

WASHINGTON STATE BONDING PROGRAM

GUIDEBOOK



Administered by the
Employment Security Department
2017

WHY PROVIDE BONDING?

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Jobseekers who have committed a fraudulent or dishonest act, or who have other past behavior that casts doubt upon their credibility or honesty, often have trouble gaining employment due to their backgrounds. Employment counselors classify these persons as “at-risk” job applicants. Employers view these applicants as being potentially untrustworthy workers. The Fidelity Bond insurance commercially purchased by employers to protect against employee dishonesty will not cover those “at-risk” applicants. As a result, employers often do not hire at-risk job applicants.

WHO IS BONDING FOR?

Any individual who is considered an at-risk worker and not bondable by the employers’ purchased insurance is eligible for bonding assistance. The program also covers already employed workers who need bonding to keep their job or to secure a transfer or promotion to a different job at their company. Employees can be full or part-time and must be paid wages (with Federal taxes automatically deducted from pay). Therefore, Fidelity Bonds do not cover self-employed persons. Examples of at-risk job applicants are:

- **Ex-offenders or anyone** with a record of arrest, conviction or imprisonment, and anyone who has ever been on probation or parole,
- **Ex-addicts** (persons with a history of alcohol or drug abuse),
- Persons having a **poor credit record** or who have declared bankruptcy,
- **Economically disadvantaged persons** who lack a work history,
- Individuals who were **dishonorably discharged** from the military.

WHAT IS A FIDELITY BOND?

Fidelity bonding is insurance purchased to reimburse employers for loss of money or property due to the dishonest acts of their employees (i.e., theft, forgery, larceny, and embezzlement). The Fidelity bonds are 100% bond insurance coverage with no deductible amount to the employer. They serve as a job placement tool by guaranteeing to the employer the job honesty of at-risk job seekers.

PURPOSE OF THE WASHINGTON STATE BONDING PROGRAM

The purpose of the Washington State Bonding Program is to provide a bond for applicants who do not qualify for a traditional bond through the employer. The bonding serves as an incentive to the company to hire a job applicant who is an ex-offender or has some other risk factor in their background. The employer is then able to get the worker’s skills without taking any risk of worker dishonesty on the job.

The bond represents a mark of confidence in a jobseeker that he or she can be a productive worker. Employment counselors should incorporate bonding as a basic activity of daily job development and placement services.

HOW TO GET BONDING SERVICES

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It takes just a few minutes for employment counselors to complete the one-page form for bond issuance. There are no forms or other papers for the employer to sign, and no processing to delay matters. The insurance is in effect instantly. The bond insurance applies to any job and covers any employee dishonesty that occurs on or away from the employer's work facility. Any state or local agency (public or private, profit or non-profit) could acquire bonds and deliver bonding services through the purchase of a bond package.

HOW TO PURCHASE BONDS

Procedures for Buying Fidelity Bonds for Clients in Workforce

UI Tax and Wage unit will send a special order form to procurement for the purchase of the fidelity bonds. The bonds will be purchased using Wagner Peyser dollars.

Quarterly UI Tax and Wage will send a list of people that received the bonds. The three funding sources will be Work First, Wagner Peyser and WIOA. An accounting adjustment will be done by Systems and Reports to accurately charge the programs that received the benefit and credit Wagner Peyser.

Wagner Peyser will be charged for walk-ins to the Work Source, credit risk clients, Veterans and ex-offenders. Work First clients and WIOA clients will be charged directly to the grant/contract.

