

Crime Coverage

Everyone is exposed and everyone wants your stuff! Criminals are incredibly creative, are you protected?

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Crime is a critical, yet often overlooked, coverage for nearly every business. It is also a growth industry and some of the crimes being committed today did not even exist 10 years ago!

Even if you do not elect to purchase a comprehensive crime policy, you should know what your exposures are so you can effectively manage those exposures. Listed below are the main crime coverages currently being offered in the marketplace.

Employee Dishonesty – Provides coverage for employee theft of money, securities or property. This is written with a per loss limit, per employee limit, or per location limit and is one of the key coverages provided in crime policies.

Example: A long-time employee responsible for distributing checks has been skimming money for himself every pay period. This employee has been working at your company for 15 years. He has accrued thousands of dollars in falsified reimbursements.

Forgery or Alterations – Insures against loss due to dishonesty in writing, signing, or altering checks, bank drafts and other financial instruments.

Example: One of your clients' vendors has been receiving monthly checks for services rendered. They have been altering those checks to pay more than what was agreed upon.

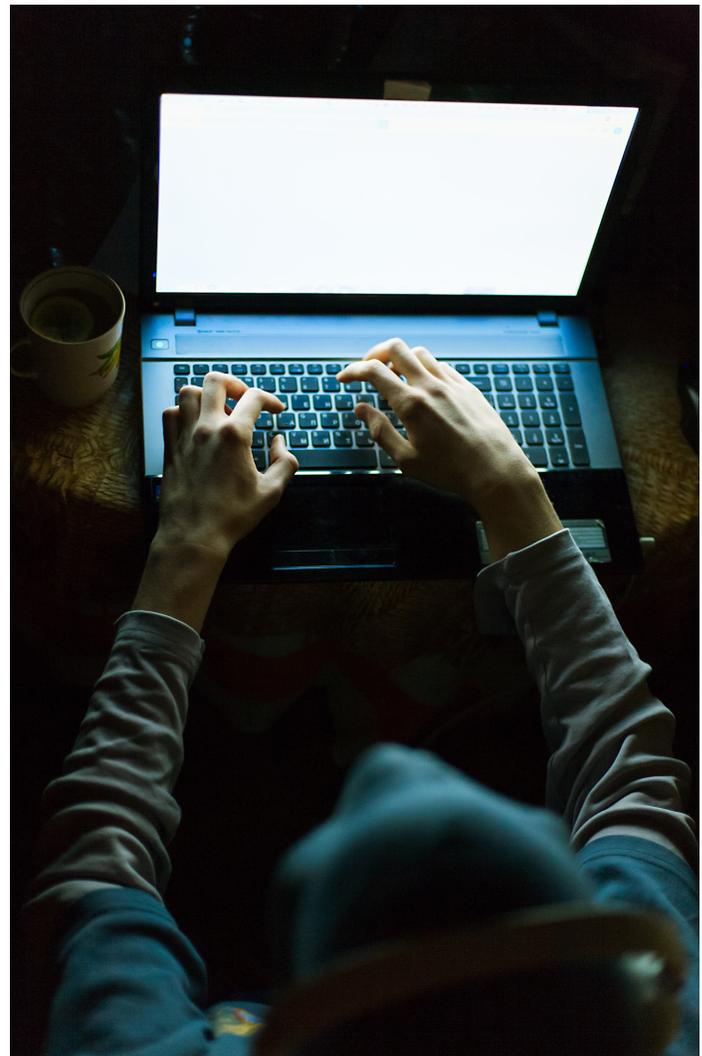
Money and Securities – Insures against loss of money and securities from within the insured's premises or from

the insured's bank/safe depository due to theft, disappearance or destruction.

Example: You keep money on premises for emergencies. You check on your money and it has disappeared.

Third-Party Fidelity – Insures against the theft by an employee while on a customer/client's site.

Example: You own a construction company and you are doing renovations to a residential property. One of your workers finds an open jewelry box and pockets some expensive items. The owner complains and blames your company for the loss.



Money Order and Counterfeit Money – Insures against loss due to acceptance of a money order that was issued by a post office or express company. It also insures against counterfeit dollars from the U.S. and Canada.

Example: You have been working with a company that has been paying you cash. It turns out they are using counterfeit money. This coverage will reimburse you for all money that was illegally distributed.

Computer Fraud – Covers direct loss of money, securities and other property resulting directly from the use of any computer to fraudulently transfer insured property from inside the insured's premises or bank premises to a person or place outside of the insured's premises or bank's premises.

Example: An employee of a vendor fraudulently gains access to the insured's computer and changed the bank routing number from the vendor's routing number to the employee's bank routing number, causing a large sum of money to be transferred directly to the employee instead of to the vendor.

