

“It’s Criminal What Agents DON’T Know About Crime Insurance”



Presented by

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John Eubank

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John is recognized as one of the nation's premier insurance education instructors, having served as a National Faculty member of the Society of Certified Insurance Counselors since 1976, and is a recipient of the Professional Leadership Scroll from the American Institute for Property & Liability Underwriters and the Insurance Institute of America.

Since forming Professional Insurance Education, Inc. in 1987, he has served as a speaker and instructor for a wide variety of educational seminars for insurance associations in Alabama, California, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Ohio, North & South Carolina, and Tennessee; Hoosier Ins. Co.; Society of CIC and the CPCU Society; National Association of Insurance Women (NAIW); and the North American Retail Dealers Association.

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“Don’t Do The Crime If You Can’t Do The Time”

Apologies to the 1975 TV Program *Baretta*



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HISTORY



- In 1986 ISO introduced the “simplified” Crime program that replaced numerous nonsimplified policies and hundreds of endorsements. It included a wide variety of Crime forms ranging from A (Employee Dishonesty), C (Money & Securities) to R. This was very confusing and in 2000 that program was “scraped” by ISO and totally replaced.
- The countrywide effective date for most states was July 1, 2000.
- The Crime Forms were amended in 2002 and again, in most states May 1, 2006. The latest revision is August 1, 2013 and this seminar will focus on the 2000 and 2002 forms and the changes made in the 2006 forms. The 2013 changes will be highlighted for the student’s future reference.

More History

- 1986 ISO decided to exclude certain things from the Building & Personal Property CPP program



Money & Securities

- “Money” and “Securities” are excluded from **all** coverage in standard Commercial Property Forms, and limited Theft coverage is only available under the Special Cause of Loss Form in the CPP.



Property Not Covered



- “Covered Property does not include: Accounts, bills, currency, deeds, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities”.
- Lottery tickets are tricky. Securities are **excluded**---but lottery tickets are **not securities** thus they are **covered!** More on the them in a minute.

STOP POLL QUESTION

The ISO Crime form:

- a. Covers all money and securities
- b. Covers up to \$5,000 in money & securities
- c. Does not cover any money & securities
- d. Does not cover money but does cover securities

Personal Effects



- Under the Personal Effects and Property of Others provision in the CPO 00 10 form there is **no theft** coverage for:
- “Personal effects owned by you, your officers, your partners or your employees”. Also, there is very limited Off Premises coverage for theft of anything, and **NO** theft coverage if the building has been vacant for more than 60 consecutive days.

Sub Limits

There are theft sub-limits for: \$2,500 for furs, etc.; \$2,500 for jewelry, watches, precious stones and metals, etc.; \$2,500 for patterns, dies, molds, and forms, and \$250 for stamps, tickets (including lottery tickets held for sale), and letters of credit. **In the 2013 CP 00 10 these limit can be increased on the Declarations Page.**

- Remember Lottery tickets??



Employee Theft

- Dishonesty or criminal act committed by employees or others involved in the insured business are excluded.
- The Special Cause of Loss Form excludes **Employee Dishonesty**, including theft by "...anyone to whom you entrust the property for any purpose...". **Big changes in 2012 CP 00 10** Inventory shortages and voluntary parting are also not covered.



Entrusted Property



Under the 2007 and prior Causes of Loss - Special Form, exclusion 2.h. states, in part, that: **"We will not pay for loss or damage caused by or resulting from... dishonest or criminal acts by ... anyone to whom you entrust the property for any purpose..."**

- That exclusion could apply, for example, to acts of destruction by a tenant or bailee. In contrast, the named peril forms (Basic and Broad forms) include vandalism as an insured peril and do not contain the aforementioned exclusion.

Exclusion 2.h. Revised in CP 10 30

ISO revised in the 2012 CP 10 30 exclusion 2.h. to distinguish between those who have a role in the insured's business (partners, managers, employees, etc.) and others to whom the property may be entrusted (a category that would include tenants and bailees, for example). With respect to the latter category, the exclusion is *narrowed* to apply only to theft. Further, the exception to the exclusion (which enables coverage for acts of destruction) is revised to extend applicability to authorized representatives, since authorized representatives (like ordinary employees) do not serve in a fiduciary capacity.

