

**The event will begin at 1:00 PM CT.**  
Thank you for joining us!

# **Crime Policies: Beyond Employee Theft Coverage and Claims**

Presented By:  
Brown & Brown Executive Risk Team



# Presentation Agenda



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**Introductions**

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**Coverage Grants and Claim  
Scenarios**

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**Market Conditions and Claim  
Issues**

4

**Q&A**

# Panelists



**Aaron Stone**  
*Brown & Brown, Moderator*



**Sydney Westmacott**  
*Brown & Brown, Panelist*

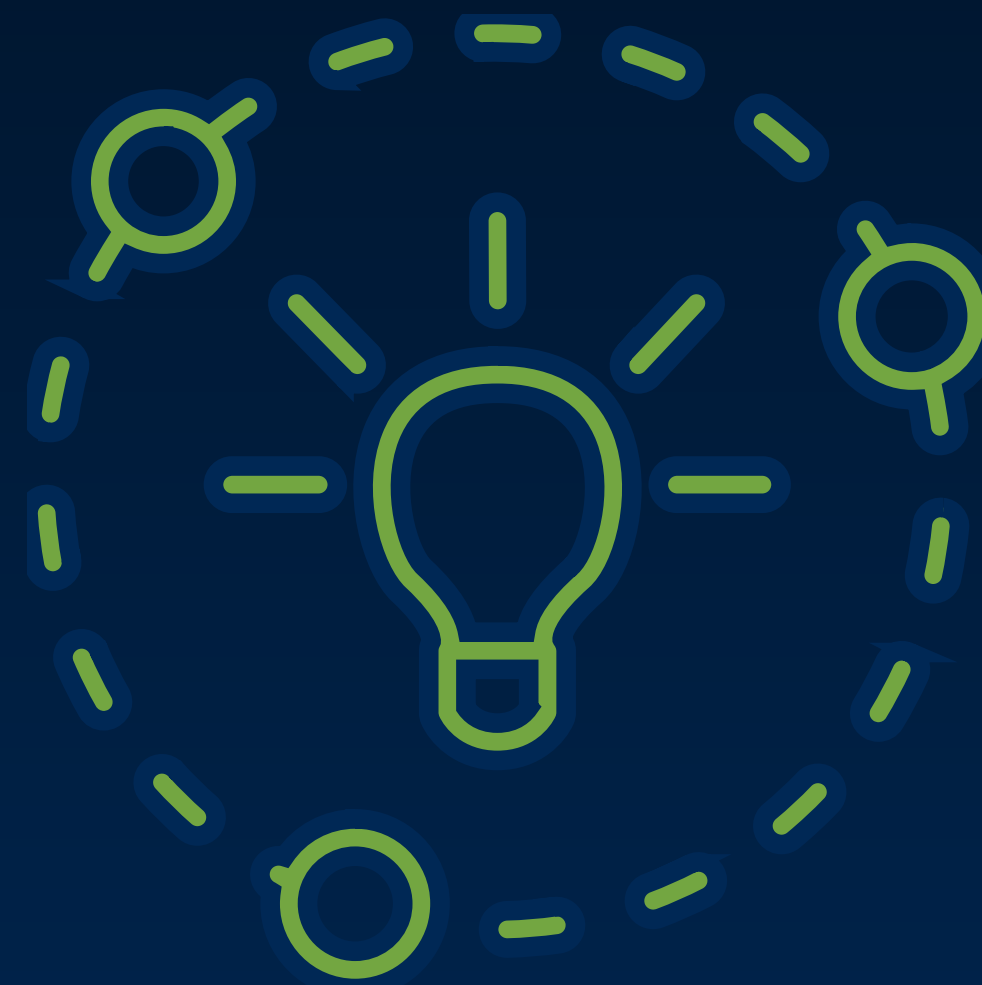


**Stuart Turner**  
*Brown & Brown, Panelist*



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## Coverage Grants and Claim Scenarios





# Commercial Crime Coverage

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- Commercial Crime insurance can help protect your company from significant losses caused by both third parties or internal employees.
- Different from theft coverage included in some Commercial Property policies, which is usually limited to theft of tangible property, and which excludes employee theft.
- Commercial Crime insurance is designed to cover losses of money, securities and other non-tangible property, in addition to tangible property.
- Contains several coverage grants, but the main one is Employee Dishonesty.

# Employee Dishonesty

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- **75% of employees** admit to **stealing from their employer** at least once.
- Employee theft costs employers up to **\$50 billion** annually.
- Approximately **95% of U.S. businesses** are affected by employee theft.
- On average, **5%** of an organization's revenue is lost to employee theft each year.
- **22%** of small business owners have experienced employee theft.

