

SERFF Tracking Number: FFDC-125769463 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50
Company Tracking Number: NARAB0408
TOI: 05.1 Commercial Multi-Peril - Non-Liability Sub-TOI: 05.1002 Businessowners
Portion Only
Product Name: American Business Coverage Employee Dishonesty Form Revision
Project Name/Number: American Business Coverage Employee Dishonesty Form Revision/NWAB0408

Filing at a Glance

Companies: American Automobile Insurance Company, Associated Indemnity Corporation, Fireman's Fund Insurance Company, National Surety Corporation, The American Insurance Company

Product Name: American Business Coverage SERFF Tr Num: FFDC-125769463 State: Arkansas

Employee Dishonesty Form Revision

TOI: 05.1 Commercial Multi-Peril - Non-Liability SERFF Status: Closed

State Tr Num: EFT \$50

Portion Only

Sub-TOI: 05.1002 Businessowners

Co Tr Num: NARAB0408

State Status: Fees verified and received

Filing Type: Form

Co Status: Pending

Reviewer(s): Betty Montesi, Llyweyia Rawlins

Author: Michelle Davanzo

Disposition Date: 08/14/2008

Date Submitted: 08/13/2008

Disposition Status: Approved

Effective Date Requested (New): 10/01/2008

Effective Date (New): 10/01/2008

Effective Date Requested (Renewal): 10/01/2008

Effective Date (Renewal): 10/01/2008

State Filing Description:

General Information

Project Name: American Business Coverage Employee Dishonesty Form Revision

Status of Filing in Domicile:

Project Number: NWAB0408

Domicile Status Comments:

Reference Organization:

Reference Number:

Reference Title:

Advisory Org. Circular:

Filing Status Changed: 08/14/2008

State Status Changed: 08/14/2008

Deemer Date:

Corresponding Filing Tracking Number:

Filing Description:

We are submitting for your review revised American Business Coverage, Employee Dishonesty Optional Coverage Endorsement, AB9082 07 08 to replace previously approved 12 93 edition form.

SERFF Tracking Number: FFDC-125769463 State: Arkansas
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Your approval of this filing with a proposed effective date of October 1, 2008 is appreciated.

Company and Contact

Filing Contact Information

Michelle Davanzo, Regulatory Services Senior Analyst mdavanzo@ffic.com

777 San Marin Drive (415) 899-2660 [Phone]
 Novato, CA 94998 (866) 290-0671[FAX]

Filing Company Information

American Automobile Insurance Company	CoCode: 21849	State of Domicile: Missouri
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 22-1608585	

Associated Indemnity Corporation	CoCode: 21865	State of Domicile: California
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 22-1708002	

Fireman's Fund Insurance Company	CoCode: 21873	State of Domicile: California
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-3290 ext. [Phone]	FEIN Number: 94-1610280	

National Surety Corporation	CoCode: 21881	State of Domicile: Illinois
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:
(415) 899-2817 ext. [Phone]	FEIN Number: 36-2704643	

The American Insurance Company	CoCode: 21857	State of Domicile: Nebraska
777 San Marin Drive	Group Code: 761	Company Type:
Novato, CA 94998	Group Name:	State ID Number:

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(415) 899-2817 ext. [Phone]

FEIN Number: 22-0731810

SERFF Tracking Number: FFDC-125769463 State: Arkansas
First Filing Company: American Automobile Insurance Company, ... State Tracking Number: EFT \$50
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Filing Fees

Fee Required? Yes
Fee Amount: \$50.00
Retaliatory? No
Fee Explanation:
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
American Automobile Insurance Company	\$50.00	08/13/2008	21921345
Associated Indemnity Corporation	\$0.00	08/13/2008	
Fireman's Fund Insurance Company	\$0.00	08/13/2008	
National Surety Corporation	\$0.00	08/13/2008	
The American Insurance Company	\$0.00	08/13/2008	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Approved	Llyweyia Rawlins	08/14/2008	08/14/2008

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Disposition

Disposition Date: 08/14/2008
Effective Date (New): 10/01/2008
Effective Date (Renewal): 10/01/2008
Status: Approved
Comment:

Rate data does NOT apply to filing.