- The revised exclusion follows:

Revised CP 10 30

2. We will not pay for loss or damage caused by or resulting from any of the following:

h. Dishonest or criminal act (including theft) by you, any of your partners, members, officers, managers, employees (including temporary employees and leased workers), directors, trustees, or authorized representatives, whether acting alone or in collusion with each other or with any other party; or theft by any person to whom you entrust the property for any purpose, whether acting alone or in collusion with any other party.

This exclusion:

Applies whether or not an act occurs during your normal hours of operation;

(2) Does not apply to acts of destruction by your employees

(including temporary employees and leased workers) or authorized representatives; but theft by your employees (including temporary employees and leased workers) or authorized representatives is not covered

Mystery Exclusion in CP 10 30

And under the Special Cause of Loss Form Limitations it says:

The following limitations apply to all policy forms and endorsements, unless otherwise stated.

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.

f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

Not Talking BOP

- The BOP Special Form has an option to buy theft coverage, but only up to specified limits ON/OFF premises. The employee dishonesty limit under the BOP may also not be adequate.
- **We are NOT discussing the BOP today – but there are many ‘gaps’ in BOP crime coverage that may need to be discussed with insured since the Crime form may provide coverage.**

BOP GAPS

1. Limited dollar amount for coverage – some may be increased on Dec page
2. No coverage available for Computer Fraud and/or Funds Transfer Fraud
3. Practically no additional endorsements to tailor coverage
4. No endorsements to tailor 'employee' definition, i.e. volunteer workers

2013 Revisions



Effective in most states August 1, 2013

Highlights of the changes include:

- ◆ Combining the separate Computer Fraud and Funds Transfer Fraud Insuring Agreements into a new insuring agreement called Computer And Funds Transfer Fraud.
 - ◆ Introducing a new Data Security Breach Exclusion
 - ◆ Expanding the definition of "money" to include deposits in the insured's account at a financial institution
 - ◆ Revising the Duties In The Event Of Loss Condition to reinforce the insured's responsibility to secure all of its rights of recovery
- ISO is also introducing several endorsements. Among them are:
- The Amend Territory Condition - Include Worldwide Coverage
 - The Include As Joint Insured(s) endorsement
 - The Amend Definition Of Financial Institution endorsement
 - **Now back to the Crime Policy**

Commercial Crime Coverage Forms (Discovery Form) CR 00 20 (Loss Sustained Form) CR 00 21



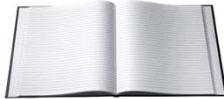
- ISO has two options for writing crime coverage either on a discovery or loss sustained basis. If the coverage is written on a discovery basis losses sustained at any time and discovered during the policy period or discovered within sixty days after the termination or cancellation of the policy are covered. **Under the loss sustained coverage, the loss must be sustained and discovered during the policy period, or discovered within one year from the end of the policy period.**
- Other than this difference the two forms are identical.
- We will discuss the Loss Sustained Form CR 00 21 in detail since it should be the most frequently used.

STOP POLL QUESTION

Most Crime coverage is written on the:

- a. Discovery Form
- b. Loss Sustained Form

Definitions



- We are only going to quickly review the most important form Definitions – Many are different, or not found, in other property forms
- "Discover" or "discovered" means the time when you first become aware of facts which would cause a reasonable person to assume that a loss of a type covered by this insurance has been or will be incurred, regardless of when the act or acts causing or contributing to such loss occurred, even though the exact amount or details of loss may not then be known.
- "Discover" or "discovered" also means the time when you first receive notice of an actual or potential claim in which it is alleged that you are liable to a third party under circumstances which, if true, would constitute a loss under this insurance

This definition is meant to activate when a loss is first 'learned about' to trigger which policy year will apply

Employee (these slides are abbreviated)



- a. Means:
 - (1) Any natural person:
 - (a) While in your service and for the first 30 days immediately after termination of service...
 - (b) Whom you compensate directly by salary, wages or commissions; and
 - (c) Whom you have the right to direct and control while performing services for you;

Employee (cont'd)



- 2) Any natural person who is furnished temporarily to you:
 - (a) To substitute for a permanent "employee"
 - ...who is on leave; or
 - (b) To meet seasonal or short-term work load conditions;

