

Crime Coverage Endorsement



As criminals become more sophisticated, has your crime coverage kept pace?

A decade ago, crime involved a robber walking into a bank with a weapon. Today, criminals do not necessarily use weapons—they use computers. Cybercriminals hack into your system, monitor your emails, then impersonate you to fraudulently convince an unsuspecting employee to wire transfer large sums of money to them.

Owners typically trust the people working for them. Embezzlers don't look and act like bad people. However, the major perpetrators may include your own employees. Unfortunately, most people convicted of employee fraud schemes appear to be good people—who make bad decisions.

Crime, Fraud and Employee Theft Statistics

15%

of fraud cases are discovered by internal audits¹

22%

of employee theft claims cost more than \$1 million¹

43%

of cyberattacks target organizations with less than 100 employees²

91%

of attacks by cybercriminals start through email³

Crime claims at CPA Firms

- The engagement partner at a CPA firm embezzled over \$1.5 million from multiple clients over several years. The theft was revealed when a client noted an unusual balance on a statement.⁴
- An accounting firm made wire transfers amounting to \$192,000 in response to email requests that appeared to be from a client.⁵ In reality, they were from a criminal that had taken control of the client's email account.
- A "star" associate brought a wealthy elderly client to a firm, and then proceeded to write unauthorized checks to herself. The thefts were discovered by the client's heirs after her death.⁶

¹Report to the Nations: 2018 Global Study of Occupational Fraud and Abuse," Association of Certified Fraud Examiners, 2018.

²Devon Milkovich, "15 Alarming Cyber Security Facts and Stats," Cybint, September 23, 2019.

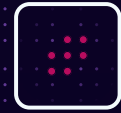
³Victoria Wilson, "Statistics You Need to Know about Social Engineering," SysGroup, 2019.

⁴Deborah K. Rood, CPA, and Gretchen McCole, "All in a dishonest day's work," Journal of Accountancy, August 1, 2014.

⁵Jessica H. Park and John G. O'Neill, "Insurance Coverage for Social Engineering Wire-Fraud Scams," For the Defense, October 2018.

⁶Subject to the terms and conditions of the policy.

Crime Coverage Endorsement



The Endorsement applies to loss of or damage to certain types of property resulting from:

Employee Theft:

theft resulting in loss of, or damage to covered property committed by an employee, or partner performing the usual duties of an employee and under the control and supervision of management, acting alone or in collusion with other persons

Forgery or Alteration:

the forgery (signing of the name of another person or organization with intent to deceive) or alteration (material modification of an original document by a person acting without authority and with the intent to deceive) of, on, or in a covered instrument that are made or drawn by or drawn upon by the insured, or made or drawn by one acting as the insured's agent

Computer Fraud:

use of a computer to fraudulently transfer such covered property through unauthorized and intentional use of corrupt code by a party, other than an employee or a natural person acting in collusion with an employee, and without the knowledge, consent, or intervention of you or your employees

Funds Transfer Fraud:

a fraudulent instruction directing a financial institution to transfer, pay or deliver such money or securities from your transfer account, resulting in loss of money or securities

Social Engineering Fraud:

the intentional misleading of an employee (including your managers, partners, owners, shareholders, proprietors, directors, officers, trustees, or governors) through use of a communication by a party, who is not, but purports to be the insured, an employee, or a pre-existing client or vendor

All five coverage agreements are subject to a single occurrence/aggregate limit of liability and an occurrence deductible, with the social engineering coverage agreement subject to a lower sublimit.

- Up to \$2,500,000 in limits available to eligible insureds; with a \$100,000 sublimit for Social Engineering Fraud
- Limits and deductibles are separate from
- Professional Liability coverage limits and deductibles
- Limits of may not exceed the per claim limit of liability on the Professional Liability policy form
- Legal claim expenses paid inside the policy limits

Crime, Fraud and Employee Theft Statistics

\$130K

the average cost of an employee theft claim¹

1/2

of all fraud claims are due to internal control weaknesses

16 MO

is the average duration of a fraud scheme¹

For rates, coverage limits and to initiate coverage, please contact: