

## The Body Corporate and Fidelity Cover

Notwithstanding that the managing agent has a Fidelity Fund Certificate (FFC) issued by the Estate Agents Affairs Board (EAAB), prescribed management rules require that the body corporate decide how much, if any, fidelity cover should be purchased. It is not a decision that can be made by the trustees alone. Prescribed Management Rule 29.2(b) refers.

The rule also states that the body corporate should purchase cover against fraud or dishonesty by trustees, employees and managing agents.

The Estate Agents Affairs Board's Fidelity Fund Certificate is not purchased by the body corporate and only covers funds held in trust and pertains to a particular managing agent. Most buildings policies include a "Fidelity Section" however, this cover is usually very limited i.e. usually limited to R20,000 or R50,000 and excludes dishonesty / fraud by the managing agent.

### **What should trustees do?**

Trustees should ascertain risk, i.e. decide on how much cover should be purchased and provide their insurance advisor with a copy of rule 29.2(b) or their own rule on fidelity, and seek quotes for the cover. Cover should be put in place and tabled at the next general meeting. Only an ordinary resolution is required and thus can easily be tagged onto an A.G.M. Agenda to ratify trustee's arrangement of cover.

### **Why is so important and why now?**

Up until now, most trustees have been ignorant of this rule and the cover usually expensive and only available upon request. There has been a misperception that the EAAB Fidelity Fund cover held by the managing agent coupled with the buildings policy Fidelity section is enough. Not so. More recently, there have been numerous losses by way of fraud and dishonesty and the gaps in cover exposed.

### **What about your Managing Agent?**

Your Managing Agent, may be on cover with PIMA which essentially covers the managing agent against liability in respect of errors and omissions on their part as well as claims made in respect of fraud and dishonesty by employees. If covered by PIMA and Fidelity then they are among approved and underwritten managing agents in South Africa who have this wider cover over and above statutory requirements and their own internal controls.

### **Benefits for Bodies Corporate covered by FIDCURE**

Addsure, specialists in sectional title insurance, have arranged FIDCURE, a fidelity guarantee and trustee indemnity policy, available at hugely discounted premiums if your managing agent is underwritten by the same underwriter. In a nutshell, because the body corporate is managed by an underwritten managing agent, the body corporate is deemed a lower risk and fidelity cover purchased at discounted rates. R1,000,000 cover should cost approximately R3,000 per annum (Normally R7,000 plus).