

## Preventing Electronic Funds Transfer Fraud

*Article provided by Professional Liability Agents Network (PLAN)*

*This material is provided for informational purposes only. Before taking any action that could have legal or other important consequences, confer with a qualified professional who can provide guidance that considers your unique circumstances.*

Although online banking is a relatively recent phenomenon, it's already difficult to imagine life without it. For both personal and business banking, the ability to pay bills, collect fees and otherwise transfer funds from a remote computer virtually eliminates the need to visit a brick-and-mortar bank to make financial transactions.

Unfortunately, as an increasing range of financial transactions move to the virtual world of computers, a whole new set of liabilities arise. Chief among those is the fraudulent electronic funds transfer (EFT).

### What is Fraudulent EFT?

Fraudulent EFT is the activity of accessing a personal or business bank account and transferring the funds to another account without permission. Gaining access to an account can occur through various means. For example, someone can steal your credit or debit card, or copy your card numbers and passwords through a sophisticated reader illegally attached to an ATM machine.

For today's businesses, however, perhaps the great-

est threat is having someone gain access to your online bank account and illegally transfer funds into their own account. One source of such illegal activity is dishonest company employees. There are many cases of employees who have access to company financial accounts ciphering company money by making payments to bogus vendor accounts they set up. This exposure is appropriately insured by an Employee Dishonesty Policy.

A bigger threat to companies, however, is fraudulent EFT's perpetrated by computer hackers, often located halfway around the world. These thieves can and do instantaneously empty a company's entire bank account, often resulting in losses of hundreds of thousands of dollars.



### A Hacker at Work

How do hackers perpetrate such thefts? Here's a typical scenario:

A company employee -- say an accounting clerk -- receives an innocent looking email, seemingly sent

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by a trusted associate or even the company's bank. The email contains an attachment that appears to be an important file. The clerk opens the file and reads the attachment.

Unbeknownst to the employee, the act of opening the file launches a malicious program that is downloaded and executed on the employee's computer. The intruder now has access to, and often control of, the computer. It can track the employee's every move on the computer and capture his or her keystrokes. Soon, it has the URL's for all of the company's financial institutions as well as the usernames and passwords used to access the accounts.

With this information and the malware embedded in the company computer, the hacker can now hijack the employee's computer. It can access the financial accounts and, because the activity appears to be coming from the familiar company computer and network, the bank security system has no reason to believe this is fraudulent activity. The hacker can then begin moving company funds to other bank accounts, often located overseas.

Sophisticated hackers know how to disguise the location of their accounts and move the transactions through a series of computers, some perhaps hijacked from other companies, so as to hide the money trail. The next time an employee logs into the company's bank account, which may be days later for small firms, the company's money is gone and the trail is cold.

Some businesses mistakenly believe that it is the bank, not the company, that will foot most of the loss for fraudulent EFTs. But while an individual enjoys certain protections if a hacker drains his or her personal accounts, businesses are not so fortunate. Depending on the specifics of the case and the timeliness of reporting the fraudulent activity, companies can suffer most, if not all, of the loss.

## **Prevention is the Best Medicine**

Businesses need to take steps to prevent fraudulent EFTs. Among the recommended steps:

**Formalize your EFT policy.** Develop a strict policy regarding who has access and authority to make electronic fund transfers. As a general rule, you want to limit who has access to company bank accounts as well as limit the number of computers that can provide access to company funds. At the same time, you don't want a single employee to have full authority over electronic funds transfers. It is usually best to have responsibilities divided so that oversight is in place.



**Reconcile bank accounts frequently.** The EFT policy should establish frequent reconciliations of all company bank accounts -- preferably daily -- so that any suspicious withdrawals are caught at the earliest time possible. Discovering fraud quickly is essential to possibly reversing the transaction and limiting the company's liability.

**Upgrade computer security.** Up-to-date antivirus software and adequate company firewalls are your first line of defense to combat malware and keep intruders out of your computers. Antivirus software

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helps detect and quarantine dangerous files and programs that can damage and control your computers. And don't forget physical security as well. Keep computers that access your bank accounts under lock and key when not in use. And make sure usernames and passwords are kept secure and frequently updated.

### **Insurance Is Your Final Safeguard**

Hackers get more sophisticated by the day, and software and hardware protection has difficulty keeping up with the latest and greatest threats. Since you can never guarantee 100% protection of your electronic funds, insurance can be your last line of defense.

Funds Transfer Fraud insurance is a specific type of crime insurance. It is typically combined with Computer Fraud insurance in what is called a "wrap" policy.