Employee (Cont'd)

- 3) Any natural person who is leased to you under a written agreement between you and a labor leasing firm, to perform duties related to the conduct of your business, but does not mean a temporary employee as defined above;
- **NOTE the Definition has several other Categories – See form**

Others That Can Be Added By Endorsements



- CR 25 03 - Include Partners as Employees (08 07 change)**
This endorsement adds partners as employees for theft coverage but the coverage is limited.
- CR 25 04 - Include Members of a Limited Liability Company as Employees (08 07 change)**
This endorsement adds members of a Limited Liability Company (LLC) as employees for theft coverage but the coverage is limited.
- CR 25 09 - Include Volunteer Workers as Employees (10 10 change)**
When this endorsement is added to the policy, volunteers are covered on a blanket basis and treated as employees.
- CR 25 41 - Include Designated Persons or Classes of Persons as Employees (10 10 change)**
This endorsement applies to only the employee theft insuring agreement. When this endorsement is added to the policy, certain individuals or classes of persons can be added as employees. An insured is permitted to include some leased employees while not including others.

“Money” – Not defined in property forms – they just exclude it



- 13. "Money" means:
 - a. Currency, coins and bank notes in current use and having a face value; and
 - b. Travelers checks, register checks and money orders held for sale to the public.

Securities – Also not defined in property forms

- 19. "Securities" means negotiable and nonnegotiable instruments or contracts representing either "money" or property and includes:
 - a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and (examples of each are...)
 - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you; but does not include "money".

Other Property



- 15. "Other property" means any tangible property other than "money" and "securities" that has intrinsic value. "Other property" does not include computer programs, electronic data or any property specifically excluded under this insurance.

A. Insuring Agreement

Coverage is provided under the following Insuring Agreements for which a Limit of Insurance is shown in the Declarations and applies to loss that you sustain resulting directly from an "occurrence" taking place during the Policy Period shown in the Declarations, except as provided in Condition E.1.k. or E.1.l., which is "discovered" by you during the Policy Period shown in the Declarations or during the period of time provided in the Extended Period To Discover Loss Condition E.1.g.:

A.1. Employee Theft



We will pay for loss of or damage to "money", "securities" and "other property" resulting directly from "theft" committed by an "employee", whether identified or not, acting alone or in collusion with other persons.

For the purposes of this Insuring Agreement, "theft" shall also include forgery.

"Theft" means the unlawful taking of property to the deprivation of the Insured.

CR 04 01 – Clients' Property



NEED - The Ownership of Property: Interests Covered Condition in CR 00 21 only covers property owned or leased by the named insured or property of others held by the named insured, regardless of legal liability.

Example - Dunn Cleaning Service receives notice that three computers are missing from P.I.E., Inc. offices. Dunn's employees were the last persons on P.I.E. premises. There is no coverage under Dunn's Crime Policy since Dunn was not holding P.I.E.'s property. CR 04 01 – Client's Property will cover the loss if it is proven that Dunn's employees did in fact take the computers.

The employee or employees who commit the theft must be identified. There is no coverage if the guilty employee or employees involved are unknown.

The term "client" is added to the coverage part for this optional coverage. In order for an entity to be considered a "client," the named insured must perform services for it under the terms of a written contract.

The definition of "theft" is revised. It means taking property in an unlawful manner to the deprivation of the named insured's client.

STOP POLL QUESTION

Employee Theft Covers:

- a. Only theft of "money"
- b. Theft of "Money", "Securities" and "Other Property"
- c. Only theft of "Securities"
- d. Only theft by non-employees

Employee Dishonesty

- Before we continue with the other Insuring Agreements, any act involving an "employee" is covered under A.1.



A.2. Forgery Or Alteration



2. Forgery Or Alteration

a. We will pay for loss resulting directly from "forgery" or alteration of checks, drafts, promissory notes, or similar written promises, orders or directions to pay a sum certain in "money" that are:

- (1) Made or drawn by or drawn upon you; or
- (2) Made or drawn by one acting as your agent;...

