

Crime, Fidelity & A Little Surety

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Crime is a simple word for a multitude of dishonest acts. Crimes range from a simple street robbery to a safe burglary to a kidnapping. These definitions may help our look at crime insurance:

- **Burglary**— entering and leaving a premises with no legal right
- **Robbery**— taking property from a person by threat of physical or mental harm
- **Theft**— a catch-all category including the terms above
- **Extortion**— surrender of property by threat of physical or mental harm to a person or related third party
- **Embezzlement**— theft of others' property in your care

Before you buy crime insurance, review the coverage in your existing property insurance policies. Is your property insurance policy on a name peril basis? Or is it on an "everything is covered except" basis? It makes a difference! If it's a name peril, your need for separate crime insurance is likely to be important.

Crime insurance covers a broad range of activity:

- robbery
- burglary
- theft
- disappearance and destruction
- fraud
- forgery
- embezzlement.

The available insurance coverage is divided into a number of areas. These cover only specific types of crimes. Make sure you and your agent consider your particular exposures to crime. Some businesses need coverage for outside sign theft. Other businesses require coverage for safe burglary. Others require only employee honesty coverage.

Some crime coverage may be available in other insurance policies. For example, kidnapping can be part of a Directors and Officers policy.

What Are Fidelity & Surety?

Fidelity protects against loss from the dishonest or fraudulent acts of employees. Surety refers to the activity of bonding a person or persons. A surety bond provides for monetary compensation if the bonded person or organization fails to perform in a correct manner. Bonds are very common. Regular bonding is required of some firms such as contractors. There are fiduciary bonds, license bonds, permit bonds among others.

* **Tip.** The most trusted employee may turn to crime. How? Under the pressure of family money draining illness or serious money problem. Crime may not pay, but insurance does.

ISO and the Surety Association of America (SAA) both offer fidelity protection against employee criminal acts. We'll use ISO's crime program as a basis here.

Do I Need A Separate Crime Policy?

Your business needs crime insurance if:

- its property insurance doesn't offer crime coverage.
- a significant amount of money or securities passes through its hands.
- any employees have the opportunity to steal large amounts of money or valuable property.

Crime Insurance: Forms

Remember "claims made" policies? Crime insurance has a similar discovery form. A loss sustained form accompanies this.

Why two forms? Because employee-related crimes are silent crimes. Silent crimes are ones that may take place over a long period of time. They're often difficult to discover. The discovery form covers you for undiscovered employee crimes, even if they occurred before the policy began.

The ISO program allows crime coverage to be a separate crime policy. Or it can be a coverage part to join your other property coverage. Seven types of crime coverage are offered. You may take one, several, or all seven. The seven are:

1. Employee Theft
2. Forgery or Alteration
3. Inside the Premises - Theft of Money & Securities
4. Inside the Premises - Robbery or Safe Burglary of Other Property
5. Outside the Premises

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6. Computer Fraud
7. Money Orders and Counterfeit Paper Currency

Employee Theft covers loss or damage to money, securities and other property. You're covered whether an employee acted alone or with others.

Forgery or Alteration covers checks, drafts, promissory notes and similar items regarding the payment of a sum of money. The insurer pays your defense costs in addition to the dollar limits of your coverage.

Inside the Premises - Theft of Money & Securities covers theft, disappearance and destruction. Damage to the premises caused by an actual or attempted theft is covered. So is loss or damage to a locked safe, vault, cash register, cash box or cash drawer. Vandalism, if not related to a theft attempt, is excluded.

Inside the Premises - Robbery or Safe Burglary of Other Property. Damage is covered here as in the above coverage. The key to coverage here is other property. Nearly any tangible property is covered. This includes a piece of jewelry, a gun, a computer part, etc. This coverage meshes tangible property with the intangible property (above).

Outside the Premises protects money and securities in the hands of a messenger or an armored car service. The perils are theft, disappearance, or destruction. Property other than money and securities is covered only if the loss or damage results from an actual theft or attempted robbery.

Computer Fraud coverage fits money and securities coverage to the new financial world. Losses are paid when a computer is used to fraudulently transfer money, securities, and other property from your premises to a person or place outside your premises. This is NOT computer insurance; it is fraud insurance.

Money Orders and Counterfeit Paper Currency protects your acceptance of such items in good faith in exchange for merchandise or services.

These explanations of the seven crime coverages are short and simple. In truth, they are subject to many conditions, exclusions, definitions, etc.

* **Tip.** Pick through the seven for the ones most fitting for your business. Discuss with your agent how they will work for your firm's protection.

Who Is An Employee?

An employee, under Crime coverage, must be a natural person. A business organization is not an employee. Generally the right to control and to direct a person

makes a person an employee.

For our purposes, an "employee" may also be a former employee who commits a wrongful act immediately after being let go. Managers are employees acting within the scope of their employment. Temporary workers are considered employees. Leased employees are not. Executive officers may or may not be employees for coverage purposes.

There are three ways to place employees under a Crime policy: as individuals, by position, or as groups of employees under blanket coverage. These are referred to as a name schedule, a position schedule, or a blanket schedule. Which schedule you would use depends on the employees you want covered.

It takes an experienced agent to arrange the right crime insurance for your business.

We can help. Contact our Protection Team at KHT Insurance today!

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