

Fidelity Insurance

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Fidelity insurance protects against employee dishonesty which may lead to the theft of money, securities, or property. For the community association, this coverage must insure all persons (e.g. board members, committee members, volunteers, community manager) who handle funds whether they are salaried or not. Often fidelity insurance will be combined with the commercial package policy insurance. Fidelity insurance limits are often set by government-sponsored enterprise standards. Best practices suggest three months of assessments plus the reserve funds.

Caution: Be sure the association has its own fidelity coverage (independent of your management company's policy). The management company should also be covered under the association's policy, as well as any unpaid volunteers; these provisions should be written into the policy.

High Fidelity

By Sherry Branson

A crime policy, also known as a fidelity bond, can help protect community associations from wire funds transfers, check forgeries, fictitious invoices, unauthorized credit card use, property thefts and other crimes.

The insurance can cover direct loss of money, security and property caused by an employee or board member. In the

event of a crime, it's important for a board to know how the claims process typically works.

1. **Notification.** A community representative should call, e-mail, fax, file a lawsuit or submit an accord loss form to your broker, who will then notify the insurance company.
2. **Coverage verification.** Once the insurance company is notified, it will appoint a claims examiner who will verify the coverage by reviewing the underwriting file. He or she will copy key documents, verify effective dates, limits, deductibles and endorsements.
3. **Acknowledgement.** The claims examiner then sends an acknowledgement letter to the insured, stating that he or she will be handling the claim. The insured may contact the examiner with any questions or concerns relating to the coverage.
4. **Receipt and analysis.** The claims examiner also will send a proof of loss form to be completed by the insured. The forms typically require:
 - A detailed explanation of the claim
 - Supporting documentation for the amount claimed
 - A notarized signature from an authorized individual
 - The police report, if one is available
5. **Investigation.** Once the proof of loss has been received and verified, the claims examiner will attempt to meet with the person accused of the crime. If that person admits to the crime, the

examiner will obtain a signed statement and a promissory note outlining an agreement for restitution. The claim will be judged based upon the merits of the documentation provided by the association. Occasionally, it's necessary to engage an accountant to verify the loss amount.

6. **Disposal of Claim.** When the investigation is complete, the claims examiner has four options:

- **Accept and pay.** If the claim is fully documented and insurance covers all aspects, the claims examiner will issue a check in exchange for a release by the association. The release closes the claim and gives all rights to the insurance company to go after the accused for the money.
- **Reject and deny.** A denial letter is prepared if the loss doesn't qualify for coverage under the policy.
- **Compromise.** Sometimes a claim cannot be fully documented; however, the benefit of doubt lies with the association. In these cases, a compromise agreement might be reached to resolve the claim.
- **Salvage.** The insurance company will examine whether others have some degree of responsibility to see if it can recover the money paid on the claim.

—Sherry Branson is marketing project manager for Kevin Davis Insurance in Los Angeles. Go to www.kdisonline.com for more information.

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