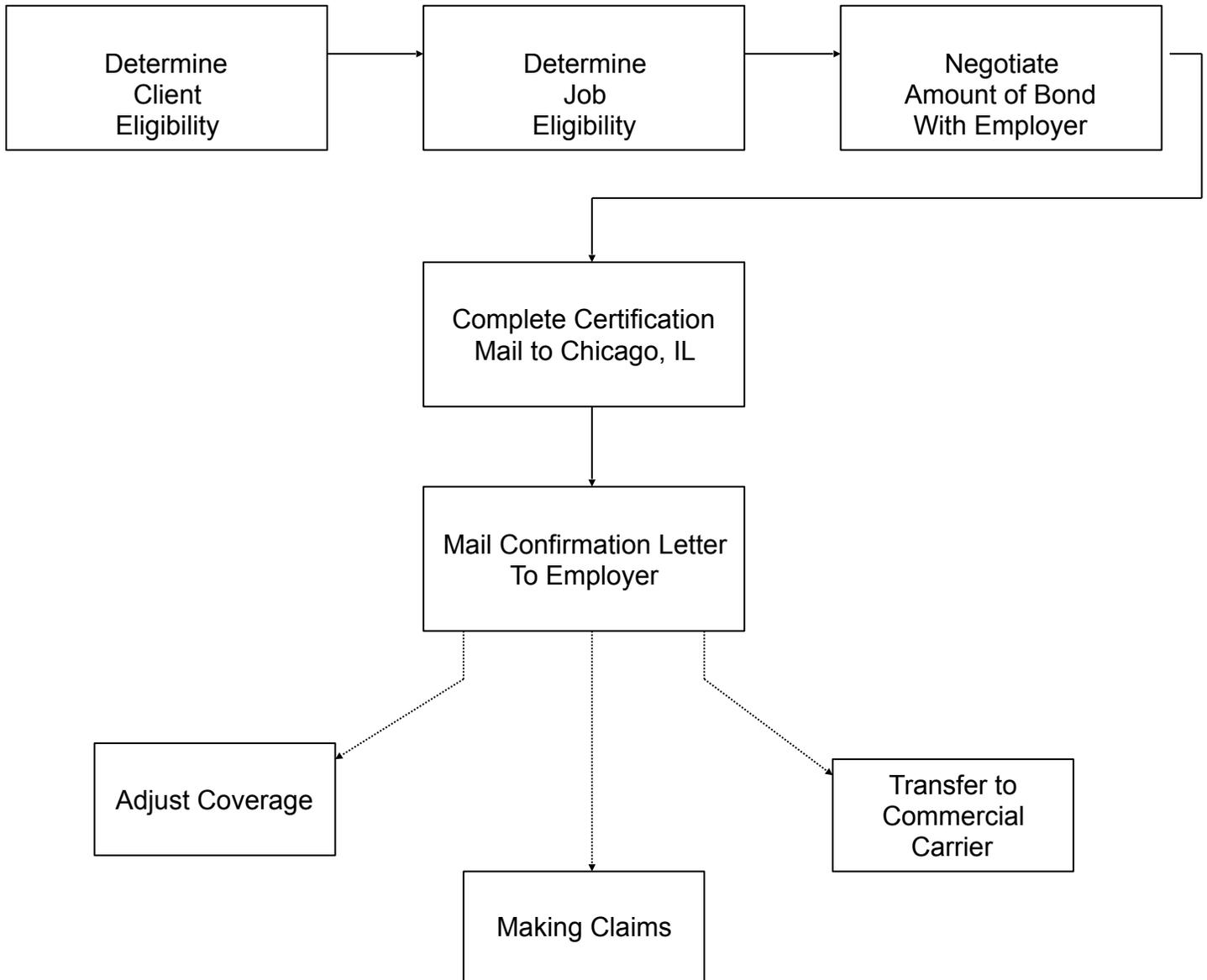
ADMINISTRATION

The Tax & Wage Division of the Employment Security Department are the administrators of this service within Washington State. For information regarding the Washington State Bonding program, contact:

Denice Craig
Washington State Bonding Coordinator
PO Box 9046
Olympia, WA 98507-9046
Office Phone: 800/339-3981
Office Fax: 360/902-9662
Email: DCraig@esd.wa.gov

THE BONDING PROCESS

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LOCAL BONDING COORDINATOR RESPONSIBILITIES

- 1. Determine if the applicant is eligible for bonding.** Eligibility requires the following:
 - Employer will not bond the applicant and bonding can secure employment
 - Applicant is a Washington resident and at least 16 years old
 - Applicant is not drug or alcohol dependent

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- Applicant has not defaulted on a previous Washington Bonding Program bond

2. Assess employment opportunities.

- If working 20-40 hours, there is an offer of full time work
- If work is temporary, there is a guarantee of permanent employment
- If working, the applicant cannot accept a promotion without a bond
- Employer provides adequate working conditions and wages
- Employer requires bonding for all employees or for the specific position
- Employer provides proof that his or her insurer will not cover the individual(s)
- The job is a good fit for the applicant (e.g., a person convicted of a drug related offense is not applying at a pharmacy)
- The position is not self-employment

3. Determine the bond amount to cover the bondee.

\$5,000,	one bond unit (sufficient for most job placements)
\$10,000,	two bond units (if theft risk is more than 5,000.00)
\$15,000,	need justification
\$20,000	need justification
\$25,000	needs Washington State Bonding Program Coordinator's approval

4. Incorporate the Washington State Bonding Program into your daily activities:

- inform **employers** about the availability of this incentive,
- tell **job applicants/program enrollees** that bonding will no longer be a barrier to employment, and
- inform **employment referral agencies** that the bond serves as a job placement tool by guaranteeing to the employer the job honesty of at-risk job seekers.

5. Complete and transmit the Washington Bond Certification form:

- Fill out the WASHINGTON STATE BOND CERTIFICATION FORM
- Forward the completed form to the State Bonding Coordinator (address on the form),
- Keep a copy of the completed Washington State Bond Certification Form for your files.

STATE BONDING COORDINATOR'S RESPONSIBILITIES

1. Review the information attached on the submitted WASHINGTON STATE BOND CERTIFICATION FORM
2. Send a copy of the letter sent to the employer stating the bond has been approved
3. Forward a copy of the bond certification form to The Federal Bonding Program, Union Insurance Group, INC. 303 W Erie Street, Suite 310 Chicago, IL 60654
4. Keep a copy of bond package in files
5. Provide technical assistance and training

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EMPLOYER RESPONSIBILITIES

1. **Determine whether to renew an existing bond.** After the initial six-month period of bonding, the employer may request the bond be renewed for another six months covering the same employee. This request will be made directly to the insurance company, Union Insurance Group in Chicago, IL 60654, which is under contract with the USDOL's Employment and Training Administration (ETA). Union Insurance Group is a national insurance brokerage firm serving as the exclusive agent for Travelers which issues Fidelity Bonds nationwide under the FBP.

The Union Insurance Group may be contacted at 303 W Erie Street, Suite 310, Chicago, IL 60654

After the initial six-month period of bonding, if no claim is made due to employee dishonesty, Union Insurance Group may make the bond available for purchase by the employer at a regular commercial rate (i.e., purchase of a "Transfer Bond").

2. **Mail the completed WASHINGTON STATE BOND CERTIFICATION FORM** to the State Bonding Coordinator who will affix a bond insurance stamp. The coordinator will mail the bond to the Union Insurance Group, Inc. which will mail the Fidelity Bond to the employer who hired the employee.
3. **If needed, call for technical assistance.** Call the toll-free number 1-800-233-2258 to reach Tom Villanova, Director of National bonding operations for Union Insurance Group. His email is Tom@bonds4jobs.com

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ATTACHMENT A”

SAMPLE LETTER TO EMPLOYER CONFIRMING BONDING

(Official Letterhead of Employment Security Department)

(Date)

**(Employer name)
(Contact name, title)
(Address)
(City, state zip)**

Dear (contact name):

This is to confirm that the Employment Security Department is issuing a Fidelity Bond to your company to provide (\$ amount of bond coverage) in employee dishonesty insurance coverage on (name of worker hired/bonded).

**The effective date of the insurance is (date worker is scheduled to start work).
The Bond expiration date is (date six months after effective date).**

**The bond insurance is a policy of Union Insurance Group in Chicago, IL.
Within the next 15 working days you will receive a copy of the policy from the agent for the Fidelity Bond being issued – The Federal Bonding Program,
Union Insurance Group, Inc., 303 W. Erie Street, Suite 310, Chicago, IL 60654**

In the event of a loss covered by the policy, you are to file a claim in writing directly with THE UNION INSURANCE GROUP, to the attention of Mr. Tom Villanova.

Thank you for your interest and cooperation in the Washington State Bonding Program.

Sincerely,

(Signature of staff member of bond package purchaser)

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WASHINGTON STATE BOND CERTIFICATION FORM

MAIL TO: Denice Craig / State Bonding Coordinator
Employment Security Department/Offender Employment Services
PO Box 9046
Olympia, WA 98507-9046
Telephone: (800) 339-3981 Fax Number: (360) 902-9662

JOB PLACEMENT AGENCY

NAME _____

ADDRESS _____

CITY/STATE/ZIP _____

EMPLOYER RECEIVING BOND:

COMPANY/AGENCY NAME _____

CONTACT PERSON NAME _____

ADDRESS _____

CITY/STATE/ZIP _____

PHONE NUMBER _____

WORKER COVERED BY BOND (Please print clearly)

LAST NAME _____

FIRST NAME _____

BOND EFFECTIVE DATE ____/____/____
MO. DAY YEAR

SOC. SECURITY # ____-____-____

STATUS: *Veteran* ___ *WorkFirst* ___ *Ex-Offender* ___ *Credit Risk* ___ *Other* ___