Overall Rate Information for Multiple Company Filings

Overall Percentage Rate Indicated For This Filing	0.000%
Overall Percentage Rate Impact For This Filing	0.000%
Effect of Rate Filing-Written Premium Change For This Program	\$0
Effect of Rate Filing - Number of Policyholders Affected	0

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Item Type	Item Name	Item Status	Public Access
Supporting Document	Uniform Transmittal Document-Property & Casualty	Approved	Yes
Supporting Document	Cover Letter	Approved	Yes
Supporting Document	Explanatory Memorandum	Approved	Yes
Supporting Document	Marked Copy	Approved	Yes
Form	Employee Dishonesty Optional Coverage Endorsement	Approved	Yes

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Form Schedule

Review Status	Form Name	Form #	Edition Date	Form Type Action	Action Specific Data	Readability	Attachment
Approved	Employee Dishonesty Optional Coverage Endorsement	AB9082	07 08	Endorsement Replaced/Amendment/Conditions	Replaced Form #: AB9082 12 93 Previous Filing #: FARAB014.168		AB 90 82 Employee Dishonesty Optional Coverage Endt blk.pdf

Employee Dishonesty Optional Coverage Endorsement- AB 90 82 07 08

Various provisions in this endorsement restrict coverage. Read the entire endorsement carefully to determine rights, duties and what is and is not covered.

Throughout this Endorsement the words **you** and **your** refer to the Named Insured shown in the Declarations. The words **we**, **us** and **our** refer to the company providing this insurance.

- A. We will pay for direct physical loss of covered property resulting from dishonest or fraudulent acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) while they work for you and for 30 days after they leave your employment.

We will pay for loss of or damage to money, securities and other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the premises or banking premises; to a person (other than a messenger) outside those premises or to a place outside those premises.

We will pay for loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer pay or deliver funds from your transfer account.

The property covered is:

- (1) money
 - (2) securities
 - (3) other property that is tangible and has an intrinsic value which you own, hold, or for which you are legally liable.
- B. An employee is a natural person who is subject to your direction and control. Independent contractors or agents or representatives of the same general character are not employees. If you are a nonprofit organization, employee does include any non-compensated natural person, other than a fund solicitor, while performing

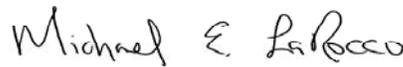
This Form must be attached to Change Endorsement when issued after the policy is written. One of the **Fireman's Fund Insurance Companies** as named in the policy.



Secretary

services for you that are usual to the duties of an employee.

- C. The dishonest or fraudulent act(s) must be committed within the Coverage period and with the manifest intent to:
- (1) cause you to sustain loss or damage; and also
 - (2) obtain financial benefit (other than salaries, commissions, fees, bonuses, promotional awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
 - (a) any employee; or
 - (b) any other person or organization.
- D. We will pay only for covered loss discovered within 90 days after the end of the Coverage period or cancellation date of this insurance.
- E. We will not pay for loss, or any part of any loss:
- (1) The proof of which is dependent upon either:
 - (a) An inventory computation; or
 - (b) A profit and loss computation.
 - (2) Resulting from any act of any employee after the time that you, or any of your partners or officers have discovered or have knowledge of any dishonest act by that employee committed by that employee before or after being hired by you.
 - (3) Which is an indirect result of any dishonest or fraudulent act including loss:
 - (a) Which relates to your inability to earn income.
 - (b) Which is a penalty, or interest payment.



President

(c) Which is an expense related to any legal action.

F. The most we will pay for all loss in any one occurrence is one limit no matter how many premiums have been paid. If you have made a timely discovery and timely claim on more than one policy we or any affiliate has issued to you or any affiliate of yours, the most we will pay is the largest limit payable. The Limit of Insurance for employee dishonesty is shown in the declarations.

