



Make sure crime doesn't pay at your church

By Harry Soedarpo

You may think your church is adequately covered by your property insurance policy but do you have enough crime coverage? If you don't have crime insurance for your church, or only the minimum available, you're taking a big risk. Ordinarily, property insurance restricts coverage for theft losses. It generally covers theft of equipment and goods by outside parties but not inside jobs — fraud and theft by employees or volunteers, which can go undetected for years and total in the millions.

Property insurance doesn't cover the mysterious disappearance of expensive property — whether it's a computer, a silver chalice or a valuable old painting; there has to be a break-in. A property insurance policy also excludes coverage for stolen money or securities. If a hacker gets into your computer system and transfers \$10,000 to himself, you won't be reimbursed; same goes if someone walks off with a pile of cash from the Sunday offerings.

Neither businesses nor religious organizations are immune to the rising tide of fraud. The American Management Association has estimated that up to 20 percent of business failures are caused by employee dishonesty; the U.S. Small Business Administration says

it's 30 percent to 40 percent.

Small thefts can become huge losses

A dishonest church treasurer overcome by greed or severe personal financial distress has a motive to steal. All too often people find that it's easy to plunder a church's treasury. People can get away with stealing by taking a little at a time. Over many years the small thefts can run into the hundreds of thousands of dollars or more.

In Florida a former church treasurer accused of spending \$1.2 million of parishioners' money on lavish cross-country and overseas trips was arrested. He confessed when church officials confronted him after they discovered gross discrepancies in the church's seven-figure budget during a February 2007 audit.

A good crime insurance policy, which covers employee dishonesty, fraud, embezzlement, forgery, robbery, safe burglary, computer fraud, wire-transfer fraud, counterfeiting and theft of money and securities, can provide peace of mind.

The key is to purchase the appropriate coverage while taking a big enough deductible to make it affordable.

Crime insurance is meant to cover the big losses that really hurt. Limits of \$25,000 to \$500,000 are normally available and larger churches should look toward the higher figure.

Two basic types of crime coverage

There are two basic types of crime policies: discovery and loss-sustained. A loss-sustained policy requires the loss to occur and be discovered during the policy period, which is typically one year. If an employee or volunteer embezzles funds over eight years and is caught in year eight, you may be covered for only the theft that took place while the current policy was in force.

A discovery policy covers any losses discovered during the policy period, even if they took place 10 years ago. It's usually well worth paying about 15 percent more for this broader coverage. With a discovery policy you can shop around and change insurers without creating coverage gaps. With the loss-sustained policy, you're locked into staying with the same insurance company because once you switch the new carrier won't go back and cover old losses.

Either type of policy can be extended for an extra premium to cover the cost to restore your computer system if it's damaged by a virus. Premiums are based on the number of employees who handle money. Class 1 employees include messengers, collectors and accountants and class 2 employees include other clerical staff.

Rates are also based on how good a risk is your church. For large churches the underwriter will want to meet the controller and CFO and learn how the organization issues and receives checks, maintains its vendor list, enforces accounting procedures and keeps its computers secure.

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Coverage depends on church size

The amount of crime insurance you need depends on the size of your church, its annual revenues and its exposure. While crime coverage is optional, all employers with a pension plan are required by ERISA (Employment Retirement Income Security Act) to post a fidelity bond of \$500,000 or \$1 million depending on the size. The so-called ERISA bond can be included in the crime policy and it makes sense to buy more than the government-required minimum since the additional premium is small.

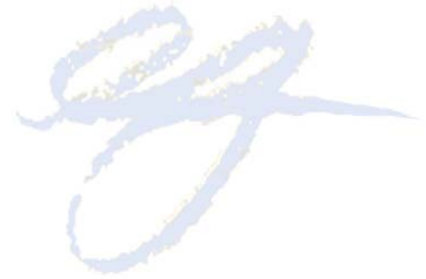
Big companies get more free services from the insurer which will often send a forensic accountant to hold seminars for your financial staff. Most churches will have to make do with a brochure. Most anti-larceny steps are fairly simple. An outside accounting firm should audit your books annually. Checks larger than a certain size should require two signatures. Additionally, at least two people should

always count cash receipts from Sunday services to ensure that a sticky-fingered parishioner doesn't walk off with some of the proceeds.

Compared to big-ticket items like general liability and workers' compensation insurance, crime insurance is inexpensive and widely available. Most churches can usually have their crime coverage appended to their basic policy. A megachurch that needs an unusually large amount of coverage may need to have its broker arrange for separate crime coverage with a carrier that specializes in high-limits crime coverage.

Crime is as old as mankind, but today fraudsters find it easier and more profitable to steal with a keyboard than a gun. Adequate crime insurance is a necessity.

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