Funds Transfer Fraud – Covers direct loss of money and securities in the insured's transfer account on deposit at a financial institution committed by a third party and directly caused by electronic, telephone or fax instruction which purports to have been transmitted by the insured but which was fraudulently transmitted by someone else without the insured's knowledge or consent.

Example: An unknown party impersonates the insured's bank, contacts the insured's funds transfer administrator and convinces them to activate a computer link back to a phony bank. This allows the impersonator to contact the insured's real bank, pretend to be the insured, and have wire transfers issued that ultimately end up at a phony foreign bank.

Social Engineering – Covers theft by manipulation, where a third party masquerades as an employee, client or other business contact, in order to trick the insured into surrendering funds or other assets voluntarily. This is the classic "con."

Example: The owner of a business walks by his controller's door. The controller mentions that he received the

owner's email to wire money to one of their main suppliers and the controller just sent it. The owner, however, never requested this.

Identity Fraud – Coverage for theft of personal information, such as social security or driver's license numbers (of clients, employees, etc.) in order to impersonate the insured. This information can be used to obtain credit, merchandise, or services in the name of the victim, or to provide the thief with false credentials. This can be purchased through a commercial policy and can be added as an endorsement to your homeowner's policy.

A good example of employee dishonesty took place at the Lawrence Family Jewish Community Center in San Diego. Both the Chief Financial Officer and an Accounts Payable Clerk were convicted of ripping off the organization. Between the two of them they stole \$566,000. Their plot was simple, they would use the center's credit card then pay off the bill with the center's funds and doctor the books to make it look like the expenses were valid.

Another far more egregious example took place in Dixon, Illinois. Rita A. Crundwell was the appointed comptroller and treasurer of Dixon from 1983 to 2012. She was also the perpetrator of what is believed to be the largest municipal fraud in American history.

She was fired in April 2012 after it was revealed that she had embezzled more than \$53 Million from the city (Dixon is a town of about 16,000 people and has an annual budget of \$8 Million to \$9 Million). Crundwell opened a secret bank account in 1990 named RSCDA (Reserve Sewer Capital Development Account), making it appear to be a city account. She was the only signatory. She would have money deposited into another account called the Capital Development Fund, create false state invoices, and then write checks from the fund payable to "Treasurer," which she would deposit into the RSCDA account. According to federal investigators, this relatively uncomplicated scheme continued for twenty-two years. On average, Crundwell stole \$5 Million per year from the city.

Example: You lost your wallet on vacation. Someone gains access to your driver's license and business credit card. You call in to cancel your card the next morning, but it had already been eight hours since it was lost. Because you signed the back of your card, the thief forged your signature and spent thousands. You reported it to your bank, but there was no evidence that you did not spend the money.

Guests' Property – Coverage for legal liability arising out of the damage/loss of property belonging to guests of the insured while the property is in a safe deposit box on the insured's business premises (hotels, motels, inns).

Example: You own a hotel and one of your guests leaves the door open. Someone comes in and breaks open their safe. Their money is stolen. The guests insist that they did not leave the door open.

Pension-Plan Bond Coverage (ERISA) – Insures against funds/property in a pension plan subject to fraud or dishonesty on the part of its administrators, officers and employees. Legally there needs to be coverage for at least ten percent (10%) of the plan, with a maximum of \$500,000.

Example: One of the administrators for your company's pension plan has disappeared...and so has the money in the pension plan!



Conclusion

Crime coverage is evolving quicker than any other coverage. While you can buy Crime Insurance relatively inexpensively, this is an exposure that lends itself to being managed and you are far better off avoiding the exposure to begin with than having to rely on your insurance.

2017 Risk Management Seminar Series



Safety Management Systems 101: The Basic Elements of a Successful Safety Management System

Friday, August 11th

7:30am Registration

8:00am - 10:00am Program

Sexual Harassment Prevention Training

Friday, September 8th

7:30am Registration

8:00am - 10:00am Program

Accident Investigations: How to Conduct an Investigation That Focuses on CAUSE and not on BLAME

Friday, September 15th

7:30am Registration

8:00am - 10:00am Program

Reserve Early, Seating is Limited!

To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at mongold@cavnac.com or call 619-744-0540.

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HEPATITIS C RATES TRIPLE

The number of new hepatitis C infections has reached a 15-year high, tripling over the last five years, according to the Centers for Disease Control and Prevention (CDC).

New virus infections are increasing among young people ages 20 to 29. This is primarily due to more people using injection drugs, according to the CDC.

However, three-quarters of individuals living with hepatitis C are baby boomers (born between 1945 and 1965). They are six times more likely to be infected and to die as a result of the virus.

Hepatitis C shows few symptoms and nearly half the people infected are not aware of it. The most common transmission method is injection drug usage, but other ways include being unintentionally exposed in a health facility or transmission from mother to child.

