

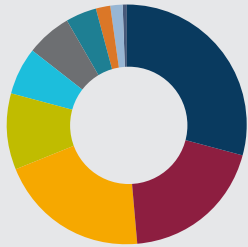


Fidelity / Crime Division

## Why Buy Crime Insurance

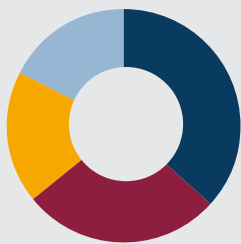
Organizations around the globe lost an estimated \$4 trillion to fraud in 2017 alone.\*

**Internal Control Weaknesses that Contributed to Fraud\***



- 30% Lack of Internal Controls
- 19% Override of Existing Internal Controls
- 18% Lack of Management Review
- 10% Poor Tone at the Top
- 8% Lack of Competent Personnel in Oversight Roles
- 6% Other
- 4% Lack of Independent Checks/Audits
- 2% Lack of Employee Fraud Education
- 2% Lack of Clear Lines of Authority
- <1% Lack of Reporting Mechanism

**Top Red Flags in Corruption Cases\***



- 43% Living Beyond Means
- 34% Unusually Close Association with Vendors or Customers
- 23% Financial Difficulties
- 21% Wheeler-Dealer Attitude

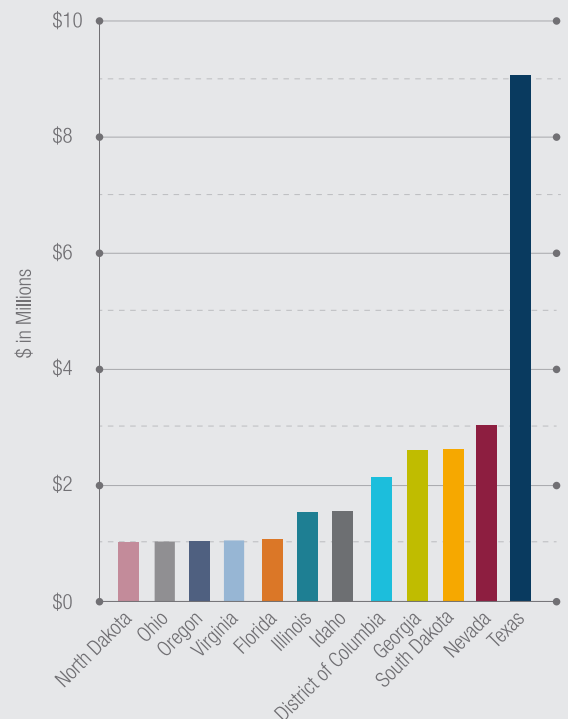
**Profile of a Fraudster\***

- 89% have never been charged or convicted of a prior offense
- 53% of perpetrators are in a management position or higher
- 53% are between the ages of 31 and 45
- 47% possess a college degree
- 69% are male

**Fast Facts\***

- The typical organization loses 5% of revenues in a given year as a result of fraud.
- More than 23% of occupational fraud reported resulted in a loss of at least \$1 million.
- Corruption and billing schemes comprised more than 50% of frauds reported.
- Small businesses lose almost twice as much per scheme to occupational fraud.
- Industries most commonly victimized by occupational fraud are the banking and financial services, government and public administration and manufacturing sectors.
- 77% of occupational fraud comes from eight departments: accounting, operations, sales, executive/upper management, customer service, administrative support, finance, and purchasing.
- A majority of the victims who suffer losses from fraud recover nothing.
- Perpetrators with higher levels of authority tend to cause much larger losses.
- The longer a perpetrator has worked for an organization, the higher fraud losses tend to be.

**Top 12 U.S. States with the Highest Average Loss \*\***





## Common Methods of Theft

The following data is from the 2013 Marquet Report on Embezzlement. 554 cases in the study.

