



## THIRD PARTY COMPUTER AND FUNDS TRANSFER FRAUD SECTION

### Defined Events

Direct pecuniary loss occurring during the currency of this section up to the sum insured specified in the schedule resulting directly from:

- the theft of any of the insured's tangible property or monetary funds by computer fraud during the currency of this section
  - or
  - the theft during the currency of this section of any of
    - a) the insured's monetary funds from the relevant transfer account at a financial institution through fraudulent transfer instructions communicated to such financial institution
    - b) the insured's clients' monetary funds whilst held by the insured in an account (separate from the insured's Transfer Account) at a financial institution through fraudulent transfer instructions communicated to such financial institution
- provided that these defined events apply only to the property, monetary funds and accounts situate or held within the territorial limits.

### Definitions

#### Computer Fraud

Computer fraud means the wrongful conversion of assets under the direct or indirect control of a computer system by means of:

- a) the fraudulent accessing of such computer systems;
- b) the insertion of fraudulent data or instructions into such computer system; or
- c) the fraudulent alteration, manipulation, suppression of input into, or destruction of data, programmes, software or routines in such computer system.

#### Fraudulent Transfer Instructions

Fraudulent transfer instructions means:

- a) **Electronic Instructions**  
fraudulent tested electronic (including but not limited to tested telegraphic, telex, telephone or telefacsimile) instructions to a financial institution to debit a transfer account and to transfer, pay or deliver monetary funds from such account which instructions purport to have been transmitted by the insured or by a person duly authorised by the insured to issue such instructions but which have been fraudulently transmitted, forged or altered by another, and
- b) **Written Instructions**  
fraudulent written instructions to a financial institution to debit a transfer account and to transfer, pay or deliver monetary funds for such account through an electronic funds transfer system at specified times or under specified conditions, which written instructions purport to have been duly issued by the insured but which have been fraudulently issued, forged or altered by another.

#### Financial Institution

Financial institution means:

- a) a banking or saving institution or
  - b) a stockbroker, mutual fund, liquid assets fund or similar investment institution
- at which the insured maintains a transfer account.

#### Transfer Account

Transfer account means an account, maintained by the insured at a financial institution, from which the insured or the insured's authorised representatives may cause the transfer, payment or delivery of monetary funds:

- a) by means of electronic (including but not limited to tested telegraphic, telex, telephone or telefacsimile) instructions (communicated directly or through a cash management service or funds transfer system), or
- b) by means of written instructions establishing the conditions under which such transfers are to be initiated by such financial institution through an electronic funds transfer system.

#### Tested

Tested means a method of authenticating the contents of a communication by affixing thereto a valid test key or code which has been exchanged between the Insured and a financial institution for the purpose of protecting the integrity of the communication in the ordinary course of business.



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## Employee

Employee shall mean:

- a) any person while employed under a contract of service with or apprenticeship to the insured;
- b) any person while hired or seconded from any other party into the service of the insured;

who the insured has the right at all times to govern, control and direct in the performance of his work in the course of the business of the insured.

## Specific Conditions

- a) The onus is on the insured to prove that a defined event has taken place and that it was not due to a specific exception.
- b) The sum insured shown in the schedule for this section shall be the maximum amount of the company's liability for all losses arising from one occurrence and for all losses occurring in any 12 month period of insurance.

The maximum amount of the company's liability occurring in any 12 month period of this insurance shall be amended in terms of the Reinstatement of Sum Insured Clause contained in this section.

All acts committed by any one person or group of persons or in which such person or group is involved or implicated will be considered one occurrence. Unless the circumstances conclusively demonstrate the contrary, all acts committed by unidentifiable persons will be considered to have been committed by one person. If loss arising from or attributable to an occurrence is insured under two or more sections of this policy or under defined events of this section the company's liability will not be cumulative and the company's total liability on account of such loss shall not exceed the largest available amount insured for all sections.

Renewal of this insurance from period to period or any extension of any period of insurance shall not have the effect of accumulating or increasing the liability of the company beyond the sum insured stated in the schedule which is the maximum amount payable for any one occurrence and also for any 12 month period of this insurance whether or not the policy is renewed on an annual or lesser period basis.

- c) The insurance afforded by this section does not inure directly to the benefit of any financial institution (other than the insured) or to any electronic funds transfer system or electronic data processor.

Should this insurance provide indemnity for the benefit of customers of any of the aforesaid, this insurance shall operate only in excess of any other such indemnity.

As "excess" insurance to the abovementioned indemnities or insurances, notwithstanding general condition 2, this section shall not apply or be called into contribution to the payment of any loss until the amount of such other insurance or indemnity shall have been exhausted, it being understood and agreed that under this policy the insured is to be reimbursed to the extent of the difference between the amount collectible from such other insurance or indemnity and the amount of the actual loss otherwise recoverable hereunder.

- d) The insured shall comply with all terms, conditions and procedures contained in the agreement with the insured's financial institution at which the transfer account is held.
- e) The insured shall exercise all reasonable and necessary controls over the access to and use of passwords and user authentication documents.
- f) The insured shall institute and/or maintain and continue to employ in every material manner all such systems of check and control, accounting and clerical procedures and methods of conducting his business as has been represented to the company but the insured may make such changes provided these are approved beforehand in writing by the insured's auditors.
- g) If the business is wound up or carried on by a liquidator or judicial manager or is permanently discontinued, the insurance under this section shall cease to apply for defined events committed during or after such circumstances, except with the written agreement of the company.
- h) In respect of voice or telephone initiated funds transfers as defined in the definition of electronic instructions, it is a condition precedent to liability of the company and warranted that:
  - (i) a written agreement shall be in force between the insured and his financial institution in the form of a corporate resolution containing an authorisation list of individuals who may initiate and authenticate voice/telephone initiated funds transfers, which list must specify the telephone numbers as well as monetary limits for all initiators/authenticators.
  - (ii) all voice/telephone initiated requests received by the financial institution for the transfer of funds must be tested or subject to a call-back by the financial institution to an authorised person other than the individual initiating the transfer request.

## Specific Exceptions

This section excludes:

- a) loss resulting from loss of computer time or use;



- b) loss resulting from unintentional errors or omissions;
- c) loss due to the voluntary giving or surrendering of insured property in a legitimate purchase or exchange;
- d) loss due to any fraudulent, dishonest or criminal act by any employee, principal, member, partner, director, trustee or authorised representative of any insured, while working or otherwise and whether acting alone or in collusion with others;
- e) loss of potential income including but not limited to interest and dividend;
- f) costs fees and other expenses incurred by the insured in establishing the existence of a loss covered under this section;
- g) any loss which occurred more than 24 months prior to its discovery;
- h) any consequential losses of any kind following losses referred to under defined events;
- i) liability assumed by agreement unless liability would have attached to the insured notwithstanding such agreement;
- j) loss resulting from fraudulent features contained in any software or computer programmes purchased or obtained that have not been specifically developed or written for the insured's unique requirements;
- k) loss discovered after twelve months after the termination of this section;
- l) losses incurred by any other company or other legal entity acquired or merged with during the period of insurance unless:
  - (i) the insured has given the company written notice of the proposed merger or acquisition prior to the proposed merger or acquisition date, and
  - (ii) the insured has obtained the written consent of the company to extend the coverage provided by this policy to such other additional company or legal entity, and
  - (iii) the insured pays additional premium as quoted by the company for the additional exposureand provided that:
  - (a)(i) the aggregate liability of the company is not increased beyond the sum insured as stated in the schedule;
  - (a)(ii) any company or merged entity included in the coverage is not entitled to indemnity under any other policy;
  - (a)(iii) the coverage provided by this policy will only apply to defined events committed after the date the acquisition or merged company is added to this section.

## Clauses and Extensions

### Reinstatement of Sum Insured Clause (if stated in the schedule to be included)

The payment by the company of any loss involving one person or any number of persons shall not reduce the company's liability in respect of any other person(s) not involved in the loss provided that:

- a) the maximum amount payable by the company for all losses shall not exceed double the amount shown in the schedule in any 12 month period of this insurance whether or not the policy is renewed on an annual or lesser period
- b) the insured pays additional premium calculated in terms of the following formula
$$\frac{\text{Annual premium or annual equivalent}}{\text{premium in force at time of discovery of loss}} \times \frac{\text{Amount of claim payment}}{\text{sum insured at time of discovery of loss}}$$

The additional premium shall be payable in full and may not be reduced due to the period between the date of discovery of loss and the expiry date being less than 12 months.

### Compulsory First Amount Payable

The amount payable under this section shall be reduced by:

- (a) 2% of the sum insured under this section plus
- (b) a further amount of 10% of the nett amount payable after deduction

subject to a minimum of the amount specified in (a) above and R5 000 whichever is the greater

Both amounts shall be borne in full by the insured (subject to the above minimum as calculated or R5 000) and remain uninsured.

If any defined event is discovered more than 12 months after it was committed the percentages reflected above are increased as follows:

Paragraph (a) from 2% to 4%

Paragraph (b) from 10% to 15%

Notwithstanding the above, the insured may opt to claim only for that part of the loss which was discovered within 12 months after it was committed.

### Accountants Clause

Any particulars or details contained in the insured's books of account or other business books or documents which may be required by the company under this section for the purpose of investigating or verifying quantum of any claim hereunder may



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be produced and certified by the insured's auditors or professional accountants and their certificate shall be prima facie evidence of the particulars and details to which it relates.

### **Memoranda**

- a) General exceptions 1 and 2 and general condition 9 do not apply to this section.
- b) If the sum insured shall be increased at any time, such increased amount shall apply only to defined events committed after the date of such increase.
- c) Notwithstanding that the Territorial Limits reflected elsewhere in this policy include Lesotho, Swaziland, Zimbabwe and Malawi, the Territorial Limits of this section do not include these countries.



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## **SCHEDULE for Third Party Computer and Funds Transfer Fraud**

EFFECTIVE DATE \_\_\_\_\_

SUM INSURED

R \_\_\_\_\_

ADDITIONAL CLAIMS PREPARATION COSTS

R \_\_\_\_\_

TERRITORIAL LIMITS:

Republic of South Africa, Namibia and Botswana

### **CLAUSES AND EXTENSIONS**

### **APPLICABLE**

REINSTATEMENT OF SUM INSURED CLAUSE

YES/NO