



PIMA AND FIDELITY EXTENSION

What is Fidelity Cover / Fidelity Guarantee?

Fidelity Guarantees or Fidelity Cover / Insurance are essentially, insurances against losses occurring as a result of fraud or dishonesty.

Why do Managing Agent's also need PIMA Fidelity if they have the Estate Agents Affairs Board (EAAB) Fidelity Fund Certificate (FFC)?

Notwithstanding the Estate Agents Affairs Board (EAAB) cover, it is highly recommended that a managing agency protect itself by way of additional fidelity cover. The EAAB itself states on its [website](#): "An estate agency business is not entitled to recover any loss from the fund if the business has been held liable to pay compensation to a member of the public because of the theft committed by an employee agent. Firms should, again, assess the risk and take out the necessary fidelity insurance policies to cover any such loss."

In other words, if an employee misappropriates funds, causes a loss to the company or client body corporate or HOA through dishonesty, especially outside of a trust account, the practice / business could be crippled without such additional cover or worse, not be able to repay the loss caused by an employee, to a client. Managing Agents need to protect themselves from dishonest employees. The Fidelity extension to PIMA closes the fidelity gap and is recognized as suitable cover for the Managing Agent with regard to employee dishonesty.

Should the body corporate also purchase Fidelity Cover?

In our view, yes, especially where reserve funds are building up. Sectional Title Prescribed Management Rule 29.2(b) puts it to the trustees to discuss at a general meeting of owners, how much, if any, fidelity cover the body corporate should purchase given its particular scenario. We think that the approach of the trustees should be to purchase this cover unless decided otherwise by a general meeting. If the managing agent has Fidelity under PIMA above, then a body corporate managed by that Managing Agent purchase fairly cheap fidelity cover eg R1,000,000 for about R3,000 per annum. This is the Addsure FIDCURE® Fidelity Guarantee and Trustee Indemnity product.

A sample of the actual PIMA Fidelity policy wording can be found on the Addsure website at www.addsure.co.za Please note that the abovementioned is a sample for informational / understanding purposes. For decisions or transactional / legal reference, the actual policy wording provided should be referred to in conjunction with the current policy schedule which includes exceptions and exclusions and terms of the policy.

An application form (Fidelity section) can be downloaded from Addsure's website [CLICK HERE](#)

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