An occurrence, means all loss caused by any employee or in which that person is involved, whether all loss involved one or more acts of dishonesty even when more than one employee is involved. All loss caused by an unidentifiable employee(s) is one occurrence unless there is proof that no one employee could have been involved in all of the loss. Involved means to have had an effect on.

G. If you (or any predecessor in interest) sustained loss during the period of any prior insurance that you could have recovered under that insurance except the time within which to discover loss had expired: we will, as part of, not in addition to the Limit of Insurance of this Coverage, pay for it under this Coverage, provided:

- (1) This Coverage became effective at the time of cancellation or termination of the prior insurance; and
- (2) The loss would have been covered by this Coverage had it been in effect when the acts were committed.
- (3) An amount being paid as a part of the Limit of Insurance is limited to the lesser of the amount recoverable under:
 - (a) this Coverage as of its effective date; or
 - (b) the prior insurance had it remained in effect.

H. ERISA PLANS as a named insured under Employee Dishonesty Coverage have the following provisions without increasing the Limit of Insurance for Employee Dishonesty Coverage. These provisions are in compliance with certain provisions of the Retirement Income Security Act (ERISA).

(1) If any Plan is insured jointly with any other entity under this insurance, you or the Plan Administrator must select a Limit of Insurance for the Employee Dishonesty Coverage Form that is sufficient to provide an amount of insurance for each Plan that is at least equal to that required if each Plan were separately insured.

(2) If the insured first named in the Declarations is an entity other than a Plan, any payment we make to that Insured for loss sustained by any Plan will be held by that Insured for the use and benefit of the Plan(s) sustaining the loss.

(3) If two or more Plans are insured under this insurance, any payment we make for loss;

- (a) Sustained by two or more Plans, or
- (b) Of commingled funds or other property of two or more Plans that arises out of the occurrence, is to be shared by each Plan sustaining loss in the proportion that the amount of insurance required for each such Plan under ERISA provisions bears to the total of those amounts.

(4) The deductible provisions of the Employee Dishonesty Coverage Form does not apply to loss sustained by any Plan subject to ERISA which is insured under this insurance.

I. Recoveries, less the cost of obtaining them, made prior to settlement of loss under this Employee Dishonesty coverage, are to be credited to the loss.

J. Your duties in the event of a loss include:

- (1) After you discover a loss or a situation that may result in a loss under this Coverage, you must:
 - (a) Notify us as soon as possible with an outline of the facts as known to you.
 - (b) Do nothing after loss to impair your rights of recovery against any person or organization.

- (c) Give us a detailed, sworn proof of loss within 90 days of our request, or 120 days after you discover a loss if we have not made a written request for a proof of loss.
 - (d) Produce for our examination all pertinent records.
 - (e) Cooperate with us in the investigation of your claim, and
 - (f) Submit to examination under oath at our request and give us a signed statement of your answers.
- (2) You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must do everything necessary to secure those rights for us.
- K. We will pay up to \$1,000 to cover the costs you incur to investigate in order to prepare your proof of loss. This coverage does not increase your coverage limit and it is payable only if you have a covered claim.
- L. You may not bring any legal action against us involving loss under this endorsement:
- (1) Unless there has been full compliance with all of the terms of this insurance, and
 - (2) Unless the action is brought within two years after the date on which you discover the loss. This insurance provides no rights or benefits to any other person or organization.
- M. Distribution of recovery:
- (1) Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this insurance will be distributed as follows:
 - (a) To you, until you are reimbursed for that loss that you sustain that exceeds the Limit of Insurance and the Deductible Amount, if any;
 - (b) Then to us, until we are reimbursed for the settlement made;
 - (c) Then to you, until you are reimbursed for that part of the loss equal to the Deductible Amount, if any.
 - (2) Recoveries do not include any recovery:
 - (a) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
 - (b) Of original securities after duplicates of them have been issued.
- N. If more than one insured is named in the Declarations, the first named insured will act for itself and for every other insured for the purposes of this insurance.

