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## **HOT TOPICS Archives**

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### **Employee Dishonesty Not Insured**

Cargo thefts, embezzlement, computer fraud and check forgery committed by employees present a growing concern for today's business owners. Companies violated by their employees are further affected when they discover that their financial loss may not be covered by insurance.

Most insurance policies, including transportation and warehouse forms, specifically exclude losses due to employee dishonesty. "Crime" coverage, as it is often referred, can be purchased for premiums as low as \$200. However, a large percentage of insurance buyers do not purchase the insurance because they feel that their employees could not possibly steal from them. Frequently, the most vulnerable are smaller employers who are on a first name basis with their employees and who have developed emotional bonds with them and their families. Long time personnel for reasons ranging from expensive addictions to weak moments in judgment embezzle tens of millions of dollars from employers each year.

#### **Gangs Infiltrating Companies**

Transportation firms, shippers, importers and truckers may want to seriously reconsider the "Employee Dishonesty" coverage option from now on. Law enforcement officials warn that gang members and organized crime are deliberately infiltrating businesses for the purpose of stealing cargo. Also, security consultants are alerting shippers, warehousemen and forwarders to be on the lookout for truckers and other outside parties who approach warehouse employees to collaborate in cargo theft. These thefts are difficult to detect and, if caught, present no serious consequences to the thieves but can mean financial devastation to the victims.

#### **The Classic Inside Job**

A good example of an inside job might be a warehouse receiver who is solicited by a friendly trucker to sign for 400 pieces when actually only receiving 375. Or, a loader may be asked to turn over 425 pieces when the delivery receipt calls for only 400. In exchange, these employees are paid upwards of a week's wages plus a piece of the take. In the same way, truck drivers working in collaboration with thieves willingly turn over their loads to supposed hi-jackers in exchange for a cut of the action.

#### **Forwarder Employee Guilty – Insurance Company Won't Pay**

One real incident involved a freight forwarder who had over \$220,000 of name brand computers stolen from their warehouse. A warehouse employee had failed the lie detector test while also providing detectives with conflicting information. The cargo was fully insured under the warehouseman's all risk policy however the insurance company held back payment of the claim pending a possible indictment or arrest of the employee. Like most insurance policies, this one

specifically excluded dishonest acts of employees of the assured. The insurer's refusal to pay resulted in a strained relationship between the forwarder and their client.

### **Employee Involvement Assumed By Law Enforcement**

Cargo task forces formed over the last decade to address the escalating cargo crime problem have concentrated more effort toward interrogation and investigation of the victim's staff. Lie detector exams, sophisticated interrogation techniques and the confessions of other involved parties are leading to the arrest and conviction of "inside job" perpetrators at a growing rate.

### **Low Cost Insurance and Loss Prevention Offer Sound Answers**

In addition to implementing sound employee theft prevention procedures, why not consider spending a few extra dollars this for an employee dishonesty insurance policy or blanket bond? Call your Roanoke Trade representative for more information.

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