Note – See form for remainder of this Agreement

Forgery & Alterations

Remember this is for instruments drawn upon the insured. NOT CHECKS, etc. the insured's cashes for others that have been forged. There is no standard coverage available for this. Example of **NO COVERAGE**: Your insured is a grocery store and has cashed a lot of checks for migrant workers drawn on a local farms account. It was "*learned about*" that a migrant worker stole a blank check from the farm where he worked, and photocopied it and passed it out to his friends, and these are the checks that the insured cashed. Loss totals \$10,000 as it took some time for these checks to be returned because the checks were not valid. The insurer has **denied** this claim under the voluntary parting by trick or device exclusion in the policy.

Example of **COVERAGE**: A member of the janitorial crew steals three checks from the middle of the Eubank, Inc. checkbook that he finds in the comptroller's office. Over the next few days, the thief writes checks against the Eubank's account until the missing checks are discovered or the bank reports that unauthorized checks have been cashed.

Theft Of Money & Securities



- 3. Inside The Premises – Theft Of Money And Securities
 - a. We will pay for loss of "money" and "securities" inside the "premises" or "banking premises":
 - (1) Resulting directly from "theft" committed by a person present inside such "premises" or "banking premises"; or
 - (2) Resulting directly from **disappearance or destruction** .
 - b. We will pay for loss from damage to the "premises" ... resulting from "theft" of "money" and "securities", ...
 - c. We will pay for loss of or damage to a locked safe... inside the "premises" resulting from ..."theft"

Theft

- **NOTE: There are practically no exclusions to DISAPPEARANCE OR DESTRUCTION. This is as broad a coverage as you can get.**

Insuring Agreement A.4. - Inside The Premises Robbery Or Safe Burglary

4. Inside The Premises – Robbery Or Safe Burglary Of Other Property

a. We will pay for loss of or damage to "other property":

(1) Inside the "premises" resulting directly from an actual or attempted "robbery" of a "custodian"; or

(2) Inside the "premises" in a safe or vault resulting directly from an actual or attempted "safe burglary". ...



Insuring Agreement A.4.

This form is very rarely used. Why?

"Other property" can normally be covered under the Commercial Property Form CP 00 10, with the Special Cause of Loss form and the policy would cover "other property" (contents) for theft, which is much broader than Crime Insuring Agreement 4.

OUTSIDE THE PREMISES



5. Outside The Premises

a. We will pay for loss of "money" and "securities" outside the "premises" in the care and custody of a "messenger" or an armored motor vehicle company resulting directly from "**theft, disappearance or destruction.**"

b. We will pay for loss of or damage to "other property" outside the "premises" in the care and custody of a "messenger" or an armored motor vehicle company resulting directly from an actual or attempted "robbery"

STOP POLL QUESTION

The term Disappearance or Destruction covers:

- a. Only 'theft'
- b. Only losses that are 'mysterious' disappearance
- c. All losses of 'money' and 'securities' with practically no exclusions
- d. Only losses of property other than 'money and securities'

COMPUTER FRAUD



6. Computer Fraud

We will pay for loss of or damage to "money", "securities" and "other property" resulting directly from the use of any computer to fraudulently cause a transfer of that property from inside the "premises" or "banking premises":

- a. To a person (other than a "messenger") outside those "premises"; or
- b. To a place outside those "premises".

Example Computer Fraud

Mary Sue, the top sales person for Really Smart Insurance Agency was staying in a hotel in Nashville Tennessee, where she regularly conducted business from her room. While she left the room to meet with a client someone broke into Mary's room. Besides stealing valuables, the thief also hacked her laptop to transfer funds to his account. This loss would be covered.

FUNDS TRANSFER FRAUD

7. Funds Transfer Fraud

We will pay for loss of "funds" resulting directly from a "fraudulent instruction" directing a financial institution to transfer, pay or deliver "funds "from your "transfer account".



2013 Combined Computer & Computer Fraud

6. Computer And Funds Transfer Fraud

a. We will pay for:

(1) Loss resulting directly from a fraudulent:

(a) Entry of "electronic data" or "computer program" into; or

(b) Change of "electronic data" or "computer program" within;

any "computer system" owned, leased or operated by you, provided the fraudulent entry or fraudulent change causes, with regard to Paragraphs 6.a.(1)(a) and 6.a.(1)(b):

(i) "Money", "securities" or "other property" to be transferred, paid or delivered; or

(ii) Your account at a "financial institution" to be debited or deleted.