BOND INSURANCE AMOUNT: _____ **TOTAL AMOUNT**

NEW _____

\$ _____,000
\$5,10,15,20,25K

*
SIGNATURE (must be signed by originator and legible)

TELEPHONE #

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APPENDIX I

DETERMINING CLIENT ELIGIBILITY

- **Persons involved with criminal justice system.** Any person with a police or criminal record is eligible for the WBP. Specifically, any individual who is, or has been, confined in a correctional institution; is participating in, or has participated in, a Work Release program; is, or has been, assigned to a community-based facility for offenders or ex-offenders; is, or has been, subject to arrest, pretrial probation, parole, or any other stages of the criminal justice process, is eligible for WBP services.
- **Drug and alcohol dependent persons.** Any person who has a history of drug or alcohol dependency is eligible for the WBP so long as the job for which the applicant is being considered is deemed suitable employment (see Appendix II, Determining Job Eligibility) and the person is no longer drug or alcohol dependent.
- **Persons with poor credit ratings.** Any individual whom the employer's commercial carrier has determined to be a "credit risk" is eligible for the WBP. A poor credit rating can mean anything from not paying one's bills to a declaration of personal bankruptcy.
- **Persons with dishonorable discharges.** Men and women with unfavorable military discharges are eligible for WBP services.
- **Persons with no employment history.** Individuals, particularly young people who are considered high-risk because they have no record of past employment.

Both adults and juveniles of working age are eligible for the WBP. The only persons *not* eligible are those whom commercial carriers will bond, or those whose type of employment does not fit the eligibility criteria outlined in Appendix II.

**In addition, any person who has defaulted on a previous WBP bond (i.e., for whom a claim has been paid by the insurer) is not eligible for the WBP. Lastly, the eligible applicant must have an offer of full-time, suitable employment before he or she can be bonded. Self-employed or franchised individuals are not eligible for the WBP.

APPENDIX II

DETERMINING JOB ELIGIBILITY

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Having determined that the client is eligible to receive WBP services, it is now necessary to determine whether the *job* for which the client is applying is appropriate for coverage. These two eligibility-determination procedures may be handled simultaneously, as they are closely related.

The purpose of adhering to a set of eligibility criteria is to make optimum use of the program's limited resources. Some employers may request the WBP as a way of avoiding normal commercial bonding fees. The program is not meant to be a free service to employers, but mainly as a service to those who are willing to hire individuals denied commercial bonding insurance and who have a legitimate need for bonding. By applying the client and job eligibility criteria, exploitation of the program can be minimized.

Determining job eligibility involves two simple activities – collecting information about the job and applying broad criteria to the information – as follows:

Determine that the position offers full-time steady work, adequate working conditions and wages, and a reasonable expectation of permanent employment.

For purposes of the WBP, full-time employment is defined as a steady thirty-to-forty hour per week job. Self-employed or franchised individuals are not eligible.

Whether or not the standard describing a reasonable expectation of permanent employment has been met can only be judged by the local office staff based on information obtained from the employer about the job. Such temporary positions as Work Release Jobs* which are intended to help clients make a transition into permanent employment, and which are offered for a *specific* time period, are eligible for bonding.

Determine that the employer normally requires bonding either for all employees or for the specific position to which the applicant will be referred.

In many instances, bonding is a normal condition for all employees in the company or for a particular job. The employer must indicate, verbally or in writing, that the regular commercial bonding insurer will not cover individuals with certain types of records (e.g., criminal or police record, poor credit or employment record, alcoholism or drug abuse record), and that a bond is necessary for the job. If these conditions exist, eligibility for WBP bonding is clearly established.

If bonding is not a standard employment requirement, the job must be one that poses the risk of substantial loss or damage for the employer if not covered by a bond.

In some instances, bonding may be required by the employer, even though the particular job has not been insured previously. The employer may not wish to employ individuals with certain types of records or histories unless bonding is available, because of the possibility or risk of financial loss. In such instances, information must be obtained from the employer to determine whether the job is, in fact, one that involves

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a substantial risk. For example, you might ask the employer if the applicant will have access to company funds (petty cash) or property (tools or merchandise) on a day-to-day basis. Alternatively, you might request from the employer a job description that provides information on the applicant's daily job activities. Your knowledge of the employer's business/service will be your best guide in making this judgment.

Determine that the job is suitable employment for the applicant.

