

The Federal Bonding Program

The **FEDERAL BONDING PROGRAM (FBP)**, which began in 1966, provides individual fidelity bonds to employers for job applicants who are (or may be) denied coverage by commercial carriers because of a:

- Poor credit history
- Record of arrest, conviction, or imprisonment
- History of alcohol or drug abuse
- Lack of an employment history
- Dishonorable discharge

WHAT IS BONDING?

Many employers carry insurance to protect themselves against employee theft or dishonesty. Employees who handle money or valuable tools or goods are covered. This insurance is called fidelity bonding. When such commercial insurance is denied because of an individual's background, the employer often denies a job to that person. **FBP coverage is provided at no cost to the employer or the job applicant.** FBP bond insurance was designed to reimburse the employer for any loss due to employee theft of money or property with no deductible amount to become the employer's liability. In other words, it provides 100% bond insurance coverage.

HOW DOES THE FEDERAL BONDING PROGRAM WORK?

ELIGIBILITY – Fidelity bonding may be provided for any individual who:

- has a firm job offer and is qualified for the job
- is seeking a promotion and said promotion requires a bond
- has Federal taxes due automatically deducted from the worker's pay
- is not self-employed.

APPLICATION – Coverage is provided by the McLaughlin Company through the Federal Bonding Program, which is administered by the **Employment Security Commission of North Carolina (ESC) through their local offices.** Either the job applicant or the prospective employer (on behalf of an applicant or employee) may apply for fidelity bonding insurance at any local ESC office throughout the state.

PROCESSING – The application procedure is simple and quick. Bonding coverage becomes effective immediately when:

- Your authorized ESC professionals have certified the bond.
- The applicant has begun work.

COVERAGE – Coverage usually begins on the first day of work for the new employee. The bond is mailed to the employer by The McLaughlin Company, an agent for Travelers Property Casualty.

A representative of your local ESC can help you match the amount of the FBP coverage to the exact needs of the potential employee.

The bond may cover a period of up to 6 months. However, at the end of the FBP coverage, if the employer cannot arrange for bonding through their own insurance company, or through another commercial underwriter, The Aetna Casualty and Surety Company will arrange for standard commercial bonding coverage. This coverage will be arranged for any person who has been bonded for a reasonable period of time without default under FBP. Nationally about 35,000 bonds have been issued with a 99% success rate.