SERFF Tracking Number: FFDC-125769463 *State:* Arkansas
First Filing Company: American Automobile Insurance Company, ... *State Tracking Number:* EFT \$50
Company Tracking Number: NARAB0408
TOI: 05.1 Commercial Multi-Peril - Non-Liability *Sub-TOI:* 05.1002 Businessowners
Portion Only
Product Name: American Business Coverage Employee Dishonesty Form Revision
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Rate Information

Rate data does NOT apply to filing.

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Supporting Document Schedules

Satisfied -Name: Uniform Transmittal Document-
Property & Casualty **Review Status:** Approved 08/14/2008

Comments:

Attachments:

Form Filing Schedule.pdf
NAIC Transmittal - Form.pdf

Satisfied -Name: Cover Letter **Review Status:** Approved 08/14/2008

Comments:

Attachment:

NWAB0408 Cover Letter.pdf

Satisfied -Name: Explanatory Memorandum **Review Status:** Approved 08/14/2008

Comments:

Attachment:

Explanatory Memorandum.pdf

Satisfied -Name: Marked Copy **Review Status:** Approved 08/14/2008

Comments:

Attachment:

AB9082 Employee Dishonesty Optional Coverage Endt red.pdf

PROPERTY & CASUALTY FORM FILING SCHEDULE

(This form must be provided ONLY when making a filing that includes forms.)
 (Do **not** refer to the body of the filing for the forms listing, unless allowed by the state.)

This filing transmittal is part of Company Tracking #				NARAB0408	
This filing corresponds to rate/rule filing number (Company tracking number of rate/rule filing, if applicable)					
	Form Name/ Description/Synopsis	Form# Include edition Date	Replacement Or Withdrawn	If replacement, give form # it replaces	Previous state filing number, (if required by state)
1	Employee Dishonesty Optional Coverage Endorsement	AB9082 07 08	<input type="checkbox"/> New <input checked="" type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn	AB9082 12 93	FARAB014.168
2			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
3			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
4			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
5			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
6			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
7			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
8			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
9			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		
10			<input type="checkbox"/> New <input type="checkbox"/> Replacement <input type="checkbox"/> Withdrawn		

Property & Casualty Transmittal Document

1. Reserved for Insurance Dept. Use Only	2. Insurance Department Use only a. Date the filing is received: b. Analyst: c. Disposition: d. Date of disposition of the filing: e. Effective date of filing: <table style="width: 100%; border: none;"> <tr> <td style="width: 60%; border: none;">New Business</td> <td style="border: none;"></td> </tr> <tr> <td style="border: none;">Renewal Business</td> <td style="border: none;"></td> </tr> </table> f. State Filing #: g. SERFF Filing #: h. Subject Codes	New Business		Renewal Business	
New Business					
Renewal Business					

3. Group Name	Group NAIC #
Fireman's Fund Insurance Companies	0761

4. Company Name(s)	Domicile	NAIC #	FEIN #	State #
Fireman's Fund Insurance Company	CA	21873	94-1610280	
National Surety Corporation	IL	21881	36-2704643	
The American Insurance Company	NE	21857	22-0731810	
Associated Indemnity Corporation	CA	21865	22-1708002	
American Automobile Insurance Company	MO	21849	22-1608585	

5. Company Tracking Number	NARAB0408
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Contact Info of Filer(s) or Corporate Officer(s) [include toll-free number]

6.	Name and address	Title	Telephone #s	FAX #	e-mail
	Michelle A. Davanzo	Regulatory Analyst	(415) 899-2660	866-290-0671	michelle.davanzo@ffic.com

7. Signature of authorized filer	<i>Michelle A. Davanzo</i>
8. Please print name of authorized filer	Michelle A. Davanzo

Filing information (see General Instructions for descriptions of these fields)