This determination is best made by the application of the common sense principles traditionally used by Employment Security Department staff in job matching. For instance, common sense dictates that a person convicted of a drug-related offence should not be placed in a position in a pharmacy or hospital where drugs are readily accessible.

If another agency refers a client for bonding in a particular job, the Local Bonding Coordinator should examine the potential placement to determine its eligibility for the WBP. If it is felt that the placement is inappropriate (such as in the examples above), the referring agency can be contacted to discuss the placement. If it is determined that the placement is not appropriate for coverage under the WBP, the local office should try to clarify the job eligibility criteria with the private organization.

***Note:** Although Work Releases are technically eligible, the need for the bond is dubious, since the State has the releasee in custody. If the employer absolutely requires it, and the work-release arrangement cannot be effected without it, you should use the minimum coverage available, i.e., a \$5,000 bond.

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APPENDIX III

DETERMINING THE AMOUNT OF THE BOND

On some occasions, the employer may request a bond for an applicant even though bonding is not a normal requirement for the job, and the employee may not really be exposed to money or valuables. If the job meets all other criteria, there is no evidence of possible employer/employee abuse of the program, and you are satisfied that the bond will allay the employer's fears and help get the applicant the job, you should offer the bond.*

In determining the amount of bond coverage for an employer, most commercial carriers use blanket bonds which are based on total company assets rather than on the total financial exposure created by each employee. Unlike most commercial insurers, the WBP allows you to tailor the amount of coverage in increments of \$5,000, to the needs of the employer, the applicant, and the particular job. *It is beneficial as well as cost-effective to negotiate the amount of each bond with the employer.* By tailoring the amount of coverage to job requirements, maximum use is made of limited program resources. In other words, the smaller the total bond coverage for each person, the less units used for each bond (each unit equals \$5,000 of coverage for one month), and the more program funds there are to distribute to individuals in need of bonding.

A standard formula or policy does not exist for determining coverage needs. Therefore, it is frequently necessary to obtain information from the employer in order to decide how much coverage is appropriate for the particular job and to negotiate this amount so that employer needs are met. The concepts presented in the following section are not hard and fast rules; they are examples of how to assess coverage needs.

To determine the amount of coverage:

- Obtain information on the job requirements and activities from the employer;
- Estimate financial loss which could result from dishonest acts of the applicant on the job (level of risk);
- Calculate the amount of coverage based on this level of risk;
- Negotiate the final amount of coverage in \$5,000 increments with the employer. Length of coverage is limited to twelve months total (6 months free from Employment Security and another 6 months when negotiated and approved with the Union Insurance Group.

***Note:** In the earlier studies, it was shown that the mere offer of bonding coverage through the U.S. Department of Labor was enough to convince the employer to drop the bond requirement and hire the individual.

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Unless you are quite familiar with the potential job, it probably will be necessary to obtain some detailed information regarding the position. There is a variety of options for getting this information. You may find that the job order contains adequate information on which to base your determination of the amount of coverage. For example, the job order might specify that a gas station manager will handle approximately \$1,900 in cash each night. Therefore, the level of risk is \$2,000 and the bond should be issued for the minimum amount of \$5,000, or one unit per month.

If the job order does not contain adequate information, you may wish to obtain a detailed job description. In one state, the local Bonding Coordinator reviews this job description with the employer and analyzes each task with reference to the amount of company funds and property the client will be exposed to for a given period of time. She then adds these amounts of potential loss in order to determine the total amount of coverage. Although this may be the most effective method for determining the amount of coverage, a job description may not always be available. In these cases, you may wish to discuss the client's potential job in detail with the employer, asking him/her to "walk you through" each task where company funds or property are accessible to the client. These exposure points could be listed with the potential loss to the employer beside each entry.

In some instances, the job will have been previously bonded so that the employer will request the same amount of coverage provided by the commercial insurer. Even though the job has been previously bonded, it is still worthwhile to discuss the amount of coverage with the employer. It is likely that the previous amount of coverage will have been provided through a blanket bond and therefore based on total company assets or some other formula typically used by commercial insurers, rather than on the actual level of risk for the individual job.

