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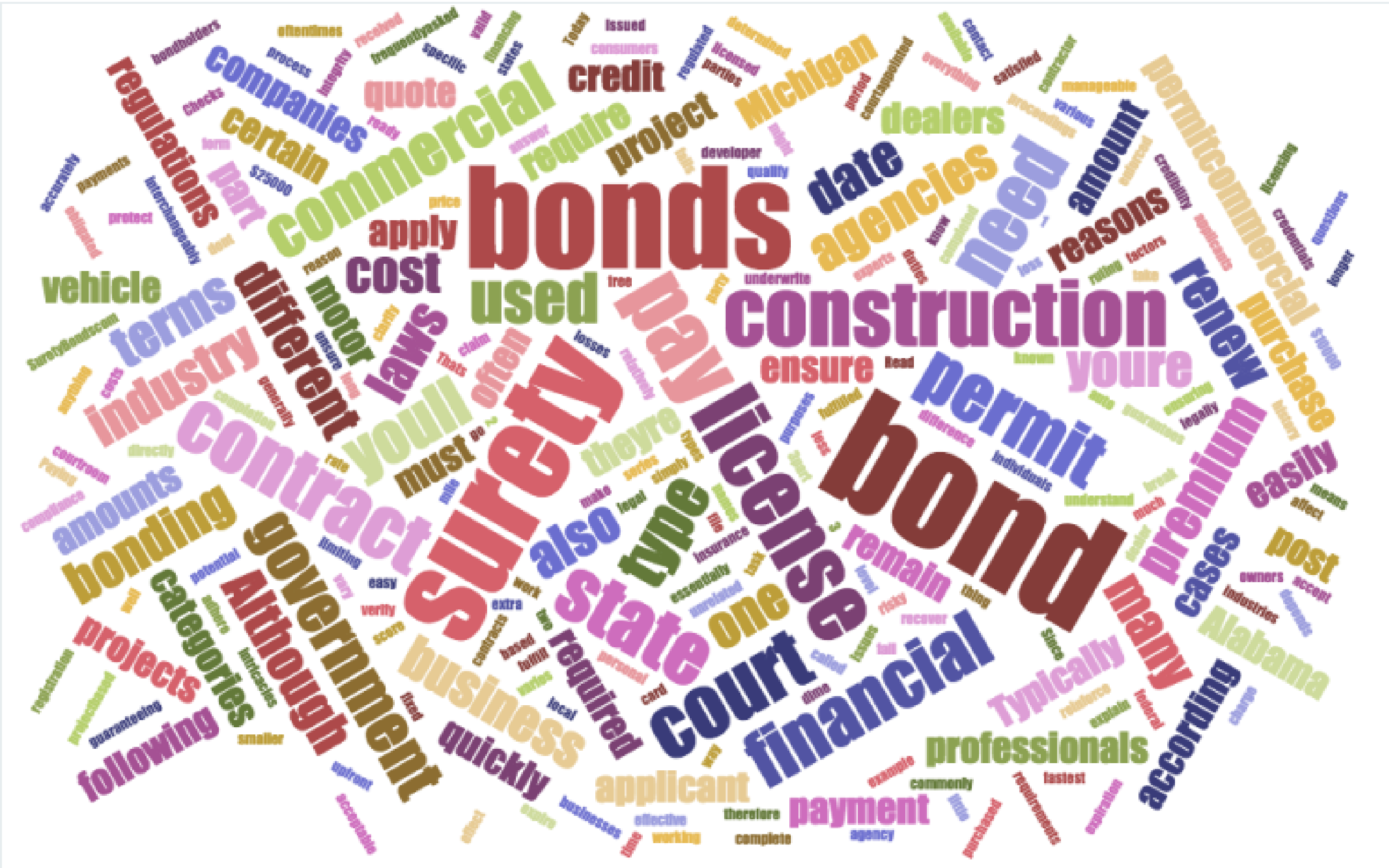

Fidelity bonds may not be in the spotlight like commercial or construction bonds, but they serve a number of important functions. These bonds are particularly relevant to those businesses who have access to their clients' property, who offer their employees benefit plans and in a number of other cases.

So what is a fidelity bond exactly, how does it work and does your business need one? Read on below!

What is a Fidelity Bond?

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- any business who has access to their clients' property

They are also relevant to those businesses whose employees have access to the business's finances.

Unlike other bonds, a fidelity bond look more like insurance than a surety bond. Depending on the case, it can both protect the business obtaining the bond and its clients from the business's employees.

Conversely, surety bonds typically serve as protection for a business's clients in cases where the business commits acts of fraud or dishonesty, or does not comply with contract conditions. Furthermore, surety bonds are almost always required by state law while fidelity bonds are optional.

The protection that fidelity bonds offer to business owners and their clients applies to cases when employees commit acts of theft or fraud, damage a client's property or otherwise cause harm. These are so-called first-party fidelity bonds. Third-party fidelity bonds extend the same type of protection to businesses who suffer harm by contractors they have employed.

Types of Fidelity Bonds

Depending on the type of protection and coverage they offer, fidelity bonds can be divided into four different categories.

1. Business Services Bond
These bonds are obtained by businesses whose employees have access to a client's property. They guarantee that if an employee causes harm to the property or commits theft, the client and business will be compensated. Businesses will often use the fact that they are bonded in this way to advertise themselves as reliable and safe to their clients.

2. Employee Dishonesty Bond

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These bonds are specifically devised for financial institutions such as banks, stockbrokers or insurance companies as a means of protection against theft-related exposures by employees. This could, again, mean theft, forgery or fraud but also robbery, burglary, as well as theft through computer systems or in day-to-day operations.

4. ERISA Bond
ERISA bonds are the only type of fidelity bond that are obligatory but only in cases when employers offer employee benefit plans. ERISA bonds are named after the Employee Retirement Income Security Act and protect the employees who participate in those benefit plans from fraud and mishandling of their benefits.

Why Should You Get a Fidelity Bond?

While fidelity bonds are mostly optional, they remain a meaningful investment for those businesses who want to secure an additional form of protection for themselves and their clients.

Another good reason for a business to obtain such a bond is the fact that many clients are wary when employees work in or around their property. By getting bonded, businesses can effectively market themselves as reliable and trustworthy companies who keep their clients' interests in mind.

Last but not least, under the Federal Bonding Program, employers can obtain free fidelity bonds for the first six months when hiring an 'at-risk' employee. This program is meant to stimulate businesses to provide work to 'hard-to-place' job seekers and help people with past offenses or little work history get back on the job market.

In all these cases, fidelity bonds can serve an important and necessary function and

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