

CLEVELAND PUBLIC LIBRARY

Organizational Meeting
January 17, 2013

SURETY BOND ON FISCAL OFFICERS

BE IT RESOLVED, That the Public Official Surety Bond on the Fiscal Officer and Deputy Fiscal Officers for coverage of \$50,000 be renewed through the next Organizational Meeting in 2014.

MEMORANDUM

DRAFT

TO: Carrie Krenicky
Cleveland Public Library

FROM: Daniel Buser
Crain, Langner & Co.

RE: Commercial Crime Insurance
Surety Bonds – Employee Bonds Amounts

DATE: January 14, 2013

RECOMMENDATION

1. Request the Board reduce the face amount on each of the three individual bonds (Krenicky, Armstrong, and Novotny) from \$250,000 to \$50,000.
2. Request Travelers delete the bonded employee exclusion in the Commercial Crime insurance policy, thus providing the Library the face value of the bond plus the Commercial Crime Policy Employee Theft limit in the event of a loss resulting from one of the three currently bonded employees. The Commercial Crime insurance would apply excess of the individual bonds for losses covered by such bonds.

DISCUSSION

1. Employee Bonds - The Cleveland Public Library purchases surety bonds for three employees:

Carolyn Krenicky	Fiscal Officer
Laura Armstrong	Deputy Fiscal Officer
Lawrence Novotny	Deputy Fiscal Officer

Travelers Casualty and Surety Company of America is the surety on all three bonds. All three bonds are in the face amount of \$250,000. Among other things, the bond application and indemnity agreement each person signed (the three bonded employees) obligates the bonded employee to reimburse the surety, Travelers, for all sums the surety may pay on the bond. Simply put, each bonded employee would have personal liability to Travelers if Travelers pays on the bond.

Ohio Revised Code 3375.36 requires the deputy fiscal officer to execute a bond in an amount and with a surety to be approved by the board (the Library Board of Trustees).

2. Commercial Crime Insurance - The Library purchases Commercial Crime insurance as follows:

Travelers Casualty and Surety Company of America
Policy No. 10551 8569
Effective 8/1/2012 to 8/1/2013

COVERAGE	LIMIT	SINGLE LOSS RETENTION
Employee Theft	2,000,000	10,000
Forgery & Alteration	2,000,000	10,000
On Premises Loss	100,000	10,000
In Transit Loss	100,000	10,000
Money Orders & Counterfeit	100,000	10,000
Computer Crime		
Fraud	1,000,000	10,000
Restoration Expense	100,000	10,000
Funds Transfer Fraud	1,000,000	10,000
Personal Accounts Forgery & Alteration	100,000	10,000
Identity Fraud Expense	25,000	-0-
Claim Expense	5,000	-0-

Recall, various policy limits were increased at the August 2012 renewal, including Employee Theft that was increased from \$500,000 to \$2,000,000. We continue to view this as a positive program change.

The policy currently does not provide coverage for any loss caused by a Library employee required by law to be individually bonded. We interpret this to apply to Carrie Krenicky, Laura Armstrong, and Lawrence Novotny.

The current Commercial Crime policy contains a Faithful Performance of Duty endorsement pursuant to which the insurer will indemnify any of the Library's officials (up to the \$1,000,000 limit for this coverage) who are required by law to give bonds for the faithful performance of their duties against loss through the failure of any Library employee under the supervision of that official to faithfully perform that employee's duties as prescribed by law when the employee's failure directly causes direct loss of the Library's money, securities or other property.

NOTE: McGowan advised that Travelers is willing to remove the bonded employee exclusion and provide coverage excess of the amount of the current individual bonds \$250,000 for an increase in annual premium of \$1,000 (current premium is \$7,200). Currently the individual bonds and the Commercial Crime policy are all underwritten by Travelers.

MEMORANDUM

Ms. Carrie Krenicky
Cleveland Public Library

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McGowan further advised that Travelers is willing to sit excess of a reduced bond face value of \$50,000, for an annual premium of \$10,100 compared to a current annual premium of \$7,200. The change to delete the bonded employee exclusion effective January 1, 2013 would yield additional pro rated premium for the current policy term of \$1,685. The three bonds would remain at the \$250,000 level until January 31st when renewal bonds would be purchased with \$50,000 face amounts. The annual premiums for the \$250,000 face value bonds is \$866 each. The annual premium for the \$50,000 face value bonds would be \$173 each. The savings on the bonds would partially offset the increased premium on the Commercial Crime policy.

We support lowering the bonds from \$250,000 to \$50,000. Ultimately these changes (removing the bonded employee exclusion and lowering the bond amounts) will result in the entity having a higher dollar amount protected in the event of a loss resulting from one of the three bonded individuals under this revised arrangement.

3. Bond Amounts – Some care should be taken to determine the face amount of the bonds for employees required to carry a bond.

Factors to consider include:

The maximum authority such person may have in terms of making purchases, consummating sale or purchase transactions (service or products), managing the financial affairs of the employer (cash management, treasury, etc.), preparing financial statements, and reconciling bank statements.

The Library operates with a significant annual budget and the Fiscal Officer is involved in numerous transactions and activities considered material to the Library's existence and financial soundness.

This bond amount issue is particularly important because of the bonded employee exclusion in the Commercial Crime coverage with Travelers Casualty and Surety Company of America. Given the policy exclusion, a loss amount caused by one of the three bonded employees would not be covered by the Travelers Commercial Crime insurance and the Library would be unprotected for any amount above this \$250,000 bond amount.

Insureds are advised to revisit bond requirements and their Commercial Crime insurance periodically.

End of Memo.