(2) Loss resulting directly from a "fraudulent instruction" directing a "financial institution" to debit your "transfer account" and transfer, pay or deliver "money" or "securities" from that account.

b. As used in Paragraph 6.a.(1), fraudulent entry or fraudulent change of "electronic data" or "computer program" shall include such entry or change made by an "employee" acting, in good faith, upon a "fraudulent instruction" received from a computer software contractor ...

2013 Computer And Funds Transfer Fraud

This coverage has been rewritten and incorporates the separate Computer Fraud and Funds Transfer Fraud Insuring Agreements. Coverage is intended to apply only to a hacker - type incident during which a fraudulent entry or change of electronic data or computer program in a computer system owned, leased or operated by the insured, causes a transfer of money, securities or other property. The coverage is based on the Computer Fraud coverage available in the ISO Financial Institutions Crime program.

Money Orders And Counterfeit Money

8. Money Orders And Counterfeit Money

We will pay for loss resulting directly from your having accepted in good faith, in exchange for merchandise, "money" or services:

- a. Money orders issued by any post office, express company or bank that are not paid upon presentation; or
- b. "Counterfeit money" that is acquired during the regular course of business.



Limit Of Insurance



B. Limit Of Insurance

The most we will pay for all loss resulting directly from an "occurrence" is the applicable Limit of Insurance shown in the Declarations.

If any loss is covered under more than one Insuring Agreement or coverage, the most we will pay for such loss shall not exceed the largest Limit of Insurance available under any one of those Insuring Agreements or coverages.

(Change in 2006 form)

REMEMBER EACH INSURING AGREEMENT CAN HAVE A SEPARATE, AND DIFFERENT, LIMIT

Eubank, Inc. sustains a loss that involves both employees and non-employees. It is determined to be a single occurrence (will cover in a minute) and coverage is available under Insuring Agreements 1, 3 and 7. The coverage limit is \$500,000 under Insuring Agreement 1, \$100,000 under Insuring Agreement 3 and \$250,000 under Insuring Agreement 7. The total loss is \$1,000,000. Prior to the ISO 2006 Edition Eubank could have recovered under each of the insuring agreements and have been fully compensated. Under the current edition, the maximum recovery is \$500,000, the highest limit available.

Very important when limits are chosen by insured.

“Occurrence” definition

- 17. "Occurrence" means:
 - a. Under Insuring Agreement A.1.:
 - (1) An individual act;
 - (2) The combined total of all separate acts whether or not related; or
 - (3) A series of acts whether or not related; committed by an "employee" acting alone or in collusion with other persons, during the Policy Period shown in the Declarations, except as provided under Condition E.1.k. or E.1.l.
 - b. Under Insuring Agreement A.2.: [almost identical to a.]
 - c. Under all other Insuring Agreements:
 - (1) An individual act or event;
 - (2) & (3) [almost identical to a]

Occurrence Example

Five employees of Eubank, Inc. together begin to take cash from accounts receivables. The total loss is \$300,000. The policy limit of insurance for employee theft is \$200,000. Eubank, Inc. believes that each of the employees should be insured for \$200,000 with a total possible loss payable of \$1,000,000. Note the definition of “occurrence”. Because the employees were all part of the same occurrence, the policy limit of \$200,000 limit applies.

Example: However, another employee was stealing merchandise from the storeroom and selling it at garage sales. This employee's actions were completely separate from the 5 person theft of accounts receivable and a separate \$200,000 limit of insurance applies.

Exclusions



- D. Exclusions
 - 1. This insurance does not cover:
 - a. Acts Committed By You, Your Partners Or Your Members Loss resulting from "theft" or any other dishonest act committed by: ...
 - b. Acts Of Employees Learned Of By You Prior To The Policy Period Loss caused by an "employee" if the "employee" had also committed "theft" or any other dishonest act prior to the effective date of this insurance and you or any of your partners, "members", "managers", officers, directors or trustees, not in collusion with the "employee", learned of that "theft" or dishonest act prior to the Policy Period shown in the Declarations.

Exclusion 1.b



I don't think anyone can pass this test---"Any dishonest act"? How about a parent who employs their child during the summer. Most children have been caught in dishonest acts such as stealing change from the parent's pocket, etc. Technically, because the parent knows of the child's past, no crime coverage is available for the child.

