

PRIVATE CHOICE OVATION® – CRIME INSURANCE CLAIMS SCENARIOS

Reduce the impact of employee theft with help from The Hartford.



LEARN ABOUT THE TYPES OF CRIME LIABILITY CLAIMS YOU COULD FACE AND HOW THE RIGHT INSURANCE CAN HELP PROTECT YOU AND YOUR BUSINESS

The following crime liability claims scenarios are designed to:

- Illustrate the types of situations and subsequent costs associated with employee theft
- Emphasize the importance of having adequate management liability coverage, specifically The Hartford's Private Choice Ovation, that can help protect businesses from loss resulting from employee theft

CLAIM 1

Type of insured Not-for-profit – Youth organization

Total employees Approximately 2,100

Total locations 29

Total revenue Approximately \$75,000,000

Situation The building engineer for the insured purchased power tools on the insured's corporate account which he then sold on eBay and kept the proceeds. The building engineer routinely purchased various materials and services on behalf of the insured and had authority to make purchases under \$1,000 without approval from management. To avoid detection, he kept purchases of the power tools within the \$1,000 limit.

Resolution The total amount of loss was approximately \$86,000.

CLAIM 2

Type of insured Private company – Real estate property manager

Total employees Approximately 300

Total locations 20

Total revenue Approximately \$3,300,000

Situation The insured's controller and asset manager issued company checks to pay his personal credit card bills and also made fraudulent automated clearing house transfers from the insured's holding account to his own personal bank account. He was able to manipulate the account records of the insured to hide his theft.

Resolution The insured was able to recover some of the stolen funds from the controller. The total amount of loss, not including the recovered funds, was just under \$268,000.

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CLAIM 3

Type of insured	Not-for-profit - University
Total employees	Approximately 1,600
Total locations	3
Total revenue	Approximately \$176,000,000
Situation	A manager of the insured's ancillary services used a fraudulent vendor scheme involving a non-existent vendor to steal from the insured for more than 20 years. The manager was very familiar with the insured's billing and accounts payable system and was able to identify and exploit weaknesses in the system.
Resolution	The total amount of loss was over \$2,500,000.

CLAIM 4

Type of insured	Private company - Fire suppression systems provider
Total employees	Approximately 60
Total locations	1
Total revenue	Approximately \$12,000,000
Situation	An employee who oversaw installation jobs ordered more copper piping and other materials than were necessary for the jobs he was supervising. He sold the copper piping and other materials to a local scrap yard and to other contractors.
Resolution	The total amount of loss was over \$50,000.

CLAIM 5

Type of insured	Private company - Supermarket chain
Total employees	Approximately 200
Total locations	9
Total revenue	Approximately \$40,000,000
Situation	The night manager at one of the insured's supermarkets issued payments on the store's Western Union terminal to debit cards in her own name. The employee was able to perpetrate the scheme for an extended period before the theft was discovered.
Resolution	The total amount of loss was slightly over \$161,000.

CLAIM 6

Type of insured Private company - Manufacturer and wholesaler

Total employees Approximately 150

Total locations 3

Total revenue Approximately \$22,000,000

Situation The insured discovered a scheme in which its purchasing manager created a fraudulent vendor for which the insured was the only customer. The vendor purchased supplies and services from the insured's former suppliers and resold these to the insured at inflated prices. In addition, many of the items ordered were never delivered. The purchasing manager was able to perpetrate the fraud with the assistance of other employees.

Resolution The total amount of loss was almost \$400,000.

CLAIM 7

Type of insured Private company - Trade school

Total employees Approximately 270

Total locations 4

Total revenue Approximately \$21,000,000

Situation The insured's financial aid adviser never mailed tuition refund payments to the students who dropped out of a school program and who used financial aid and student loans to pay for their tuition. Over a period exceeding one year, the financial aid adviser endorsed and deposited over 100 refund checks into her own account.

Resolution The total amount of loss was over \$82,000, plus nearly \$2,500 in investigative expenses.

CLAIM 8

Type of insured Private company - Wholesaler

Total employees Approximately 150

Total locations 2

Total revenue Approximately \$110,000,000

Situation Two masked perpetrators entered one of the insured's stores and stole over \$165,000 in cash from the store safe. Based on the insured's investigation, it was apparent that the theft was an "inside job." The speed with which the perpetrators were able to open the safe indicated that they knew the combination to the safe.

Resolution The total amount of loss was over \$165,000.

CLAIM 9

Type of insured	Private company – Scrap metal dealer
Total employees	Approximately 80
Total locations	3
Total revenue	Approximately \$65,000,000
Situation	A scheme was perpetrated by employees to override the insured's system and manipulate records to artificially inflate the weight of copper that the insured purchased from customers. The employees received kickbacks from the customers selling the copper.
Resolution	The total amount of loss was over \$60,000.

CLAIM 10

Type of insured	Private company - Warehouse
Total employees	Approximately 30
Total locations	2
Total revenue	Approximately \$12,000,000
Situation	The insured's accounting officer issued, signed and cashed 157 fraudulent checks totaling over \$321,000. The employee issued checks to a legitimate vendor and subsequently reprinted the checks, replacing the vendor's name with her own. After issuing the fraudulent payments to herself, she deleted the transaction from the account ledger.
Resolution	The total amount of loss was over \$320,000.

CLAIM 11

Type of insured	Private company – Manufacturer
Total employees	Approximately 1,100
Total locations	12
Total revenue	Approximately \$126,000,000
Situation	An accounts payable clerk submitted legitimate vendor invoices to the controller for approval, but after receiving authorization, she changed the vendor's bank information in the insured's accounts payable system to direct the payments to her personal account.
Resolution	The total amount of loss was over \$202,000.

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