	Category	Number of Schemes	Total Amount Lost	Percent of Total Lost
	<b>Bogus Loan Scheme:</b> A scheme that involves fraudulent loans created or authorized by a perpetrator for his or her own benefit.	31	\$50,777,000	8.5%
	<b>Credit Card/Account Abuse:</b> A scheme that involves the fraudulent or unauthorized use of company credit cards or credit accounts.	36	\$23,097,000	3.9%
	<b>Forged or Unauthorized Checks:</b> A scheme in which the perpetrator draws funds from company checks that are forged or issued without authorization.	197	\$139,118,000	23.4%
	<b>Fraudulent Reimbursement Scheme:</b> A scheme that involves the fraudulent submission of invoices in order for the perpetrator to receive reimbursement.	17	\$7,569,000	1.3%
	<b>Inventory/Equipment Scheme:</b> A scheme that involves physical corporate assets that are stolen and sold or used for the benefit of the employee.	13	\$166,260,000	28.0%
	<b>Payroll Shenanigans:</b> A scheme that involves the manipulation of the payroll system in order for the perpetrator to receive additional funds.	39	\$166,260,000	28.0%
	<b>Theft/Conversion of Cash Receipts:</b> A scheme that involves the taking of cash or checks meant for company receipts.	107	\$79,088,000	13.3%
	<b>Unauthorized Electronic Transfers:</b> A scheme that involves the unauthorized transfer of funds to the benefit of the perpetrator.	69	\$69,399,000	11.7%
	<b>Undetermined:</b>	16	\$5,699,000	1.0%
	<b>Vendor Fraud Scheme:</b> A scheme that involves the creation of a bogus vendor, or collusion with a real vendor, which allows the perpetrator to siphon funds from a company.	29	\$47,919,000	8.1%



Fidelity / Crime Division

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### Why Buy Great American Crime Insurance?

Great American's Fidelity / Crime Division has been providing mono-line crime coverage in the United States and internationally since 1995. We offer \$50 million in capacity for Mercantile, Financial Institution, Governmental, Armored Car/Valuables, Fine Arts and Specialized Products. We also offer \$65 million in capacity for our Kidnap, Ransom & Extortion coverage. Our new Small Business Program offers up to \$3 million in coverage.

We can tailor coverages to meet the specific needs of our clients. Our most experienced Claims and Underwriting staff average over 30 years in their respective fields. This experience, combined with our specialized products, has contributed to our consistent growth within the marketplace.

### Targeted Classes of Business

- General Commercial Business
  - Retail, Technology, Hospitality, Healthcare, etc.
- Governmental Entities
  - Municipalities, School Boards, Public Utilities, etc.
- Financial Institutions
  - Finance Companies, Mortgage Bankers, Broker/Dealers, Banks, Insurance Companies and Investment Company Bonds
- Specialized Classes of Business
  - Gaming, Check Cashiers, Security Guards and Kidnap, Ransom & Extortion
- Fidelity Crime Specie International
  - Armored Car, Mining, Valuable Metals and High Value Cargo, and Fine Arts

### Coverage Highlights Include:

- Employee Dishonesty
- Forgery or Alteration
- Inside the Premises
- Outside the Premises
- Computer Fraud
- Money Orders & Counterfeit Currency
- Clients' Property Coverage
- Funds Transfer Fraud
- Fiduciary Dishonesty ERISA Coverage
- ERISA Dishonesty Coverage

### Coverage Enhancements Available:

- Credit, Debit or Charge Card Forgery
- 90-Day Notice of Cancellation
- Definition of Employee to include:
  - Non-Compensated Officers Directors or Trustees on Committees, Volunteer Workers other than Fund Solicitors, Retired Employees Retained as Consultants

Additional endorsements are also available for consideration upon request.



\* 2018 statistics. Report to the Nations on Occupational Fraud and Abuse, ACFE, 2018. 2,690 companies participated in the study.

\*\* The 2013 Marquet Report on Embezzlement. 554 cases in the study.

Great American Insurance Group, 301 E. Fourth St., Cincinnati, OH 45202. Coverage is subject to underwriting. Examples are for illustrative purposes only. The facts of any situation which may actually arise, and the terms, conditions, exclusions and limitations in any policy in effect at that time, are unique. Thus, no representation is made that any specific insurance coverage applies to the above scenarios. Coverage description is summarized. Refer to the actual policy for a full description of applicable terms, conditions, limits and exclusions. In the U.S.: Policies are underwritten by Great American Insurance Company and Great American Spirit Insurance Company, authorized insurers in all 50 states and the DC. In Canada: All insurance products are subject to the limitations and conditions in the applicable policy or certificate of insurance in force at the time of purchase or enrolment and applicable legislation. Policies are underwritten by Great American Insurance Company, a foreign insurer authorized to insure risks in all Canadian Provinces and Territories. The Chief Agency of the Canadian Branch of Great American Insurance Company is located at Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Ontario M5H 3C2. Great American Insurance Company is not responsible for any non-compliance with the applicable Insurance Act in your province or territory and any applicable marketing guidelines issued by a regulatory authority with jurisdiction. © 2018 Great American Insurance Company. All rights reserved. 0622B-FIC-GAIC-1931 (10/18).