Example: You hire a person you know has a criminal record---again petty theft as a child. No coverage applies for actions of that employee.

Exclusion 1.c.

c. Acts Of Employees, Managers, Directors, Trustees Or Representatives

Loss resulting from "theft" or any other dishonest act committed by any of your "employees", "managers", directors, trustees or authorized representatives: ... except when covered under Insuring Agreement A.1.

1.c. "...any other dishonest act..." **What is that???????**

OOPS—read the give back! Tricky!



Exclusions (Cont'd)



d. Confidential Information

Loss resulting from:

- (1) The unauthorized disclosure of your confidential information including, but not limited to, patents, trade secrets, processing methods or customer lists; or
- (2) The unauthorized use or disclosure of confidential information of another person or entity which is held by you including, but not limited to, financial information, personal information, credit card information or similar non-public information.

Exclusion d. Confidential Information

The Commercial Crime Coverage Form and Commercial Crime Policy are designed to respond to direct losses to the insured of money, securities and other tangible property, not potential losses created through the unauthorized disclosure of information belonging to the insured or the unauthorized use or disclosure of information of another person or entity which is held by the insured. **This new exclusion explains that the Crime form is not designed to cover identity theft.**

Exclusions (Cont'd)



- e. Governmental Action ...
- f. Indirect Loss
Loss that is an indirect result of an "occurrence" covered by this insurance including, but not limited to, loss resulting from:
 - (1) Your inability to realize income ... **Business Income Coverage**
 - (2) Payment of damages of any type for which you are legally liable. ...**CGL**
 - (3) Payment of costs, fees or other expenses you incur in establishing either the existence or the amount of loss under this insurance.
- g. Legal Fees, Costs And Expenses ...
- h. Nuclear Hazard ...
- i. Pollution ...
- j. War And Military Action ...

Exclusions (Cont'd)

- 2. Insuring Agreement A.1. does not cover:
 - a. Inventory Shortages
Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:
 - (1) An inventory computation ...**CR 25 40 Includes Expenses Incurred to Establish Amount of Covered Loss**
 - b. Trading **CR 25 16**
Loss resulting from trading, whether in your name or in a genuine or fictitious account.
 - c. Warehouse Receipts ...**CR 25 17**
- 3. Insuring Agreements A.3., A.4. and A.5. do not cover:
 - a. Accounting Or Arithmetical Errors Or Omissions ...
 - b. Exchanges Or Purchases ...
 - c. Fire ...
 - d. Money Operated Devices ...
 - e. Motor Vehicles Or Equipment And Accessories ...

Exclusions (Cont'd)

f. Transfer Or Surrender Of Property

- (1) Loss of or damage to property after it has been transferred or surrendered to a person or place outside the "premises" or "banking premises":
 - (a) On the basis of unauthorized instructions; **Computer Fraud -Tricky Only applies to A.1.**
 - (b) As a result of a threat to do bodily harm to any person; **Extortion**
 - (c) As a result of a threat to do damage to any property; **Extortion**
 - (d) As a result of a threat to introduce a denial of service attack into your computer system; **Extortion**
 - (e) As a result of a threat to introduce a virus or other malicious instruction into your computer system which is designed to damage, destroy or corrupt data computer programs stored within your computer system; **Extortion**
 - or
 - (f) As a result of a threat to contaminate, pollute or render substandard your products or goods; or **Extortion**
 - (g) As a result of a threat to disseminate, divulge or utilize: **Extortion**
 - (i) Your confidential information; or
 - (ii) Weaknesses in the source code within your computer system

Exclusions (Cont'd)



- f. (2) But, this Exclusion does not apply under Insuring Agreement A.5. to loss of "money", "securities" or "other property" while outside the "premises" in the care and custody of a "messenger" if you:
- (a) Had no knowledge of any threat at the time the conveyance began; or
 - (b) Had knowledge of a threat at the time the conveyance began, but the loss was not related to the threat.

g. Vandalism

Loss from damage to the "premises" or its exterior, or to any safe, vault, cash register, cash box, cash drawer or "other property" by vandalism or malicious mischief.