9. Type of Insurance (TOI)	5.1 Commercial Multiple Peril Non-Liability Portion
10. Sub-Type of Insurance (Sub-TOI)	5.1002 Business Owners
11. State Specific Product code(s)(if applicable)[See State Specific Requirements]	
12. Company Program Title (Marketing title)	
13. Filing Type	<input type="checkbox"/> Rate/Loss Cost <input type="checkbox"/> Rules <input type="checkbox"/> Rates/Rules <input checked="" type="checkbox"/> Forms <input type="checkbox"/> Combination Rates/Rules/Forms <input type="checkbox"/> Withdrawal <input type="checkbox"/> Other (give description)
14. Effective Date(s) Requested	New: 10-1-08 Renewal: 10-1-08
15. Reference Filing?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
16. Reference Organization (if applicable)	
17. Reference Organization # & Title	
18. Company's Date of Filing	8-13-08
19. Status of filing in domicile	<input type="checkbox"/> Not Filed <input checked="" type="checkbox"/> Pending <input type="checkbox"/> Authorized <input type="checkbox"/> Disapproved

Property & Casualty Transmittal Document—

20.	This filing transmittal is part of Company Tracking #	NARAB0408
21.	Filing Description [This area can be used in lieu of a cover letter or filing memorandum and is free-form text]	

We are submitting for your review revised American Business Coverage, Employee Dishonesty Optional Coverage Endorsement, AB9082 07 08 to replace previously approved 12 93 edition form.

Our ABC Employee Dishonesty form AB9082 broadens the property coverage provided under the American Business Coverage Property/Liability policy AB9000. Employee Dishonesty provides coverage for dishonest or fraudulent acts of the insured's employees.

This filing adds an important enhancement to the Employee Dishonesty coverage endorsement by providing coverage for Computer Fraud. Our current Employee Dishonesty was filed before computers became an integral part of most companies operations and the lack of Computer Fraud coverage has created a potential coverage gap for our customers. Our current Employee Dishonesty form was created with the intent to provide full coverage to our customer's exposure to Employee Dishonesty losses and we need to add the Computer Fraud language to clarify that it is our intent to protect the insured for losses that arise out of this exposure.

Computer Fraud coverage is routinely included in the Employee Dishonesty coverage forms provided by peer companies and it is now considered an industry standard to include Computer Fraud coverage.

The ABC Employee Dishonesty coverage changes in this filing are summarized below:

- We will pay for loss of or damage to money, securities and other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the premises or banking premises to a person (other than a messenger) outside those premises or to a place outside those premises.
- We will pay for loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer pay or deliver funds from an insured's transfer account.

There is no rate or premium impact associated with these coverage enhancements. Our belief is that the Employee Dishonesty losses that may have arisen out of Computer Fraud would have been covered by the current form and that this change clarifies the coverage intent with no change in loss exposure.

Enclosed in support of this filing are:

- American Business Coverage, Employee Dishonesty Optional Coverage Endorsement, AB9082 07 08, which replaces AB9082 12 93 (as previously approved under Co. filing #FARAB014.168);
- Marked Copy denoting changes between 07 08 and prior edition 12 93 form; and
- (State form/checklist, if any).

Your approval of this filing with a proposed effective date of October 1, 2008 is appreciated.

22.	Filing Fees (Filer must provide check # and fee amount if applicable) [If a state requires you to show how you calculated your filing fees, place that calculation below]
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Check #:
Amount:

Refer to each state's checklist for additional state specific requirements or instructions on calculating fees.

*****Refer to the each state's checklist for additional state specific requirements (i.e. # of additional copies required, other state specific forms, etc.)**

**Fireman's Fund
Insurance Companies**



August 13, 2008

Honorable Julie Benafield Bowman
Commissioner of Insurance
Arkansas Insurance Department
1200 West Third Street
Little Rock, Arkansas 72201-1904

**RE: American Business Coverage
Employee Dishonesty Optional Coverage Endorsement – Form Revision**

Fireman's Fund Insurance Company	761-21873
The American Insurance Company	761-21857
National Surety Corporation	761-21881
Associated Indemnity Corporation	761-21865
American Automobile Insurance Company	761-21849
Company Filing # NARAB0408	

Dear Sir or Madam:

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- Marked Copy denoting changes between 07 08 and prior edition 12 93 form; and
- (State form/checklist, if any).

