



## Has your crime coverage kept pace with sophisticated cyber crimes?

In today's digital landscape, criminals can potentially infiltrate your business with just a few keystrokes. Cybercriminals use sophisticated tactics to breach your systems, monitor your communications, and manipulate your employees into unsuspectingly transferring large sums of money.

The FBI reported that in 2023, business email compromise alone led to losses exceeding \$2.9 billion in the U.S. Additionally, a study by the Association of Certified Fraud Examiners (ACFE) in 2024 found that organizations lose 5% of their revenue each year to fraud, with a significant portion perpetrated by trusted employees. Unfortunately, even the most reliable, long-time employees can fall prey to temptation. Many who commit fraud within a company are trusted individuals who make poor choices.

These statistics are 'red-flag' alerts for CPAs, signaling the financial damage cybercrime can potentially cause. This also reinforces the importance of cybercrime coverage, proactive security risk management practices, and internal controls to help mitigate cyber-related risks and safeguard your firm.

### Crime, Fraud and Employee Theft Statistics

**14%**

of fraud cases are discovered by internal audits<sup>1</sup>

**22%**

employee theft claims cost more than \$1 million<sup>1</sup>

**1,636**

cyber attacks on average experienced per week, representing a 30% year-over-year increase<sup>2</sup>

**60%**

of small businesses go out of business after being victims of a cyberattack<sup>3</sup>

### 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.<sup>4</sup>
- An accounting firm made wire transfers amounting to \$192,000 in response to email requests that appeared to be from a client. In reality, they were from a criminal that had taken control of the client's email account.<sup>5</sup>
- 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.<sup>4</sup>

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

The Crime Coverage Endorsement applies to loss of or damage to certain types of property resulting from:<sup>6</sup>

- **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 qualified and eligible insureds; with a \$100,000 sublimit for Social Engineering Fraud
- Limits and deductibles are separate from Professional Liability coverage limits and deductibles
- Limits 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

**\$145k**  
the average cost  
of an employee  
theft claim<sup>6</sup>

**53%** of fraud claims  
in 2024 had at least  
one pandemic-related  
factor contribute to the  
occurrence of the fraud<sup>1</sup>

**12 mo**  
is the average  
duration of a  
fraud scheme<sup>1</sup>

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<sup>1</sup>Occupational Fraud 2024: A Report to the Nations" Association of Certified Fraud Examiners, 2024.

<sup>2</sup> <https://research.checkpoint.com/2024/22nd-july-threat-intelligence-report/>

<sup>3</sup> <https://www.terranovasecurity.com/blog/cyber-security-statistics>

<sup>4</sup>Deborah K. Rood, CPA and Gretchen McCole, "All in a Dishonest Say's Work", AICPA Member Insurance Programs, 2020.

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

<sup>6</sup>Federal Bureau of Investigation Internet Crime Report, 2023" Subject to the terms and conditions of the policy.

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