h. Voluntary Parting Of Title To Or Possession Of Property

Loss resulting from your, or anyone acting on your express or implied authority, being induced by any dishonest act to voluntarily part with title to or possession of any property

Exclusions (Cont'd)



4. Insuring Agreement A.6. does not cover:

a. Credit Card Transactions

Loss resulting from the use or purported use of credit, debit, charge, access, convenience, identification, stored-value or other cards or the information contained on such cards.

b. Funds Transfer Fraud **Under forms prior to 2013 have to buy both**

Loss resulting from a "fraudulent instruction" directing a financial institution to transfer, pay or deliver "funds" from your "transfer account".

c. Inventory Shortages

Loss, or that part of any loss, the proof of which as to its existence or amount is dependent upon:

- (1) An inventory computation; or
- (2) A profit and loss computation.

5. Insuring Agreement A.7. does not cover:

COMPUTER FRAUD

Loss resulting from the use of any computer to fraudulently cause a transfer of "money", "securities" or "other property".

E. Conditions

E. Conditions

The following conditions apply in addition to the Common Policy Conditions:

1. Conditions Applicable To All Insuring Agreements

a. Additional Premises Or Employees ...

b. Concealment, Misrepresentation Or Fraud

This insurance is void in any case of fraud by you as it relates to this insurance at any time. ...

c. Consolidation - Merger Or Acquisition ...

d. Cooperation ...

e. Duties In The Event Of Loss

After you "discover" a loss or a situation that may result in loss of or damage to "money", "securities" or "other property", you must:

- (1) Notify us ...
- (2) Give us a detailed, sworn proof of loss within 120 days;
- (3) Cooperate with us ...
- (4) Produce for our examination all pertinent records;
- (5) Submit to examination under oath ...
- (6) Secure all of your rights of recovery ...

f. Employee Benefit Plans ...



Conditions (Cont'd)



g. Extended Period To Discover Loss

We will pay for loss that you sustained prior to the effective date of cancellation of this insurance, which is "discovered" by you:

- (1) No later than one year from the date of that cancellation. However, this extended period to "discover" loss terminates immediately upon the effective date of any other insurance obtained by you, whether from us or another insurer, replacing in whole or in part the coverage afforded under this insurance, whether or not such other insurance provides coverage for loss sustained prior to its effective date.
- (2) No later than one year from the date of that cancellation with regard to any "employee benefit plan".

Conditions (Cont'd)



h. Joint Insured ...

i. Legal Action Against Us ...

j. Liberalization ...

k. Loss Sustained During Prior Insurance Issued By Us Or Any Affiliate

(1) Loss Sustained Partly During This Insurance And Partly During Prior Insurance

If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place:

- (a) Partly during the Policy Period shown in the Declarations; and
- (b) Partly during the policy period(s) of any prior cancelled insurance that we or any affiliate issued to you or any predecessor in interest; and this insurance became effective at the time of cancellation of the prior insurance, we will first settle the amount of loss that you sustained during this policy period. We will then settle the remaining amount of loss that you sustained during the policy period(s) of the prior insurance.

Condition k.(1)

Paragraph (1) "Loss Sustained Partly During This Insurance And Partly During Prior Insurance", addresses loss sustained during the terms of both the current policy and also the term of prior insurance issued by the same insurer. **The condition expressly states that in the event of such an "occurrence", the current policy will respond to the loss first.** Any remaining amount of loss that occurred under prior insurance will then be settled.

Conditions (Cont'd)

(2) Loss Sustained Entirely During Prior Insurance
If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place entirely during the policy period(s) of any prior cancelled insurance that we or any affiliate issued to you or any predecessor in interest, we will pay for the loss, provided:
(a) This insurance became effective at the time of cancellation of the prior insurance; and
(b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".
We will first settle the amount of loss that you sustained during the most recent prior insurance. We will then settle any remaining amount of loss that you sustained during the policy period(s) of any other prior insurance.

Condition k (2)

Paragraph (2) "Loss Sustained Entirely During Prior Insurance", addresses loss that was sustained in its entirety under prior insurance issued by the same insurer. In order for the loss to be covered, the loss must be covered under the terms of the current policy. The loss is first settled under the most recent prior policy in which the loss was sustained. Any remaining amount of loss is then settled under any insurance issued prior to that policy.