Your approval of this filing with a proposed effective date of October 1, 2008 is appreciated.

Sincerely



Michelle A. Davanzo
Regulatory Analyst
415.899.2660
866.290.0671 (f)
Michelle.Davanzo@ffic.com

Employee Dishonesty Optional Coverage Endorsement Explanatory Memorandum

This filing revises our previously approved ABC Employee Dishonesty coverage endorsement. Our ABC Employee Dishonesty form AB9082 broadens the property coverage provided under the American Business Coverage Property/Liability policy AB9000. Employee Dishonesty provides coverage for dishonest or fraudulent acts of the insured's employees.

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- We will pay for loss of or damage to money, securities and other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the premises or banking premises to a person (other than a messenger) outside those premises or to a place outside those premises.
- We will pay for loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer pay or deliver funds from an insured's transfer account.

There is no rate or premium impact associated with these coverage enhancements. Our belief is that the Employee Dishonesty losses that may have arisen out of Computer Fraud would have been covered by the current form and that this change clarifies the coverage intent with no change in loss exposure.

Employee Dishonesty Optional Coverage Endorsement- AB 90 82 07 08

Various provisions in this endorsement restrict coverage. Read the entire endorsement carefully to determine rights, duties and what is and is not covered.

Throughout this Endorsement the words **you** and **your** refer to the Named Insured shown in the Declarations. The words **we**, **us** and **our** refer to the company providing this insurance.

A. We will pay for direct physical loss of covered property resulting from dishonest or fraudulent acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) while they work for you and for 30 days after they leave your employment.

We will pay for loss of or damage to money, securities and other property resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the premises or banking premises; to a person (other than a messenger) outside those premises or to a place outside those premises.

We will pay for loss of funds resulting directly from a fraudulent instruction directing a financial institution to transfer pay or deliver funds from your transfer account.

The property covered is:

- (1) money
 - (2) securities
 - (3) other property that is tangible and has an intrinsic value which you own, hold, or for which you are legally liable.
- B. An employee is a natural person who is subject to your direction and control. Independent contractors or agents or representatives of the same general character are not employees. If you are a nonprofit organization, employee does include any non-compensated natural person, other than a fund solicitor, while performing services for you that are usual to the duties of an employee.

This Form must be attached to Change Endorsement when issued after the policy is written. One of the **Fireman's Fund Insurance Companies** as named in the policy

C. The dishonest or fraudulent act(s) must be committed within the Coverage period and with the manifest intent to:

- (1) cause you to sustain loss or damage; and also
- (2) obtain financial benefit (other than salaries, commissions, fees, bonuses, promotional awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:
 - (a) any employee; or
 - (b) any other person or organization.

D. We will pay only for covered loss discovered within 90 days after the end of the Coverage period or cancellation date of this insurance.

- E. We will not pay for loss, or any part of any loss:
- (1) The proof of which is dependent upon either:
 - (a) An inventory computation; or
 - (b) A profit and loss computation.
 - (2) Resulting from any act of any employee after the time that you, or any of your partners or officers have discovered or have knowledge of any dishonest act by that employee committed by that employee before or after being hired by you.
 - (3) Which is an indirect result of any dishonest or fraudulent act including loss:
 - (a) Which relates to your inability to earn income.
 - (b) Which is a penalty, or interest payment.
 - (c) Which is an expense related to any legal action.

Secretary

President

F. The most we will pay for all loss in any one occurrence is one limit no matter how many premiums have been paid. If you have made a timely discovery and timely claim on more than one policy we or any affiliate has issued to you or any affiliate of yours, the most we will pay is the largest limit payable. The Limit of Insurance for employee dishonesty is shown in the declarations.

An occurrence, means all loss caused by any employee or in which that person is involved, whether all loss involved one or more acts of dishonesty even when more than one employee is involved. All loss caused by an unidentifiable employee(s) is one occurrence unless there is proof that no one employee could have been involved in all of the loss. Involved means to have had an effect on.

G. If you (or any predecessor in interest) sustained loss during the period of any prior insurance that you could have recovered under that insurance except the time within which to discover loss had expired: we will, as part of, not in addition to the Limit of Insurance of this Coverage, pay for it under this Coverage, provided:

- (1) This Coverage became effective at the time of cancellation or termination of the prior insurance; and
- (2) The loss would have been covered by this Coverage had it been in effect when the acts were committed.
- (3) An amount being paid as a part of the Limit of Insurance is limited to the lesser of the amount recoverable under:
 - (a) this Coverage as of its effective date; or
 - (b) the prior insurance had it remained in effect.

H. ERISA PLANS as a named insured under Employee Dishonesty Coverage have the following provisions without increasing the Limit of Insurance for Employee Dishonesty Coverage. These provisions are in compliance with certain provisions of the Retirement Income Security Act (ERISA).

- (1) If any Plan is insured jointly with any other entity under this insurance, you or the Plan Administrator must select a Limit of Insurance for the Employee Dishonesty Coverage Form that is sufficient to provide

an amount of insurance for each Plan that is at least equal to that required if each Plan were separately insured.

- (2) If the insured first named in the Declarations is an entity other than a Plan, any payment we make to that Insured for loss sustained by any Plan will be held by that Insured for the use and benefit of the Plan(s) sustaining the loss.
- (3) If two or more Plans are insured under this insurance, any payment we make for loss;
 - (a) Sustained by two or more Plans, or
 - (b) Of commingled funds or other property of two or more Plans that arises out of the occurrence, is to be shared by each Plan sustaining loss in the proportion that the amount of insurance required for each such Plan under ERISA provisions bears to the total of those amounts.
- (4) The deductible provisions of the Employee Dishonesty Coverage Form does not apply to loss sustained by any Plan subject to ERISA which is insured under this insurance.

I. Recoveries, less the cost of obtaining them, made prior to settlement of loss under this Employee Dishonesty coverage, are to be credited to the loss.

J. Your duties in the event of a loss include:

- (1) After you discover a loss or a situation that may result in a loss under this Coverage, you must:
 - (a) Notify us as soon as possible with an outline of the facts as known to you.
 - (b) Do nothing after loss to impair your rights of recovery against any person or organization.
 - (c) Give us a detailed, sworn proof of loss within 90 days of our request, or 120 days after you discover a loss if we have not made a written request for a proof of loss.
 - (d) Produce for our examination all pertinent records.

- (e) Cooperate with us in the investigation of your claim, and
 - (f) Submit to examination under oath at our request and give us a signed statement of your answers.
- (2) You must transfer to us all your rights of recovery against any person or organization for any loss you sustained and for which we have paid or settled. You must do everything necessary to secure those rights for us.
- K. We will pay up to \$1,000 to cover the costs you incur to investigate in order to prepare your proof of loss. This coverage does not increase your coverage limit and it is payable only if you have a covered claim.
- L. You may not bring any legal action against us involving loss under this endorsement:
- (1) Unless there has been full compliance with all of the terms of this insurance, and
 - (2) Unless the action is brought within two years after the date on which you discover the loss. This insurance provides no rights or

benefits to any other person or organization.

M. Distribution of recovery:

- (1) Any recoveries, less the cost of obtaining them, made after settlement of loss covered by this insurance will be distributed as follows:
 - (a) To you, until you are reimbursed for that loss that you sustain that exceeds the Limit of Insurance and the Deductible Amount, if any;
 - (b) Then to us, until we are reimbursed for the settlement made;
 - (c) Then to you, until you are reimbursed for that part of the loss equal to the Deductible Amount, if any.
- (2) Recoveries do not include any recovery:
 - (a) From insurance, suretyship, reinsurance, security or indemnity taken for our benefit; or
 - (b) Of original securities after duplicates of them have been issued.

N. If more than one insured is named in the Declarations, the first named insured will act for itself and for every other insured for the purposes of this insurance.