



Current Articles 2009 – February

Crime Insurance and Risk Analysis

In the last article, I commented on the possible errors and omissions claims for inadequate crime insurance. In particular, I commented on the limits for Fidelity Insurance.

However, risk analysis of your clients operations can be a great assistance in obtaining new clients. Whether it be a complete analysis of risk exposures for property, liability and now for crime, if your client understands your investigative risk analysis procedures to better serve the client, you should be able to maintain such an account for many years... In other words, if your client has the confidence in your complete abilities to assess his insurance needs, it can be a long standing "win-win" situation for both parties.

But let us focus on Crime Insurance. If you are recommending or the insurers package that you are presenting includes a limited amount of Inside and Outside Holdup, and your property proposal is for the usual "All Risk" property coverage, what defense might you have for a destruction loss to money that would not be covered but the other property would be addressed? Does it not make sense that if you are proposing to insure the building and contents on an all risk basis that your coverage for money should be consistent and be on a Broad Form Money and Securities Form, which is as close as you can get for All Risk Coverage for money. Instead of the coverage being limited to "Hold-up" the Broad Form Money will cover money and securities for the destruction, disappearance and illegal removal of the money.

When analysing your client's risks you may want to consider the following questions:

- What is the maximum cash that may be on hand at any one time? Is there a safe? Some businesses will deal more with cash than debit or credit cards, such as retail bakeries, small butcher shops, barber shops, etc.
- What may be the amount of credit card receipts? (This may trigger the need for credit card coverage.) Is your client responsible for the credit card receipts and if so, for what period of time from the financial customer transaction. This can vary with different credit card companies.
- What are the daily banking practises? Is the banking done at a regular time or is a bank deposit bag used?

Only if you do a risk analysis for crime exposures will you be able to amend the coverages to suit your client's needs. Do you know that there are over 50 approved endorsements for a 3D policy? As an example, suppose your client is a non-profit organization, do they use volunteers and who may have access to funds. A non-paid volunteer may not be deemed an employee and the basic 3D may not apply for volunteers. But there is an endorsement to modify the definition of employee to include campaign solicitors and **volunteers!** Has the endorsement been attached?

One of the major international brokerages has predicted that crimes committed by employees will be on the increase. There reason for such a statement is that due to the current economy, employees may become desperate and become very innovative in being able to abscond money from their employer for their personal benefits. This should be a big flag for a competent broker to recommend Fidelity Insurance. And if it is declined, make sure that your file is well documented!

A major accounting firm reported that frauds that pack the biggest punch involve false financial statements, payments to non-existence vendors, kickback schemes and bid-rigging and with an average loss when this report was compiled for these frauds was \$468,000. This is a large concern but these figures were from a report in **1993**. What would these figures be realistically forecasted in 2009?

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