
FEDERATION OF EXCHANGE ACCOMMODATORS (FEA)

**FIDELTY BOND PROGRAM
FREQUENTLY ASKED QUESTIONS****Q: What does the FEA Fidelity Bond cover?**

A: The FEA Fidelity Bond (also known as a Crime Policy) is an insurance policy that covers losses resulting directly from dishonest acts, such as defalcation, embezzlement, conversion, theft and fraud, by employees of the QI.

Q: What does the FEA Fidelity Bond not cover?

A: Like all insurance policies, the FEA Fidelity Bond contains certain exclusions to coverage. Some of the more notable exclusions include:

- Indirect or consequential loss, such as unrealized investment income or realized tax liabilities;
- A failed exchange if, through honest but negligent financial management, funds are not available when an exchange transaction is supposed to close;
- Losses resulting from failure of the Qualified Intermediary (QI) to comply with certain basic internal control requirements;

Q: Who can make a claim under the FEA Fidelity Bond?

A: Because Fidelity Bonds are first-party contracts, only an authorized representative of the QI can make a claim for recovery. In the event of insolvency, the QI may be represented by the appointed bankruptcy trustee.

Q: How does the policy limit under the FEA Fidelity Bond apply to claims?

A: The policy limit applies on a “per occurrence” basis, meaning each separate loss event or series of related loss events has the full benefit of the policy limit. Losses are usually considered related, i.e. a single occurrence, if they arise out of the same set of circumstances. The limit does not apply per customer, per transaction or per account.

Q: How does the FEA Fidelity Bond differ from a standard Fidelity Bond?

A: The FEA Fidelity Bond has been customized to address the unique needs of the 1031 business, including coverage for losses caused by dishonest acts of employed owners and partners and coverage for loss of client money and property while held in a 1031 transaction. Also, because of the joint purchasing power of the FEA, rates are more competitive than standard market rates.

Q: How do I apply for coverage under the FEA Fidelity Bond program?

A: Information, including rates and applications, are available through the Federation of Exchange Accommodators or by contacting the program manager: Claudia Porras, Lockton Insurance Brokers, Two Embarcadero Center, Suite 1700, San Francisco, CA 94111, Tel: (415) 568-4037, Fax: (415) 992-4037, Email: cporras@lockton.com.