

## **KBDM: Task Force: Insurance Renewal**

**FRAMING:** Approximately five years ago the Area purchased an insurance policy to cover liability at our events and coverage for the officers of the AFG of Ohio, Inc. We need to renew the policy but the insurance company may be reluctant to renew our policy due to having had a claim due to embezzlement unless we increase our security measures. Therefore, this task force's charge is:

1. To review the insurance application for possible weaknesses in our security measures regarding money and volunteers.
2. Complete a KBDM regarding Insurance Renewal.
3. Propose any policy changes, if any, to the Spring AWSC in the form of motions.

### **BACKGROUND INFORMATION**

During the 2020 Two Day Fall Assembly, the issue of renewing the Area insurance was discussed. We have insurance which is good until 11/1/2021. The AFG of Ohio, Inc. had to file a claim on that insurance policy for theft of funds due to an embezzlement. We are aware that Insurance costs could be increased, but instead the question is whether we will be able to get insurance or not. A member raised a concern that there are several items on the insurance application for which the Area does not meet their security standards. It may be that AFG of Ohio, Inc. will get turned down for insurance in the fall.

Since the Assembly, the officers have discussed the matter and suggested a Task Force of Officers and interested members be formed now rather than wait until the Spring AWSC. The entire application for insurance was reviewed and ideas were discussed.

At the 2015 Spring Assembly, Jan S. presented the basic reasons why we should buy insurance:

- To protect \$30,000 in assets (**all types of insurance**)
- Could be a requirement in the future for using premises for assembly & convention (**General Liability**), and it would be difficult to obtain in a short time frame when needed
- Food exposures at assembly and convention (**General Liability**)
- We do not do background checks on people with access to our funds (**Dishonesty**)
- Additionally, recent conventions have not been following the handbook guidelines regarding bonding the convention treasurer; if we buy insurance for ALL our exposures, then we know it has been taken care of (**Dishonesty**)
- We have an exposure because of decisions made pertaining to AMIAS, tax-exempt status, and the proposed "Do Not List" policy (**Directors & Officers**)

The 2015 Task Force to Investigate Insurance Needs pointed out the Pros and Cons of getting insurance:

**Pros**

- Buying insurance is generally regarded as a prudent management decision
- Without insurance, officers and coordinators have to pay legal costs PERSONALLY if they are sued for their actions
- Once we have determined the need for insurance exists, there may be a Director's & Officers exposure from NOT buying it if a claim subsequently occurs

**Cons**

- NOT buying insurance saves us money
- The current quote is for a 3 year policy, payable annually so it will impact our budget going forward
- The convention may still be able to buy a separate Dishonesty policy for the treasurer with NO deductible

**Existing Motions that appertain to this topic:**

At the Two-Day Fall Assembly in 2015, a motion passed to purchase the General Liability & Employee Dishonesty insurance as recommended by the Task Force, with a maximum limit of \$1,000 on the premium. Since this is an expense item, it will be included in the Handbook and will be referred to as "**Motion 2015/10 – 02**".

**What do we know about our member's or prospective member's wants, needs, and preferences that are relevant to this discussion?**

- We want our funds protected and secure.
- We want to know that the people handling our financial assets are trustworthy.
- We want someone to handle our finances who is capable and responsible.
- We want to get our insurance renewed.

**What do we know about the capacity and strategic position of the organization relative to this issue?**

- The Area is concerned about a future loss due to our past loss of money.
- We need more safeguards in our financial procedures and policies.
- Our financial assets now have increased to \$52,000 as of the October 2020 2-day fall Assembly.

**What do we know about the current realities and evolving dynamics that are relevant to this discussion?**

- Our insurance policy is ending in November 2021 and needs to be reapplied for by September 1.

- We have been advised that market conditions for finding other insurance for small nonprofits has not improved. We don't believe we have an alternative for finding another insurance company.
- We had a loss and our application will be more closely reviewed and may not be renewed.
- We currently have few safeguards regarding finances.
- At the Area Level, we do not currently have a large pool of volunteers to do service.
- We are an organization that relies entirely on volunteers.
- We have not had a financial accounting of the Ohio Area Convention for some of the recent years.
- P146 In P24-27

**What are the ethical implications of our choices (pro and cons)? This includes consideration of how the Legacies apply. Identify both pros and cons.**

Recommended Changes:

1. Renew the insurance.
2. Strengthen our financial procedures and policies.
  - a. Double signatures required above \$2000.
  - b. Recommend some kind of credit background check is necessary to safeguard our members donations/AFG of Ohio, Inc funds (bank accounts and CD's and credit/debit cards if deemed necessary)
  - c. Online monthly reconciliation done by non-signers on the account.
  - d. CD's must have two signatures to be cashed or renewed or moved. CD funds can only be moved into another AFG of Ohio, Inc. account.

**PROS**

- Concept One - We want to be responsible to our members and to be responsible in handling our Area funds.
- We want to set up policies that establish accountability, right of decision and carefully defined service authority. (Concepts Two, Three and Ten)

**CONS**

- The prospect of financial background checks or credit checks could discourage volunteers from serving.
- Financial or credit checks consist of very private information and could be used for identity theft.

**What do we wish we knew, but don't?**

- Will having double signatures may sometimes slow down reimbursements or payments?
- Will making these changes enable us to have insurance?

- Will having double signatures for checks over \$2000 help us get insurance?

**Questions and clarification-** no timing at the mic

**Need for a motion?** If so, use the motion form provided by the Area Chairman

**Presented By:** Task Force: Insurance Renewal