It is important to note that while the Funds Transfer Fraud and Computer Fraud insurance agreements may contain similar coverages, there are important differences. Namely, the Funds Transfer Fraud coverage specifically protects against losses caused by fraudulent instructions given to the financial institution by a third party and purported to have been sent by the insured to transfer, pay or deliver funds to another account. This coverage may be specifically excluded on the Computer Fraud insurance agreement. Also note that Funds Transfer Fraud insurance typically does not cover employee theft.

Your broker should be able to help you analyze your need for and appropriate limits of Funds Transfer Fraud insurance as well as Computer Fraud insurance. Note that some insurers include fraud prevention education as well as discounts on security software along with their wrap policy. ■

*We may be able to help you by providing referrals to consultants, and by providing guidance relative to insurance issues, and even to certain preventives, from construction observation through the development and application of sound human resources management policies and procedures. Please call on us for assistance. We're a member of the Professional Liability Agents Network (PLAN). We're here to help.*

## **Risk Management Seminar Series**



### **OSHA Construction 10-Hour Training**

Thursday and Friday, April 10 & 11, 2014

*Note: This training will be held from 7:00am until 1:00pm on both Thursday and Friday.*

6:30am Registration, 7:00am - 1:00pm Program

### **Risk Management Boot Camp: The Triangulation of Safety, Claims and Human Resources**

Friday, May 9, 2014

*\*Note: This is a full-day training*

7:30am Registration, 8:00am - 5:00pm Program

### **2nd Quarter Sexual Harassment Prevention Training**

Friday, June 6, 2014

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@cavignac.com](mailto:mongold@cavignac.com) or call 619-744-0540.

*NOTE: Due to the popularity of our seminars and limited space available, we regret we cannot provide refunds or credits with less than 72 hours advance notice of cancellation.*



## April Is Awareness Month for Autism Spectrum Disorder

April is designated as National Autism Awareness Month, and April 2 is World Autism Awareness Day. These observances are intended to raise awareness about autism spectrum disorders (ASDs). According to the U.S. Centers for Disease Control and Prevention (CDC), 1 in 88 children in the United States have ASD, and the diagnosis is far more common among boys than girls. Despite autism being so common, many people do not know exactly what autism is.

According to the CDC, ASDs are a group of developmental disabilities that cause social, communication and behavioral challenges. “Spectrum” refers to the wide range of symptoms and levels of impairment that those

diagnosed with ASDs can have. The National Institute of Mental Health lists five autistic spectrum disorders: autistic disorder (classic autism), Asperger's disorder (Asperger syndrome), pervasive developmental disorder not otherwise specified (PDD-NOS), Rett's disorder (Rett syndrome) and childhood disintegrative disorder (CDD).

Research has yet to pinpoint the cause of ASDs, but studies suggest that both genes and environment are likely contributing factors.

**Genes.** Although family history does not seem to affect or predict an ASD diagnosis, once one sibling is diagnosed with an ASD, other siblings have 35 times the usual risk of

also developing an ASD.

**Environment.** The environment includes anything surrounding your body that can affect your health, including water, air, food, medications and other materials you may come in contact with. Environmental influences on ASDs are still being researched, but various factors may each play a small role in ASD development.

There has been some concern that childhood vaccines cause ASDs. Although there may be other unknown causes of ASDs, the CDC states that there is no causal relationship between childhood vaccines and ASDs. Several regulatory bodies, including the CDC, continue to monitor vaccines for safety and effectiveness.

Early detection and diagnosis of an ASD is essential for providing the most effective treatment. Make sure an ASD screening is part of your child's wellness checkups.

**Whether you choose an app, online calculator or automatic transfer, budgeting doesn't have to be painful.**

## Budget Tools: Make It Easy

If you don't enjoy crunching numbers and sticking to budgets, there are a variety of budgeting tools available that can help make budgeting—and improving financial health—easy, and maybe even fun.

**Apps** – Easy and convenient, an app on your mobile device can help you track your budgeting and savings goals. Many different apps are available—for example, Mint ([www.mint.com](http://www.mint.com)) tracks expenses according to category, and Check (<https://check.me>) helps you meet bills' due dates.

**Online calculators** – Basic online budget calculators can help you see where your money goes. You can spend a few minutes entering numbers into budget categories to give yourself a good overview of your finances. Simply search online for “budget calculator” to find a calculator that works for you.

**Automatic transfers** – The easiest way to increase your savings is to make it automatic and painless. Simply set up an automatic deposit to a savings account and then check in from time to time to see how a little bit each month can add up to great savings.

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## Rescue Old Produce

The bananas on the counter have turned brown, the apples are no longer crisp and the tomatoes have definitely seen better days. You might be tempted to just throw old, shriveled fruits and vegetables in the trash or compost bin, but pause before you do. Even when they're past their prime, many fruits and veggies can still be put to nutritious use. In some cases, older fruit and veggies might even be better. For these delicious dishes, you won't need any tools that you don't already have sitting in your kitchen.

