



# CrimeShield<sup>®</sup>

*The Hartford's Commercial Crime Policy*





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*Preservation of assets is a matter of survival for any business. The fact is that businesses lose billions of dollars each year through employee theft. Today, with the rapid growth of white collar crime and the widespread misuse of computer systems, businesses face many threats to solvency.*

The Hartford offers a most effective and economical way to protect your assets. With CrimeShield<sup>®</sup>, you can protect your business against loss caused by dishonest acts such as thefts and embezzlements. You can also protect your business against loss caused by non-employees through The Hartford's optional crime coverages.

Misconceptions about employee theft may lead you to believe that commercial crime policies are unnecessary. Employees need not have access to cash in order to steal. While employee theft often involves cash, other items of value may be stolen such as office machines, vault securities or warehouse merchandise.

You often hear the statement, "My employees have been with me a long time. They are faithful, trusted people who wouldn't steal from me." Unfortunately, today's social and economic pressures have turned some honest employees into dishonest ones.

Employees may turn to dishonest behavior for a variety of reasons including income that does not support their lifestyles; addiction to gambling, illegal drugs or alcohol; unusual financial burdens brought on by illness or divorces, and job dissatisfaction leading to resentment and revenge.

## Targets of Employee Theft

In addition to accounting losses, most wholesale, retail and manufacturing organizations are also susceptible to the loss of finished products, goods in process and raw materials. Any item or product can be a target for employee theft when an opportunity accompanies the need and there is a source for the disposal of the stolen goods.

Any product can be valuable enough to steal when a sufficient quantity can be pilfered over an extended period. It is not uncommon for an ongoing theft to span three years or more without detection.

You may feel that raw materials or unfinished goods are not attractive and may, therefore, require little protection or few inventory controls. This is just not so. Unsecured raw materials may tempt a dishonest employee to steal since so little effort is required and the chances of getting caught are minimal. Our experience has shown that thefts can extend to such apparently mundane things as: wooden pallets, plastic pellets used to manufacture soft drink bottles, bulk fertilizer, animal byproducts, wooden spools, metal shavings, burlap bags, and the like.

Losses involving such “unglamorous” materials can add up to six figures over a relatively short time. And what business can afford that?

Naturally, higher-value products such as tires, automotive parts, computers, software, pharmaceuticals, or clothing, are even more

attractive targets and require an equal or greater degree of protection. You should consider whether the following security deficiencies exist in your business:

- Finished or semi-finished goods and raw materials not protected by suitably walled, fenced or locked areas
- Employee access to storage areas not controlled or limited
- Insufficient inspection of merchandise or goods received or shipped
- Shipments received or sent under singular control
- No periodic or perpetual inventory count and comparison to computer or manual records of quantities shipped or in storage
- No response to inventory shortages and individual accountability
- Insufficient controls over returned merchandise
- Inadequate accountability for merchandise or goods shipped or received
- Acceptance of employee theft and no prosecution of offenders

Proper controls can help to prevent or detect losses in the early stages. However, the value of any control may be somewhat limited when employees collude to steal money, material or finished goods. For this reason, even the most sophisticated control and protection systems should be supplemented by an adequate amount of commercial crime (fidelity) insurance.

## **Suggestions for Protection Against Embezzlement**

Protection against embezzlement requires a system of internal control, supplemented by independent audit. Although many factors will determine the system best suited to your business, the following considerations are important for any business:

- A plan of organization that establishes lines of authority and responsibility
- Accounting functions that are separate from operating functions
- A chart of accounts for the classification of data that will help to produce consistent and meaningful reports
- A clear and easy-to-follow “paper trail” for every transaction
- Records and forms designed to be easily understood and to show clearly whether control procedures have been followed
- Sound practices, such as the clear division of duties, so that no one person handles a transaction from beginning to end
- Proper screening of new employees to eliminate applicants of poor character
- Constant training to encourage the faithful observance of established procedures
- Consistent supervision and enforcement of procedures

One of the best ways to protect your assets is with a *CrimeShield* policy from The Hartford.

