

Fidelity Bond for Local Boards in The ARKANSAS REALTORS® Association

Three Local Boards have reported the possibility of improper use of funds. In an attempt to possibly assist all Local Boards from future problems, the Arkansas REALTORS® Association has the opportunity, assuming execution of the attached agreement and strict compliance by the applicable Local Board with all terms and conditions set forth below, to provide each Local Board, at no costs, with a Fidelity Bond to cover losses.

The following (in addition to any other terms and conditions set forth in the Fidelity Bond) must apply in order to take advantage of the coverage:

- Coverage is for three signatories from your board allowed to sign checks. One of those persons should also make deposits if deposits are to be covered by the bond.
- An annual audit from someone who is not a signatory, does not make deposits or handled Association monies, and is appointed by your Board of Directors. This need not be from a CPA but should be someone who is experienced in auditing and bookkeeping.
- A monthly reconciliation of the banks statement by someone who does not sign checks or make deposits. (Who does not handle any of the monies of the Board)
- Two signatures on every check and no blank check signatures.
- Every signatory on checks or persons under coverage must take an annual vacation away from Local Board business of signing checks and making deposits.
- Require annual signing of an agreement with the Arkansas REALTORS® Association that the Local Board will abide by the conditions of coverage. If that agreement is not signed, no coverage will be afforded to the local board.
- Coverage, upon the express terms and conditions set forth in the Surety Bond (a copy being enclosed), is limited to \$25,000
- In order for coverage to be effective, the covered person must be convicted in a court of law.
- This coverage is effective for employees (full or part time) and elected Officers/Directors of the Local Board (exclusively for duties assigned by the Local Board and not to cover any negligent or willful actions while acting as a licensee)

If a Local Board has similar coverage in place, the Arkansas REALTORS® Association recommends review of existing coverage with your insurance representative and legal counsel to determine whether it may be advisable for each Local Board to amend existing coverage to include a \$25,000 deductible and specify existing coverage is secondary to the Fidelity Bond outlined herein.

This is a free service to the local boards provided by ARA. No premium is required by the local board.

Agreement for Coverage of a Fidelity Bond

We, the Board of Directors of the _____
(Local Board Name)

agree to accept the coverage of a Fidelity Bond from Western Surety Company (the "Insurer") and funded by the Arkansas REALTORS® Association subject to the following terms, conditions and contingencies:

- Coverage is for three signatories from your board allowed to sign checks. One of those persons should also make deposits if deposits are to be covered by the bond.
- An annual audit from someone who is not a signatory and appointed by your Board of Directors. This need not be from a CPA but should be someone who is experienced in auditing and bookkeeping.
- A monthly reconciliation of the bank statement(s) by someone who does not sign checks or make deposits. (Who does not handle any of the monies of the Board)
- Two signatures on every check and no blank check signatures.
- Every signatory on checks or persons under coverage must take an annual vacation away from Local Board business of signing checks and making deposits.
- Require annual signing of an agreement with the Arkansas REALTORS® Association that the Local Board will abide by the conditions of coverage. If that agreement is not signed, no coverage will be afforded to the local board.
- Coverage, upon the express terms and conditions set forth in the Fidelity Bond (a copy being enclosed), is for up to \$25,000
- In order for coverage to be effective, the covered person must be convicted in a court of law.
- This coverage is effective for employees (full or part time) and elected Officers/Directors of the Local Board (exclusively for duties assigned by the Local Board and not to cover any negligent or willful actions while acting as a licensee).

The initial period of coverage begins on June 19, 2002, and extends for one year renewed annually. We agree to implement the conditions of coverage listed above and to affect controls to keep the conditions in place for the period of coverage. **IN ALL CIRCUMSTANCES, LOCAL BOARD AGREES TO PURSUE ALL CLAIMS UNDER THE FIDELITY BOND COVERAGE SOLELY AGAINST INSURER AND AGREES TO RELEASE, INDEMNIFY AND HOLD ARKANSAS REALTORS® ASSOCIATION HARMLESS FROM ANY CLAIM MADE HEREUNDER, WHETHER ALLOWED, DENIED, OR OTHERWISE HANDLED BY INSURER.**

The three persons we select for coverage are: _____

The following members of the Board of Directors are agreeing to this agreement on the

_____ day of _____, 20
