

# Kiwanis<sup>®</sup>

## International

Serving the Children of the World<sup>®</sup>

September 2009

Dear 2009-10 Club Secretary and/or President,

Your Kiwanis club may be exposed to lawsuits that could financially impact its ability to provide needed community service. Information in this brochure can help protect your club in case of such a lawsuit.

These insurance policies are VOLUNTARY. Kiwanis International does not require them, but strongly encourages your club's consideration. Please review the following pages for an in-depth description.

Kiwanis International has negotiated coverage for Directors and Officers Liability insurance with Great American Insurance Group. The annual premium for the insurance is \$500, which provides \$1 million in coverage. This includes a duty to defend, defense outside the policy limits, and has NO deductible, which is a cost savings to the club. This is a two-year policy, guaranteeing no increase in premium for two years, with the premium being paid in yearly installments. No need to pay for the two years up front; your club can pay at the beginning of each policy year.

Additionally, your club could face theft of funds or member dishonesty, and may be exposed to a wide variety of crime-related losses, including falsified receipts, theft of equipment, petty cash theft, or phony invoicing. The premium for crime insurance is \$125 for a \$10,000 limit of liability, with a \$250 deductible. As with the Directors and Officers liability, if higher limits are desired, they are available.

You are strongly encouraged to read and discuss these issues during your upcoming board meetings and determine whether your club needs the coverages. Should questions arise, please contact Denny Flahault, the Kiwanis International insurance broker, at the Hylant Group, 800-876-0361.

Sincerely,



Lisa M. Heindricks, SPHR  
Director of Human Resources and Risk Management



### Why Buy Coverage?

- To protect your board and club members from potential lawsuits or claims not covered by other insurance.
- To protect your club's assets in defense of lawsuits or claims.
- To reassure your volunteer board in its decision-making process.
- To protect the club assets/funds from theft by third parties or members.

### What is Directors and Officers Liability?

- Provides protection for directors, officers, committee chairpersons, and members for liability arising out of the performance of their duties that may result in claims.
- Protects the personal assets of a club director or officer.
- Protects the club's assets.
- Provides reimbursement to the organization to pay back directors and officers for their losses.
- Provides coverage for all members, not just the board members.

### Policy Highlights of D&O

(includes Employment Practices)

- Coverage cannot be canceled except for nonpayment of premium.
- Broad definition of insureds, including coverage for directors and officers, employees, trustees, and volunteers.
- Defense costs are outside the policy limit of liability.
- No insured vs. insured exclusion.
- Full retaliation coverage.
- Punitive damages coverage (most favorable venue language) where insurable.
- No intentional acts exclusion.
- Broad wrongful act definition.

### Directors and Officers Claims Example

- A Kiwanis club provides scholarships for kids from poverty-stricken families to attend a weeklong camp. The club indicates that 10 children will be selected to attend the camp based on essays they write. Response to the essay contest is overwhelming, but the club has raised only enough money to send the 10 children to camp and must turn down more than 30. The parents of one of the children who were not able to attend the camp sue the club for discrimination, claiming their child was not selected because of their ethnicity.

### What is Employment Practices Liability?

- Protects the club against damages for events relating to its members, volunteers, and employees, including, but not limited to, wrongful dismissal, harassment, discrimination, defamation, and unfair hiring/firing practices (including volunteers).
- Provides defense costs associated with responding to related lawsuits.

### Employment Practices Claims Example

- One Kiwanis-club nonprofit organization had volunteers selling peanuts as a fundraiser. While handing a customer a bag of the nuts, the volunteer patted a woman on the back and thanked her for the purchase. The woman took offense and claimed sexual harassment. Even though there were many witnesses supporting the volunteer, the cost of defense provided for that volunteer bankrupted the nonprofit organization. The average jury verdict for this type of claim is \$250,000.

### What is Crime Coverage?

- Protects the club from theft of funds, and dishonest volunteers, members, officers, and employees.
- Softens the cost to a club for theft or embezzlement and other crime-related losses.
- Protects the integrity of Kiwanians.

### Crime Claims Example

- The treasurer of a Kiwanis club had check-signing responsibility, as well as access to its checking account. During his tenure, he set up a fictitious vendor who allegedly provided services for the club. The loss was not discovered until after he had left and was caught doing the same thing at his full-time employment. At this time, he admitted he had established the "vendor for the sole purpose of stealing from the organization." As a result, the club found out he had stolen nearly \$50,000.
- Another Kiwanis club set up a little "goodwill" type of store to raise money and developed a no-questions-asked return policy in which merchandise could be returned without a receipt. The volunteer who ran the store took advantage of this policy by altering the books to show false returns and paying himself in cash, and doing so in small amounts so as not to draw attention to the transactions. When the volunteer died unexpectedly, the fraud was discovered by the new bookkeeper. As a result, the club found out it had lost nearly \$100,000 over the past four years.