Source: Credit Union Times 2023



# Employee Dishonesty

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- **Employee Theft or Dishonesty**

- » Employee theft is also called employee dishonesty coverage and protects against financial loss caused by property thefts committed by employees.

- **Claim Scenarios**

Amit Patel, a former employee in the finance department of the Jacksonville Jaguars, allegedly stole more than \$22 million from the team over a four-year period. Patel was a mid-level employee who worked for the Jaguars from 2018-23. He allegedly created fraudulent charges on the club's virtual credit card and then covered his tracks by sending falsified files to the team's accounting department.

Vice President of Engineering of an HVAC company surreptitiously started his own company. He purchased parts and power tools on the HVAC company's corporate account which he then used for his separate clients or sold on eBay and kept the proceeds. To avoid detection, he kept purchases of the parts and power tools within his corporate account limit. Also unaware of his scheme, he had other employees order more copper piping and other materials than were necessary for the jobs he was supervising. The total amount of loss was approximately \$860,000.

A carpet installer is subcontracted by Home Mart, a major home repair store to install new flooring in an exclusive home. When the installer visits the customer's home, he commits a crime, specifically he steals 2 expensive watches, a computer, and sports memorabilia. Upon discovery, the customer sues both the carpet installer and Home Mart for the crime that occurred. In this instance, third-party crime coverage could cover the costs of legal fees and damages.



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- **Employee Theft of Client Property**

- » Employee theft of client property provides coverage for property theft sustained by the client that your employee commits. This coverage is relevant for businesses that are providing services on their client's premises.



# In Transit | Outside the Premises Theft

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- Coverage is typically afforded for theft via robbery of money or securities in physical form either:
  - » Inside the premises (e.g. cash stored in a safe or cash register, or petty cash)
  - » Outside the premises (e.g. while in transit in the care, custody and control of a messenger or armored vehicle company).
- Coverage is also typically afforded for Loss of money or securities outside the business's location due to theft, disappearance or destruction.
- **Claims Scenario**
  - » A controller of a construction company left a deposit bag in the trunk of their personal car. After the deposit bag was stolen from the unlocked trunk, the controller attempted to cover up the loss of funds with creative accounting entries. Later, the company discovered the controller's fraudulent accounting entries as well as the loss of the funds and secured a sworn proof of loss.
    - The carrier reimbursed the insured \$27,000 for the outside-the-premises claim.

# Forgery/Alteration

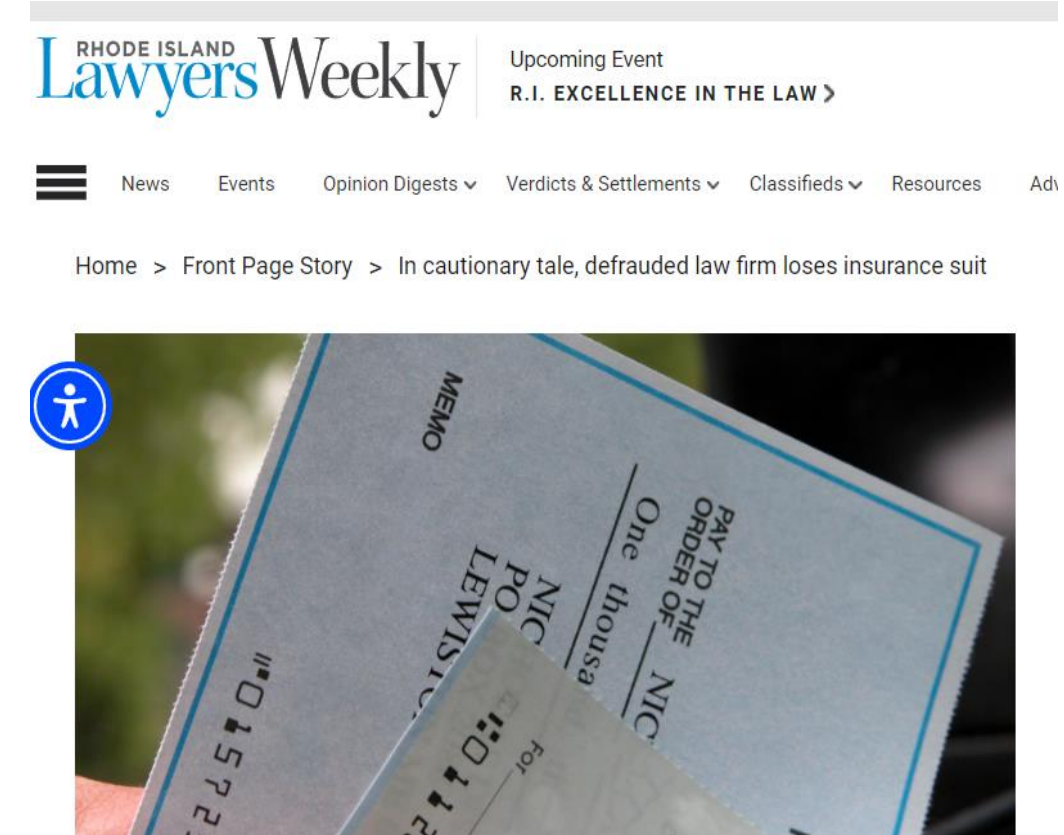
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- Loss resulting from forgery or alteration of checks, drafts, promissory notes, etc.
  - Forgery or alteration of documentation related to commercial credit, debit or charge cards;
  - Theft via forgery or alteration of funds within personal accounts of executive employees.
- **Claim Scenario**
    - » The accounting clerk at a family-owned waste management company was found to have altered checks after they were signed by the CFO, making them payable to an account she controlled. The company was unaware of the forgeries until contacted by the IRS for unpaid taxes.
      - Policy covered the costs of altered checks.