**Applesauce** – Applesauce is made by cooking chopped apples in a small amount of water on the stovetop. Simmer and mash apples with a potato masher until they reach desired chunkiness. You can add strawberries, pears or other fruits for different flavors, as well as cinnamon or a splash of vanilla.

**Breads** – Bananas, apples and zucchini are just a few of the fruits and vegetables that can be incorporated into bread or cake recipes. Grate or mash and add to a more traditional recipe, or search for a recipe that is built around a particular fruit. Shredded apple and zucchini are also great pancake additions.

**Pies** – Traditionally, pies can be made with any type of filling inside a pastry. Use a pre-made or homemade crust and mix together a fruit filling with those soft apples, berries or other fruits. Check out a cookbook for more ideas.

**Smoothies** – For a cold, nutritious treat, blend a variety of fruits and vegetables into smithereens. Any type of fruit or vegetable can be thrown into the blender and churned into a cold treat. Alter the ratio of different fruits, and try adding milk, yogurt, ice, vanilla or honey to change up the flavors.

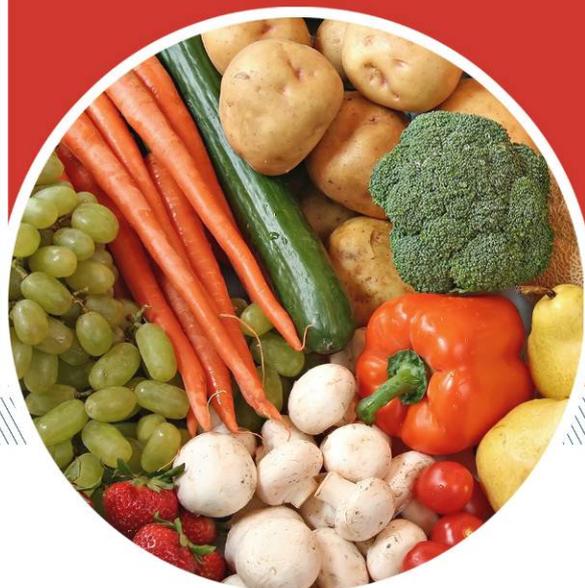
## National Park Week



Are you bored with getting your exercise by strolling around the neighborhood or running at the local gym? The U.S. National Park Services has preserved vast pieces of American land that are the perfect places to get outside and be active, whether it's the majestic Yellowstone National Park in the West or the lesser-known Big Bend National Park in Texas with its hundreds of bird species.

The opening weekend of National Park Week is April 19-20, and both days are get-in-free days. Visit [www.nps.gov/findapark/index.htm](http://www.nps.gov/findapark/index.htm) to find a park near you or to plan a trip. With great scenery and many options, you can choose a park where you can enjoy a quiet stroll, a vigorous hike, a bike ride, or a horse ride. You can also find spots to go rock climbing and swimming.

With more than 400 spots around the nation, the national parks are some of the best pieces of American nature and history. What better way to get your family outside and moving in the spring air than by visiting a national park?



## Baked Trout

This flavorful dish takes advantage of seasonal tomatoes and healthy fish. Whether you buy fillets at the store or reel 'em in on a line, here's a great recipe to celebrate spring.

- 2 lbs. trout fillets (or other fish, cut into six pieces)
- 3 tbsp. lime juice (or about 2 limes)
- 1 tomato (medium, chopped)
- 1/2 onion (medium, chopped)
- 3 tbsp. cilantro (chopped)
- 1/2 tsp. olive oil
- 1/4 tsp. black pepper
- 1/4 tsp. salt
- 1/4 tsp. red pepper (optional)

Preheat oven to 350° F. Rinse fish and pat dry. Place in baking dish. In a separate dish, mix remaining ingredients together and pour over fish. Bake for 15 to 20 minutes or until fork-tender.

Yield: 6 servings. Each serving provides 300 calories, 13g of fat, 110mg of cholesterol, 200mg of sodium and 1g of fiber.

Source: USDA

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# SPOTLIGHT ON



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Mainly Mozart's mission is to enrich the lives of today's and tomorrow's passionate music lovers by connecting them to the genius and innovation of Mozart and the Masters,

to world-class musicians and music-making, and to each other.

We produce the largest summer music festival in the region during the May/June Mainly Mozart Festival. Over 2013's six week Festival, 11,00 attendees experienced Mozart and what his genius inspires – as we became a centerpiece for summer culture, a showcase for innovation, and a gathering place for people to share passion, joy, and inspiration.

*For more information about Mainly Mozart visit: [www.mainlymozart.org](http://www.mainlymozart.org)*