

### Q&A

#### **What does Crime coverage consist of?**

Crime coverage protects organizations from loss of money, securities, or inventory resulting from crime, either internal or external. Fidelity / Crime insurance claims allege employee dishonesty, embezzlement, forgery, robbery, safe burglary, computer fraud, wire transfer fraud, counterfeiting, and other criminal acts.

#### **If my client has a general property insurance policy; do I need a crime policy as well?**

Every policy is different so it is important that we examine the property coverage closely. However, crime related losses are typically covered or can be covered up to a \$100,000 limit. At ExecutivePerils, we specialize in challenging crime exposures and for those insureds who have suffered large losses.

#### **Is Fidelity, Crime and Employee Theft the same thing?**

Over the years ISO and the insurance companies have called different coverages by different names. Historically, Fidelity and Employee Theft were considered the same coverage (also known as Clause 1). Crime is a broader term including; Employee Theft (fidelity), Transit, Premise, and Depositors Forgery.

#### **What is employee dishonesty insurance?**

This insurance protects the employer from financial loss due to the fraudulent activities of an employee or group of employees. The loss can be the result of the employee's theft of money, securities or other property of the employer.

#### **Why do business owners need employee dishonesty insurance?**

Fraud and embezzlement in the workplace is on the rise. The Association of Certified Fraud Examiners (ACFE) estimates business losses \$400 billion per year or about 6% of total annual revenue. Small companies can be especially effected by theft and embezzlement because they can't afford extensive safeguards and aren't large enough to absorb losses. Workplace crime is carried out by employees 80% of the time. One in four employees who has committed fraud against their employer had been with the company more than ten years.

#### **Is employee dishonesty insurance the same as a fidelity bond?**

Yes, in most cases they are considered the same type of coverage. Employee dishonesty insurance is also sometimes called crime coverage, employee dishonesty bond, fidelity bond and crime fidelity insurance.

#### **Who is covered under an employee dishonesty insurance policy?**

An employer is protected from theft by its employees. In addition, employers are protected from covered losses due to burglary and destruction. The exact definition of "who" is covered is defined in the policy, but should include all current or former employees, partners, members, directors, volunteers, trustees, seasonal employees and temporary persons at your direction and control.

#### **What is covered under an employee dishonest policy?**

Stand alone policies are designed to cover employee thefts, robbery and safe burglaries. Coverage can also include:

1. Forgery or alteration
2. Funds transfer fraud
3. Computer fraud
4. Credit card fraud
5. Money order and counterfeit fraud

**These scenarios are not intended to be interpreted as coverage positions. Coverage for any given claim is based upon its facts and the specific terms and conditions of the policy.**

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#### **What is third party coverage on an employee dishonesty policy?**

This coverage, added by endorsement, extends coverage to a client with which you are under written contract to perform services. The policy will pay for loss of or damage to money, securities and other property owned or leased by a client from theft by an employee of the policyholder. This endorsement modifies the policy to include coverage at the client's premises.

#### **What are some of the typical exclusions in an employee dishonesty policy?**

Accounting or math errors or omissions  
Loss to income that you could have realized had there been no loss of or damage to money, securities or other property  
Vandalism  
Governmental action, seizure or destruction of property by the government  
Restatement of a profit and lost statement  
Theft by you for you. You can not steal from yourself; however, coverage extends to partners, directors, members, and trustees.

#### **What are the disadvantages to adding this coverage to other policies?**

Limits may be insufficient to cover real losses  
Terms, conditions and exclusions may limit coverage and only cover employee dishonesty losses marginally. Business owners policies (BOP's) may limit employee dishonesty to \$10,000. Usually only first party coverage is available  
Employee dishonesty claims could impact your insurance policy designed for other exposures. (accountants error and omissions policies)

#### **How are prior acts covered?**

The AICPA plan employee dishonesty endorsement is limited to a loss sustained basis. A loss must be sustained through acts committed or events occurring during the coverage period or extended reporting period. (No later than one year)  
Stand alone\* employee dishonesty insurance will pay for a loss sustained through acts or events committed or occurring at any time and which are discovered during the policy period or extended policy period.

#### **TOP 5 Reasons Your Business Needs Fidelity and Crime Coverage**

1. The typical organization loses 5 percent of its revenues to fraud each year
2. The average loss caused by employee dishonesty is \$140,000 with one in every five cases reporting a loss of at least \$1M
3. Fidelity and Crime coverage provide an important backstop against the action sofa thieving employee, protecting your balance sheet, your assets and your stakeholders' investment.
4. Background checks, even when they are used, are of little help to employers to mitigate fraud. Most occupations fraudsters are first-time offenders with clean employment histories.
5. Technological advances can be both good and bad. Increased ease of doing business can leave business exposed to new and complex funds transfer fraud and computer fraud threats.

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