## **CrimeShield Coverages**

### **How The Hartford Can Protect Your Business**

The Hartford’s *CrimeShield* policy can protect your assets from loss caused by employee theft. In addition, The Hartford offers other coverages which can be added to the *CrimeShield* policy and which afford protection for other types of related losses. The following are brief descriptions of the coverages available:

#### **Employee Theft Coverage**

Covers your money, securities and other property against loss which results directly from theft by an employee. The maximum recovery for any one loss occurrence is the limit of insurance which you select, regardless of the number of employees involved in the loss.

#### **Depositors Forgery or Alteration Coverage**

Covers loss by forgery or alteration of checks, drafts, promissory notes or similar written promises, orders or directions to pay money that are:

- A) Made or drawn upon you; or
- B) Made or drawn upon your accounts by someone acting as your agent, or that are purported to have been so made or drawn

This coverage protects you against forgery losses caused by a person other than an employee.

**Theft, Disappearance and Destruction Coverage – Money, Securities and Other Property**

Covers loss of your money and securities by theft, disappearance or destruction while the property is within your premises or a banking premises. Covers loss or damage to other property from an actual or attempted robbery of a custodian while the property is within your premises. Covers loss or damage to other property in a safe or vault from an actual or attempted burglary while the property is within your premises. When outside the premises, it covers money, securities and other property in the care and custody of a messenger. This coverage protects you against losses caused by theft, robbery and safe burglary when caused by persons other than employees.

**Robbery and Safe Burglary Coverage – Money and Securities**

Covers loss of money or securities, while inside your premises, resulting directly from an actual or attempted robbery of a custodian, or an actual or attempted safe burglary. Money and securities may be covered while outside the premises in the custody of a messenger.

**Computer and Funds Transfer Fraud Coverage**

Covers loss of your money, securities and other property by computer fraud. This coverage protects your money, securities and other property from theft which follows and is directly related to the use of any computer to fraudulently cause a transfer of that property from inside your premises

or a banking premises to a person or place outside that premises. It will also pay for loss of money or securities through funds transfer fraud resulting directly from fraudulent transfer instructions communicated to a financial institution.

**Money Orders and Counterfeit Currency Coverage**

Covers loss resulting directly from your accepting money orders that are not paid upon presentation, and counterfeit U.S. and Canadian paper currency, in exchange for services accepted. The policy automatically provides a limit of \$50,000.

**Public Employee Theft Coverage Per Loss**

Covers your money, securities and other property against loss which results directly from theft by an employee. The maximum recovery for any one loss occurrence is the limit of insurance which you select, regardless of the number of employees involved.

**Public Employee Theft Coverage Per Employee**

Covers your money, securities, and other property against loss which results directly from theft by an employee. The maximum recovery for any one loss occurrence is the limit of insurance which you select. The limit of insurance applies to each employee whether the loss is the result of a single act or a series of acts.

**For More Information:**

Your independent agent who represents The Hartford will be happy to answer your questions regarding these coverages.

**There are numerous ways in which an employee may steal. The following are just a few examples:**

- Keeping two sets of books
- “Dipping” into the cash drawer
- Stealing materials and merchandise (pilferage)
- Making charges against inactive accounts
- Paying “bonuses” to persons not entitled to receive them
- Raising the amounts on checks and invoices after they have been paid
- Paying bills to a fictitious company and cashing checks illegally
- Reducing the amounts of outgoing invoices on the books, paying the reduced amounts in cash, and appropriating the customer’s checks
- Padding payrolls
- Padding cash expenditures
- “Forgetting” to credit cash payments
- Extracting ledger sheets to conceal shortages
- Raising amounts shown on checks and supporting documents after they have been approved
- Invoicing goods below sale price and obtaining the undercharge from the customer
- Stealing from incoming payments and applying subsequent remittances to cover the theft
- Issuing checks for goods never returned

This brochure describes in general terms the coverages afforded under a policy of insurance. Please refer to the issued policy for specific details regarding coverages, conditions and exclusions. Policy issuance is subject to underwriting approval.