Bonding

Michigan Department of Labor and Economic Growth
www.michigan.gov/mdcd

Fidelity Bonding Program
Sponsored by the Department of Labor and Economic Growth-Bureau of Workforce Programs (DLEG-BWP), the Fidelity Bonding Program was created to assist high-risk, but qualified, job seekers who have bona fide offers of employment.

The following is a list of individuals who are considered high-risk:

- Ex-offenders
- Former substance abusers
- Individuals who are considered to be at-risk youth
- Individuals who have been dishonorably discharged from military service
- Individuals with a poor credit history

Other individuals who may be eligible for this program may include:

- Individuals lacking a work history
- Public assistance recipients
- Anyone who cannot be commercially bonded

The Fidelity Bonding Program is designed to remove barriers to employment for high-risk job seekers who are qualified to work but need a second chance. If you have the skills, the Fidelity Bonding Program may be the key to a new opportunity for you.

Typically, some employers may view ex-offenders, former substance abusers, and other individuals who have questionable backgrounds as high-risk job seekers who might be untrustworthy workers. The Fidelity Bonding Program offers a business insurance policy that protects an employer against any possible losses incurred due to actions by high-risk employees. In addition, the program is designed to remove barriers to employment that high-risk job seekers face. Further, it gives employers an incentive to hire qualified, high-risk job seekers who might otherwise be unable to find work. The Fidelity Bonding Program provides fidelity bond insurance FREE OF CHARGE for employers of certain high-risk employees.

Bonding Continued:

Federal Fidelity Bonding

What Is a Fidelity Bond?
A fidelity bond is a form of business insurance. It is usually purchased to protect employers from any loss of money or property incurred as a result of hiring high-risk job seekers. The DLEG Bureau of Workforce Programs Fidelity Bonding Program offers a business insurance policy from the Traveler's Property Casualty Insurance Company. It protects an employer against employee theft, larceny, or embezzlement committed by a covered employee. A covered employee is any worker who is currently bonded by the Fidelity Bonding Program. The bonds issued by the Fidelity Bonding Program offer the employer a guarantee against losses up to $25,000 in value that are incurred as a result of hiring a high-risk job seeker. The fidelity bond serves as an incentive to encourage employers to hire job seekers who might otherwise be denied employment. Employers can, with minimal risk obtain workers, and job seekers can find gainful employment.

How does the fidelity bond work?

Bond coverage is based on the value of the property at risk

Bonds are issued in the amounts of $5,000 to $25,000, in increments of $5,000

Bond insurance carries no deductible amounts

Bond insurance becomes effective on the employee's first day of employment

The fidelity bond is mailed directly to the employer

Bond insurance expires after six months. However, the employer may purchase continued coverage from the

What Does the Fidelity Bond Cover?
The fidelity bond covers job seekers who are considered high-risk due to some factor in their personal background and who have been rejected by a commercial bonding company. Fidelity bonds provide 100% insurance coverage and have no deductible; the employer is fully protected against losses resulting from employee dishonesty. Bond insurance coverage ranges from $5,000 to $25,000 for a six-month period.As an incentive to hire members of a targeted population, employers receive the bond coverage FREE OF CHARGE for the first six months of the covered employee's employment. At that time, the employer can extend the bond insurance coverage by contacting The McLaughlin Company or an MWA service center. Bonding coverage after the initial six months continues at the employer's expense.

What is not covered under the fidelity bond? The Bonding Program does not cover the following:

Liability due to poor workmanship, job injuries, or work accidents

Bail bonds or court bonds for the legal system

Contract bonds, performance bonds, or license bonds for the self-employed

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<u>Bonding Continued:</u>

Bonding: Frequently Asked Questions

Question 1: I am self-employed. Can I obtain a fidelity bond?
Answer: No. The fidelity bond does not cover any self-employment.

Question 2: If I accept a job as an independent contractor, and I am responsible for paying my own federal taxes, will the fidelity bond cover me?
Answer: No. The fidelity bond does not insure independent contractors.

Question 3: I am a salesperson. Am I bondable?
Answer: You are bondable if you are working for a company that withholds federal income taxes from your wages. It does not matter if your wages are salary or commission; if federal income taxes are not withheld from your wages, you are *not* bondable.

Question 4: How do I become bonded under this program?
Answer: The employer must provide you with a written offer of employment on business letterhead. This letter is then taken to the nearest Michigan Works! service center. You may become bonded as soon as a Michigan Works! Employment Service provider approves the bonding application.

Question 5: How long does it take to get bonded?
Answer: After the bonding application is approved, the fidelity bond becomes effective on the job seeker's first day of employment.

Question 6: How is the amount of the bond determined?
Answer: The employer establishes the amount of the bond based on the value of the property at risk during the worker's employment. Bonds are issued in amounts ranging from $5,000 to $25,000, in increments of $5,000. The employer must justify the need for additional bonding over $5,000 in the offer of employment letter.

Question 7: What is the length of time covered by the bond?
Answer: The first six months of employment.

Question 8: What happens after the bond expires?
Answer: If the employee has demonstrated honesty during the first six months of free bond coverage, the employer may purchase continued commercial bond coverage through The McLaughlin Company at competitive rates.

Question 9: Will the fidelity bond cover the employee's workmanship, attendance, and job injuries?
Answer: No. These are normal risks that an employer takes regardless of who is hired for a position within the organization.