



Protect Yourself Against Illegal Acts with Crime Coverage

Though you may feel that your employees would never steal from you or that your business would never be the victim of theft, these are real-world concerns. In this day and age, thieves (including your employees) do not need direct access to cash to steal from you; merchandise, supplies and securities are all fair game. You may also be susceptible to losses in the event that finished products or even raw materials are stolen right from under your nose. Essentially, any product can be a target for thieves if there is an opportunity to make a resale profit.

The following examples represent common business thefts, specifically by employees:

- Keeping two sets of books.
- Stealing from the cash drawer.
- Stealing merchandise and materials.
- Charging inactive accounts.
- Paying bonuses to those that are not supposed to receive them.
- Increasing amounts on checks and invoices after they have been paid.
- Paying bills to companies that do not exist and then cashing those checks.
- Reducing amounts of outgoing invoices in the books, then paying the reduced amount in cash and then appropriating the customer's check.
- Padding payroll and cash expenditures.
- Not crediting cash payments.
- Removing ledger sheets from the business to cover up shortages.
- Invoicing materials below sale price and receiving the undercharge from the customer.
- Issuing checks for goods that were not returned.
- Stealing incoming payments and applying that money to subsequent remittances.

Insurance Solutions to Combat Theft

- **Employee Theft Coverage:** Protects your money and your business against theft, both from inside the organization and out.
- **Depositors Forgery or Alteration Coverage:** Protects against losses by forgery or alterations of checks, drafts, promissory notes, orders or directions to pay money that is drawn upon you or is drawn upon your accounts by someone acting as your agent.
 - Also protects against forgery losses inflicted by people other than employees.
- **Theft Disappearance and Destruction Coverage:** Protects against loss of money and securities by way of theft, disappearance or destruction while the property is on your business and/or banking premises.
 - Protects against losses as a result of attempted or actual robberies while the property was on your premises.
 - Protects against loss to other property in a safe or vault from an attempted or actual robbery within your premises.

- Outside of your premises, coverage protects money, securities and other property in the care of a messenger.
- Covers losses inflicted by those other than employees.
- **Robbery and Safe Burglary Coverage:** Protects against loss of money or securities on your premises, or while in the custody of a messenger outside of your premises.
- **Computer and Funds Transfer Fraud Coverage:** Protects against loss of money, securities and other property via computer fraud.
 - Covers money that that is directly related to the use of a computer to fraudulently cause a transfer of property from your premises or banking premises to someone or some entity outside of your premises.
 - Pays for the loss of money through fund transfers communicated to a financial institution.
- **Money Orders and Counterfeit Currency Coverage:** Protects against losses that are not paid upon presentation or are in the form of counterfeit United States and Canadian currency paid in exchange for goods or services.
- **Public Employee Theft Coverage per Loss:** Protects your money, securities and other property when it is stolen by employees.
 - Maximum recovery for a single loss is outlined in your insurance policy, regardless of how many employees were involved in the theft.
- **Public Employee Theft Coverage per Employee:** Protects your money, securities and other property when it is stolen by employees.
 - Maximum recovery for a single or multiple losses is outlined in your insurance policy, and applies to each employee involved.

Other Safeguards against Theft

In addition to purchasing insurance protection against theft, consider implementing these safeguards in your business:

- Secure raw materials, semi-finished goods and finished goods in walled, fenced or locked areas on your premises.
- Limit and control your employees' access to storage areas and consider implementing a key management program.
- Inspect merchandise and goods thoroughly when they are received as shipments.
- Ensure that there is more than one employee inspecting outgoing and incoming shipments.
- Conduct periodic inventory counts and compare that information to your records.
- Implement a concrete strategy for handling returned merchandise.
- Establish a line of authority at your organization and ensure that everyone is acting responsibly.
- Separate your accounting and operating functions.
- Create a "paper trail" for each transaction.
- Screen new employees to weed out applicants that are potential liabilities.
- Continually train employees concerning how to detect theft and encourage honest behavior at your organization.
- Make sure that the enforcement of rules is consistent and constant.
- Do not tolerate employee theft on your premises and consider prosecuting offenders.
- Require mandatory vacations for personnel handling payments.

Theft can be a dicey issue, but it is imperative that you take the necessary measures to protect your business and your assets.

Contact MIDDLETON & COMPANY Insurance today to learn more about all of our coverage and theft protection solutions.

This Coverage Insights is not intended to be exhaustive nor should any discussion or opinions be construed as legal advice. Readers should contact legal counsel or an insurance professional for appropriate advice.

MIDDLETON & COMPANY Insurance 186 Halsey Road, Newton, NJ 07860
Tel: 973-383-5525 Ext. 222 ♦ www.middletonins.com ♦ cindy@middletonins.com

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