Symptoms are mild or sometimes nonexistent for years. Since hepatitis C primarily affects the liver, dark urine, yellow skin or abdominal pain could be signs of infection. Talk to your doctor about your hepatitis C risk and ask if you should be tested.

This article is intended for informational purposes only and is not intended to be exhaustive, nor should any discussion or opinions be construed as professional advice. Readers should contact a health professional for appropriate advice.

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Prevent Heat Illness

There were 7,415 heat-related deaths in the United States from 1999 to 2010, according to the Centers for Disease Control and Prevention (CDC). These preventable deaths illustrate how important preparation is during extreme temperatures. Whether you are swimming at the beach or lounging in the park, you should be prepared for extreme heat conditions.

Stay Prepared

The CDC provides three easy steps to prevent heat-related illnesses: stay cool, stay hydrated and stay informed. This summer, make sure you have shade wherever you are going and have attire, like a sun hat or a thin, long-sleeved shirt, to avoid direct contact with the sun. Be sure to drink lots of water—more than you usually do. Your body quickly loses fluids in the summer more quickly, which can lead to illness. Finally, stay informed by monitoring the local weather forecast and prepare accordingly for outdoor activities.

Know the Signs

The two most dangerous heat-related illnesses, besides dehydration, are heat exhaustion and heat stroke. Heat exhaustion is exhibited through cold, clammy skin, heavy sweating and nausea. If you or someone shows these symptoms, move to a cooler location and sip water. If you or someone has a rapid pulse, hot and red skin, and loses consciousness, this could mean heat stroke, and you should call 911 immediately. In this latter scenario, do **not** give fluids to the person showing the symptoms. **Do**, however, move them to a cooler location and lower their temperature with cool cloths.

BROCCOLI STRAWBERRY ORZO SALAD

¾ cup orzo pasta (uncooked)
2 cups fresh broccoli (chopped)
2 cups fresh strawberries (diced)
¼ cup sunflower seeds

Lemon Dressing:

1 Tbsp. lemon juice (fresh or bottled)
2 Tbsp. apple cider vinegar
2 Tbsp. olive oil
1 tsp. sugar (or honey)

PREPARATIONS

1. Cook pasta. Drain and rinse in cold water.
2. In a large bowl, combine orzo pasta, broccoli, strawberries and sunflower seeds.
3. For the lemon dressing, combine ingredients. Next, drizzle on top of the mixture in the other bowl.
4. Season with salt and pepper. Chill in refrigerator until ready to serve.

Makes: 6 servings

Nutritional Information (per serving)

Total Calories	153
Total Fat	8 g
Protein	4 g
Carbohydrates	18 g
Dietary Fiber	3 g
Saturated Fat	1 g
Sodium	33 mg

Source: USDA



Have a Responsible Summer

This Aug. 18 to Sept. 4, law enforcement will be stepping up their “Drive Sober or Get Pulled Over” campaign. This means police officers will be focused on spotting impaired drivers and pulling them over.

There were nearly 10,000 people killed in alcohol-impaired motor vehicle crashes in 2014, according to the CDC. This accounts for nearly 33 percent of all traffic-related deaths in the United States. Keep this sobering statistic in mind when attending gatherings with alcohol, like barbecues, beach parties or work events.

The National Highway Traffic Safety Administration (NHTSA) created a [smartphone app](#) to help drivers who cannot safely drive home. The app can help tell you where you are, help you call a taxi or help you call a friend. Other useful apps include [Uber](#) and [Lyft](#), as both can get you home if it’s not safe for you to drive.

For more information on the Drive Sober or Get Pulled Over campaign, visit the [NHTSA website](#).

DRIVE SAFE

EACH DAY, **28 PEOPLE DIE** IN ALCOHOL-RELATED MOTOR VEHICLE CRASHES IN THE UNITED STATES. THIS MEANS ONE DEATH EVERY **53 MINUTES**.

THE ANNUAL COST OF ALCOHOL-RELATED CRASHES TOTALS MORE THAN **\$44 BILLION**.

SOURCE: CDC

Spotlight On



Cavnac & Associates is proud to support local and non-profit civic organizations, including Alpha Project.



Alpha Project is a nonprofit 501(c)(3) human services organization that serves over 4,000 men, women, and children each day.

Services offered include affordable housing, residential substance abuse treatment, supportive housing for people with special needs, basic and emergency services for the homeless, transportation assistance, mental health counseling, employment training, preparation and placement, emergency shelter, HIV/AIDS, education, outreach and prevention, and community services.

The mission of the Alpha Project is to empower individuals, families, and communities by providing work, recovery and support services to people who are motivated to change their lives and achieve self-sufficiency.

The agency's many programs are available to all persons in need regardless of race, creed, color, ethnicity, national origin, religion, gender, or sexual orientation.

For more information, go to www.alphaproject.org