

Manager/Supervisor Risk Management
#113– 12/11/12
A twice weekly e-mail training for YCPARMIA members

TOPIC: FIDELITY COVERAGES

The YCPARMIA Fidelity Program covers the acts of all participating (14 of our 28) members' employees and elected officials. Each member has a \$1,000 deductible, and YCPARMIA pools the remainder of the policy's deductible up to \$25,000; insurance coverage is capped at a \$2,000,000 per occurrence limit.

The insurance policy, entitled Government Crime Policy, has an insuring agreement that lists the covered employee acts, and in some cases, the criminal acts of their parties:

- Employee theft: theft committed by an employee.
- Forgery or alteration: where someone forges or alters a check, draft or promissory note.
- Theft of money and securities inside the premises: this could be by a non-employee.
- Robbery or safe burglary inside the premises: again this can be by a non-employee.
- Outside the premises: theft of entity property from a messenger or armored car.
- Computer fraud: use of a computer to fraudulently transfer property from inside the premises.
- Funds transfer fraud: loss of entity funds caused by fraudulent transfers.
- Money orders and counterfeit money: that the entity accepts in good faith.

Like any insurance policy, there are applicable exclusions, so each loss has to be analyzed under the policy coverages. Most sufficiently, if the entity knows that an employee has committed a prior theft or dishonest act, there would be no coverage for that employee's subsequent criminal acts.

The policy also endorses on "Faithful Performance of Duty Coverage for Government Employees." This pays for damages or losses when an employee fails to faithfully perform his or her duties. This is the coverage that satisfies the State's bonding requirements for certain specified positions like Treasurers, City Clerks, and Tax collectors.

The conditions of the policy require that the carrier be notified of the loss "as soon as possible." Beyond recognizing that there is potential coverage for crime losses suffered by the entity, maybe the most important thing to understand is that there is a duty to timely report the loss and to cooperate. As stated in the previous discussion, the insurance carrier aggressively pursues the party responsible for the loss. Delayed reporting or a lack of cooperation can prejudice the rights of the carrier, and potentially affect coverage.

Balanced against these duties is the potential danger of defamation – in this case accusing someone of a crime that they might not have committed. The best way for the supervisor to proceed is to make their concerns known to management, and to let a confidential, objective and detailed investigation take place. As in any investigation, the results will turn largely on the ability to produce documentation that a crime has occurred and that a particular party is probably responsible. Note, this is independent of any law enforcement investigation, though cooperation is beneficial to all.

Next topic: Property