

# Crime Coverage

## COVERAGE HIGHLIGHTS

Employee dishonesty is costly and pervasive.

### Why you need protection

The Association of Certified Fraud Examiners, Inc. recently found that the characteristics of employee fraud are similar regardless of where the fraud occurred and that a typical organization will lose five percent (5%) of its revenue to fraud each year.\*

Maintaining strong, enforceable internal controls is a priority for many organizations, regardless of their size. Yet even the best internal controls, background checks and audit practices, no matter how well conceived, frequently fall short of stopping a trusted employee from engaging in fraudulent activity. The median loss caused by employee dishonesty in Canada is \$154,000 with one in every five cases reporting a loss of at least \$1M.\*

### Coverage highlights

Travelers Canada's crime coverage offers multiple insuring agreements to provide protection for exposures such as loss from forgery or alteration, loss of money and securities and reimbursement for claim expenses. These perils may include malicious software, such as Trojan horse programs, and spoofing.

### Claim scenarios

#### Accounting fraud – \$400,000

A large trucking company buys and absorbs a small, family-run competitor. The prior owners continue to manage and run the operations as employees of the large company. Unknown to the larger company, when the prior owners had owned the family business, they had made many "off-book" transactions, whereby corporate money was used to buy personal items and pay personal bills. This fraud continued for eight years after the acquisition.

#### Kickback scheme – \$2,000,000

A food manufacturer, with operations at several different sites was involved in a complex upgrading project at one factory location. These upgrading efforts required a considerable amount of resources and attention from managers across Canada. A mid-level manager offered to help senior management and took on extensive responsibilities including paying vendors, processing payroll and sourcing contracts. Unknown to the manufacturer, the mid-level manager orchestrated a large kickback scheme and approved payments on invoices for work that was not completed and issued payments on grossly inflated invoices. This fraud occurred over a 24 month period.



\*Association of Certified Fraud Examiners 2016 Report to the nations. <http://www.acfe.com/rtnn-highlights.aspx>

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