### Policy Highlights of Crime Coverage

- Broad occurrence coverage for employee/volunteer theft, premises, transit, and depositors forgery.
- Broad definition of theft.
- Premises coverage includes computer theft, safe burglary, and robbery.

# Directors and Officers (including Employment Practices) and Crime Insurance Application

**NOTE: The Terms and Conditions used herein shall have the same meanings as defined in the Policy.**

## I. General Information

Name of Organization: \_\_\_\_\_ Key Number: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Submitted by: \_\_\_\_\_ Contact Phone Number: \_\_\_\_\_

E-mail: \_\_\_\_\_ Nature of Operations: **Kiwanis Club**

Do you have a Foundation, Key Club, or Circle K Club? If yes, please provide the name of the foundation/s or club/s: \_\_\_\_\_

Would you like to receive your policy certificate electronically?  Yes  No

E-mail Address: \_\_\_\_\_ *\*Please make sure that e-mail address is legible.\**

## II. Prior Insurance and Activities Information

1. Has any insurer made any payments, taken notice of claim or potential claim or non-renewal of management liability or similar insurance?

Yes  No

**If yes, please provide details on a separate page.**

2. Within the past five years, has a person or entity proposed for this insurance been the subject of or involved in any litigation, administrative proceeding, demand letter or formal or informal governmental investigation or inquiry including any investigation by the Department of Labor or the Equal Employment Opportunity Commission?

Yes  No

**If yes, please provide details on a separate page.**

## III. Other Information

1. The undersigned declares that to the best of his/her knowledge the statements herein are true. Signing of this Application does not bind the undersigned to complete the insurance, but it is agreed that this Application shall be the basis of the contract should a Policy be issued, and this application will be attached to and become a part of such Policy, if issued. Insurer hereby is authorized to make any investigation and inquiry in connection with this Application, as they may deem necessary.
2. It is warranted that the particulars and statements contained in the Application for the proposed Policy and any materials submitted herewith (which shall be retained on files by Insurer and which shall be deemed attached hereto, as if physically attached hereto), are the basis for the proposed Policy and are to be considered as incorporated into and constituting a part of the proposed Policy.
3. It is agreed that in the event there is any material change in the answers to the questions contained herein prior to the effective date of the Policy, the applicant will notify Insurer and, at the sole discretion of Insurer, any outstanding quotations may be modified or withdrawn.
4. It is agreed that in the event there is any misstatement or untruth in the answers to the questions contained herein, Insurer shall have the right to exclude from coverage any claim based upon, arising out of, or in connection with such misstatement or untruth.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

*(Must be signed by Club President or Secretary)*

**For purposes of creating a binding contract of insurance by this application or in determining the rights and obligations under such contract in any court of law, the parties acknowledge that a signature reproduced by either facsimile or photocopy shall have the same force and effect as an original signature and that the original and any such copies shall be deemed on the same document.**

**Please fully complete each of the following sections:**

### Employment Practices Coverage Section Information

1. Does your club have more than 15 employees (full-time or part-time)?

Yes  No

**If the organization has over 15 employees (excluding volunteers and members), you must complete a long form application, which can be obtained from Hylant Group or Burns & Wilcox.**

### Directors & Officers and Company Coverage Section Financial Information

1. Were your club assets less than \$5,000,000 for the last fiscal year?

Yes  No

**If the organization has over \$5,000,000 in assets, you must complete a long form application and it will be individually underwritten.**

### Coverage Request

**(please select your coverage option):**

- D&O/EPL \$1MM, \$0 Retention, \$500 Premium
- D&O/EPL \$2MM, \$0 Retention, \$750 Premium
- D&O/EPL \$3MM, \$0 Retention, \$950 Premium
- D&O/EPL \$4MM, \$0 Retention, \$1,200 Premium
- D&O/EPL \$5MM, \$0 Retention, \$1,500 Premium
- Crime \$10K, \$250 Retention, \$125 Premium
- Crime \$25K, \$500 Retention, \$155 Premium
- Crime \$50K, \$500 Retention, \$225 Premium

*\*\*Above premium rates are on an annual basis. Please call Burns & Wilcox for pro-rated quotes.\*\**

Full payment is required for coverage to be in place.  
Please submit completed application with check payable to:  
Burns & Wilcox Ltd.  
3950 Priority Way South Dr. • Indianapolis, IN 46250  
800-833-9443

# Important Insurance Information



Kiwans International  
3636 Woodview Trace  
Indianapolis, IN 46268 USA

Presorted Standard  
US Postage  
**PAID**  
Indianapolis,  
Indiana  
Permit No. 6141



**Directors and Officers  
Liability and Crime Insurance**  
for Kiwanis clubs and districts

**Kiwanis**  
International