# Money Orders and Counterfeit Money

- A crime policy will cover counterfeit currency claims. If your business accepted payment, whether by a money order, a check, or actual currency for merchandise, that appeared to be legitimate but was later proven to be counterfeit.

- **Claims Scenario**



- **In cautionary tale, it can even happen to lawyers!**
  - » A law firm processed what turned out to be a fake money order that it received from a “new client” who had retained the firm under a false identity. The firm was notified by its bank that the bank had dishonored a money order for nearly \$95,000 that the law firm had deposited into its IOLTA account.
  - » The Illinois firm had accepted the money order as settlement of an employment matter brought by a new client claiming to be “Joseph Smith”. The firm promptly wired \$94,385 of the deposited amount to the bank account of the client, but it turned out later that the “client” was using a false identity.
    - Policy covered the costs of altered checks.

# Computer Fraud | Funds Transfer Fraud

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- **Computer Fraud**

- » Loss resulting from the use of any computer to fraudulently cause a transfer of funds/property from inside the premises (or one's bank) to an outside party.

- **Funds Transfer Fraud**

- » Loss of money or securities resulting from a fraudulent instruction directing a financial institution to transfer or otherwise pay money out of an account.

- **Claims Scenarios**

- » The overnight manager of a chain supermarket issued payments on the store's Western Union terminal to debit cards in his sister's name. The employee was able to perpetrate the scheme for an extended period before the theft was discovered.

- » An administrative assistant at a mid-market financial services firm received an email that appeared to come from the company's CFO, requesting an immediate wire transfer of funds. The admin processed the request, only to find out later that the email was fraudulent.

- The company's commercial crime insurance policy covered the cost of the fraudulent transfer.

# Social Engineering Fraud

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- *Social Engineering Fraud / Fraudulent Impersonation* refers to a variety of techniques used by fraudsters to deceive and manipulate victims into voluntarily performing actions which result in them giving out confidential information or transferring funds.
  - » A business transfers money or securities in good faith based on transfer instructions that were fraudulently issued by an impostor.
- **Claims Scams:**
  - » Phishing, Vishing and SMShing
  - » Telephone Fraud
  - » Business Email Compromise
  - » Romance Scams
  - » Investment/Boiler-room Fraud
  - » Sextortion



**03**

# **Market Conditions**



# Appetite & Placement Challenges

- **Increased Limits & Sublimits**
- **Application Details**
  - » Internal Controls (audit, trainings, call-back verification, etc.)
  - » Social Engineering Supplemental Application
  - » Accurate Employee Count
  - » Financials (audited when available)
- **Loss History**
  - » Corrective Measures Enacted





# Claim and Coverage Issues

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- Coverage is triggered by Discovery of the Loss.
- When is the Loss considered “discovered”?
  - » Knowledge of Key Persons
- Exclusions
  - » Noncriminal mistakes and oversights
  - » Employees with criminal records known to employers
  - » Crimes by business owners or senior management
  - » Indirect financial losses (Loss of income)
- Proof of Loss Process
- Claims Expense Coverage



A blurred background image showing several people sitting around a table in a meeting room, engaged in discussion. The scene is dimly lit, with a bright light source on the right side creating a bokeh effect.

**04**

# Questions and Answers





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