Regardless of how the amount of coverage is estimated, negotiation plays an important role in the process. In determining the amount of the bond, negotiation may take the form of jointly determining the employer's level of risk. In other cases, negotiation may come into play when, for instance, you have estimated the level of risk for a job to be \$4,000 but the employer has requested \$10,000 in coverage. Negotiation then becomes a matter of trying to persuade the employer to accept the lower amount of coverage because it is based on the estimated level of risk. Although it is extremely important to tailor the amount of each bond (so that program resources can be distributed to the maximum number of applicants), the overriding consideration is to secure a placement for the applicant. Therefore, *higher bond amounts that you have proposed may be accepted if further negotiation appears to jeopardize the applicant's placement.*

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For some jobs, such as truck driving, the level of risk and average bond amount may exceed \$10,000. While the maximum coverage of the WBP bond can be raised in special situations,* many employers and private carriers have been found to be amenable to an arrangement we call “*deductible bonding*”. Here, the WBP is responsible for any amount up to the first \$10,000 of coverage, and the commercial carrier is responsible for the balance. Keep in mind that deductible bonding should also involve negotiation of the amount of coverage even though the applicant is essentially covered by two policies. If the job is appropriate for WBP coverage, and if the standard amount of coverage exceeds \$10,000, it is important to find out *in advance* if deductible bonding arrangements may be made with prospective employers.

***Note:** Coverage above \$10,000 – but not to exceed \$25,000 – may be authorized by the State Bonding Coordinator (SBC) if it can be shown that the employee truly presents the higher risk. The SBC must be assured from inquiry to the employer of this need, and must note this fact by personally countersigning the Bond Certification Form before mailing it to the WBP central office. A “rule of thumb” is: How much can the employee walk away with at one time (excluding autos and trucks already separately covered)?

APPENDIX IV

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WASHINGTON STATE BONDING PROGRAM

Questions and Answers

- Q.** What is the Washington State Bonding Program (WBP)?
- A.** The WBP provides individual fidelity bonds at no cost to employers of jobseekers who are (or may be) denied coverage by commercial carriers.
- Q.** What is a fidelity bond?
- A.** It is a form of insurance used to pay employers for loss of money or property sustained through dishonest acts of their employees.
- Q.** How do employers normally obtain this type of bond?
- A.** They buy it from insurance companies which generally issue a blanket bond in the form of a single policy that covers all officers and employees of the establishment. However, employers may also buy individual bonds to cover employee dishonesty.
- Q.** Are there any restrictions on this kind of coverage?
- A.** All fidelity bonds contain a clause that will exclude anyone with prior fraudulent or dishonest behavior. This includes:
1. All ex-offenders, which includes present and former parolees and probationers.
 2. Any other person with a police or criminal "record".
 3. Drug and alcohol dependent persons who are rehabilitated.
 4. Persons with dishonorable discharges from the armed forces.
 5. Persons with bad credit records, including bankruptcy.
 6. Persons with no credit background.
- Q.** Are the above persons eligible for the Washington State Bonding Program?
- A.** Yes. However, in the case of drugs and alcohol, the Local Bonding Representative should consider whether the individual is no longer drug or alcohol dependent.
- Q.** What is maximum and minimum coverage under the WBP?
- A.** Bonds are issued in units of \$5,000 up to a maximum of \$10,000, and, in very special cases, up to \$25,000. However, any bond above \$10,000 requires special authorization.
- Q.** Must the employer attempt to obtain coverage through his normal insurance sources before requesting WBP coverage?
- A.** In the case of ex-offenders, this is not necessary. In other cases, however, if the employer advises orally or in writing that, in the past, the insurer has stated that coverage cannot be given to an individual with a bad record, this may be accepted.
- Q.** Is a self-employed individual eligible for coverage under the WBP?
- A.** No, since the person has no employer.
- Q.** Can any other type bond such as bail bond, performance bond, or contract bond be issued under the WBP?
- A.** No. The WBP bond (a) requires an employer-employee relationship, and (b) covers only dishonest acts and not employer liabilities (e.g., accidents, poor workmanship, injuries, etc.)
- Q.** Can bonding be provided for an employee occupying a job where bonding was not previously an employment requirement?
- A.** Yes, if the employer can substantiate that the job is one which poses the risk of substantial loss or damage.
- Q.** An employer requests coverage for an employee who is already working. The employee is being promoted to a position requiring the handling of substantial cash. Bonding can't be acquired through normal sources. Is the employee eligible for the WBP?

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- A.** Yes. In addition, if the employer only now learns that the employee has a “record”, that employee is eligible.
- Q.** What is meant by the term “tailoring”?
- A.** Unlike most commercial insurers, the WBP allows you to provide the amounts of coverage in increments of \$5,000 to fit the needs of the employer, the applicant, and the job.