bankruptcy: From the Insurer’s Point of View, was added, while the chapter addressing bond claims by federal regulators was deleted in light of the current status of the industry. A master appendix is included at the end of this book with the 1986 Standard Form Financial Institution Bond, together with each of the new standard form financial institution and commercial crime policies. Finally, as with the first edition, the scope of the chapters was left to the discretion of the individual authors.

The Fidelity & Surety Law Committee wishes to express its gratitude to each of the authors for their significant contributions to this book, as well as their efforts in the program at which these materials will be presented in Philadelphia, Pennsylvania on October 20-21, 2005. The editors personally wish to thank each of the authors for their hard work and dedication to this project. A special thanks goes to Marianna Green and the word processing staff of Strasburger & Price, LLP, for their hard work and the many long hours devoted to the preparation and formatting.
of the manuscript for this book. Without their hard work, we would not have this wonderful second edition of Handling Fidelity Bond Claims.

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PREFACE TO FIRST EDITION

The members of the Fidelity & Surety Law Committee of TIPS are some of the most active members of any committee in the entire American Bar Association. The dedication of a large core of these members has resulted in the publication of a significant number of scholarly articles on the subject of fidelity law. Never before, however, has the committee focused the efforts of its members on the publication of a single comprehensive writing focusing on the practical issues confronting insureds and insurers in the submission, investigation, and resolution of fidelity bond claims. That effort began several years ago, and was placed on hold for a number of reasons. It began again in earnest earlier this year. Now, as a result of the untiring efforts of the contributors whose names follow these introductory remarks, such a book has been written.

The contributors to this publication are some of the best known and most qualified professionals in the industry. They have combined to produce what must be considered one of the finest works of its nature. As each of the authors readily will acknowledge though, the chapters that follow could not have been written without the efforts of many other excellent members of the committee whose writings on these or similar subjects are contained in other fine papers, many of which are cited in the individual chapters or identified in the appendixes of this book.

This book should become a reference tool for all of those who “handle” fidelity bond claims, from the first time claims professional or those who only occasionally handle fidelity bond claims, to those who have made their careers doing so. After discussing the current market in the industry and the host of new products available, the insured’s perspective is offered by a risk manager for a leading investment bank, and a respected attorney experienced in the investigation and prosecution of fidelity bond claims. Subsequent chapters address the insurer’s initial response to the claim, consideration of the insured’s proof of loss, and the use of outside professionals in investigating fidelity bond claims. Other chapters focus upon the mechanics and common coverage issues that arises in the investigation of fidelity bond claims. Finally, the book concludes with a discussion of settlement and alternative dispute resolution, mitigation and subrogation issues.
The Fidelity & Surety Law Committee wishes to express its gratitude to each of the authors for their contribution to these materials, as well as their efforts in the program at which these materials will be presented in Boston, Massachusetts on October 28-29, 1999. The editors personally wish to thank each of the authors for their hard work and dedication to this project. A special thanks goes to Marianna Green and Steve Park of Strasburger & Price, L.L.P., for their hard work and the many long hours they devoted to the preparation and formatting of the manuscript for this book, and whose hard work are responsible for the polished look of this book.

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