

COVERAGE INSIGHTS



The Value of Commercial Crime Insurance

Even when organizations take steps to hire trustworthy workers and implement solid security measures to help protect against external fraudsters, criminal activities may still arise. Whether these entail a deceitful employee embezzling company funds or a corrupt third party stealing valuable inventory, such activities can often leave impacted organizations with serious financial losses. Fortunately, that's where commercial crime insurance can help. Also known as fidelity insurance, this coverage can reimburse organizations for losses caused by various business-related crimes. In other words, commercial crime insurance plays a major role in helping organizations preserve their finances when they are targeted by criminal activities.

With this in mind, it's best for organizations to clearly understand this coverage and its main protections. This article highlights the value of commercial crime insurance by explaining common policy features and outlining key coverage benefits.

Common Policy Features

The primary form of coverage included in a typical commercial crime policy provides financial protection for losses caused by employee dishonesty, which may encompass the following criminal activities:

- **Theft of money, securities or other commercial property**—This entails employees stealing, robbing or burglarizing company funds or valuables (e.g., tools and equipment) while these assets are on-site and during transit.
- **Forgery or alteration**—This involves employees counterfeiting or falsifying corporate documents or other legal instruments with the intent to defraud. An example of this would be an employee forging company checks for their own personal gain.
- **Computer or funds transfer fraud**—This pertains to employees manipulating corporate computer systems or participating in fraudulent fund transfers, such as sending deceitful instructions to a bank that trick the institution into wiring company assets to a personal account.

In addition to securing coverage for losses stemming from employee dishonesty, organizations may purchase certain policy endorsements for further financial protection against business-related crimes. Such endorsements may help cover losses from criminal activities committed by third parties, such as corrupt contractors or vendors (e.g., a contractor swiping an employee's corporate credit card and repeatedly forging their signature to make several fraudulent transactions). Further, some policy endorsements can help compensate organizations' clients if they are affected by business-related crimes (e.g., an employee stealing valuable items from a customer while working at their home). Such endorsements are generally provided through fidelity bonds. Organizations can consult insurance professionals to discuss their particular commercial crime policy endorsement options.

Key Coverage Benefits

Commercial crime insurance can be especially useful for organizations that frequently engage in cash, credit or electronic transactions; store valuable items on-site or occasionally transport them off the premises; have inventory or stock that could be more susceptible to theft; or hire employees who will have access to expensive equipment or goods on the job. Here are some key coverage benefits for organizations to consider:

- **Financial stability**—A primary advantage of commercial crime insurance is that it can help organizations prevent business-related crimes from wreaking havoc on their finances. Since criminal activities can often generate substantial losses, maintaining financial stability during these incidents is vital.
- **Fulfillment of legal and contractual obligations**—Some organizations may be required by federal law (i.e., the Employee Retirement Income Security Act of 1974) or business contract terms to secure commercial crime insurance. As such, purchasing this coverage can help organizations comply with these requirements and avoid possible penalties.

- **Enhanced credibility**—Stakeholders are more likely to trust organizations that have appropriate risk management and loss control measures in place, including a robust insurance portfolio. By securing commercial crime insurance, organizations can demonstrate to their stakeholders that they are committed to protecting these individuals as well as their own operations against criminal activities.
- **Peace of mind**—Commercial crime insurance can ultimately help ease any stress regarding the risk of criminal activities. In conjunction with adopting adequate employee vetting and security protocols, purchasing this coverage can provide peace of mind, equipping organizations with the resources and protection needed to navigate even the most difficult crime scenarios.

Conclusion

Commercial crime insurance can make all the difference in helping organizations reduce the fallout from business-related crimes, allowing them to foster ongoing operational success. By reviewing common policy features and key benefits provided by such coverage, organizations can tailor their commercial crime insurance to their needs. Contact us today for more insurance solutions.

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