Conditions (Cont'd)

- 3) In settling loss under Paragraphs k.(1) and k.(2):
 - (a) The most we will pay for the entire loss is the highest single Limit of Insurance applicable during the period of loss, whether such limit was written under this insurance or was written under the prior insurance issued by us.
 - (b) We will apply the applicable Deductible Amount shown in the Declarations to the amount of loss sustained under this insurance. ...

Start with Definition of "Occurrence"

Lets refresh our memory of the definition as it applies to Employee Theft.

- 14.a. Occurrence" means:
Under Insuring Agreement A.1.:
- (1) An individual act;
 - (2) The combined total of all separate acts whether or not related; or
 - (3) A series of acts whether or not related; committed by an "employee" acting alone or in collusion with other persons, during the Policy Period shown in the Declarations, except as provided under Condition E.1.k. or E.1.l.

"Occurrences"

The person(s) may perform many dishonest acts over a long period of time before being caught, but all the acts 14.a.(2) would be considered one "occurrence". If the insurance company remained the same, coverage would be continuous dating back to when the first dishonest act happened. **However, the policy limits do not accumulate.**



Conditions (Cont'd)

(4) The following examples demonstrate how we will settle losses subject to this condition:

There are examples in the policy which should be studied and explained to the insured. For one of them you may need help of a 'Fifth Grader'



Conditions (Cont'd)



I. Loss Sustained During Prior Insurance Not Issued By Us Or Any Affiliate

(1) If you "discover" loss during the Policy Period shown in the Declarations, resulting directly from an "occurrence" taking place during the policy period of any prior cancelled insurance that was issued to you or a predecessor in interest by another company, and the period of time to discover loss under that insurance had expired, we will pay for the loss under this insurance, provided:

- (a) This insurance became effective at the time of cancellation of the prior insurance; and
- (b) The loss would have been covered under this insurance had it been in effect at the time of the "occurrence".

Condition I.(1)



This condition applies to loss sustained under prior insurance where the extended period of time to discover loss under that prior insurance has expired.

In Paragraph (1), for the loss to be covered, the current insurance must become effective at the time of cancellation of the prior insurance and the loss would have been covered under the current insurance had it been in effect at the time of the "occurrence".

Conditions (Cont'd)

(2) In settling loss subject to this condition:

(a) The most we will pay for the entire loss is the lesser of the Limits of Insurance applicable during the period of loss ...

(3) The insurance provided under this condition is subject to the following: ...



Condition I (2) (3)

In Paragraph (2), the lesser of the limits of the current insurance or the prior insurance apply to the loss. Also the deductible under the current insurance will be applied to the loss sustained under that prior cancelled insurance.

In Paragraph (3), the insurance provided under this Condition addresses two loss scenarios involving prior insurance issued by a different insurer:

Conditions (Cont'd)



m. Other Insurance

If other valid and collectible insurance is available to you for loss covered under this insurance, our obligations are limited as follows:

(1) Primary Insurance

When this insurance is written as primary insurance, and:

(a) You have other insurance subject to the same terms and conditions as this insurance, we will pay our share of the covered loss. ...


(2) Excess Insurance

(a) When this insurance is written excess over other insurance, we will only pay for the amount of loss that exceeds the Limit of Insurance and Deductible Amount of that other insurance, ...

Conditions (Cont'd)


n. Ownership Of Property; Interests Covered ...
o. Records ...
p. Recoveries ...
q. Territory ...
r. Transfer Of Your Rights Of Recovery Against Others To Us ...
s. Valuation - Settlement
 The value of any loss for purposes of coverage under this insurance shall be determined as follows:
(1) Money ...
(2) Securities ...
(3) Property Other Than Money And Securities ...

Conditions (Cont'd)



2. Conditions Applicable To Insuring Agreement A.1.
a. Termination As To Any Employee
 This Insuring Agreement terminates as to any "employee":
 (1) As soon as:
 (a) You; or
 (b) Any of your partners, "members", "managers", officers, directors or trustees not in collusion with the "employee" learn of "theft" or any other dishonest act committed by the "employee" whether before or after becoming employed by you; or
b. Territory
 We will pay for loss caused by any "employee" while temporarily outside the territory specified in Territory Condition **E.1.q.** for a period of not more than 90 consecutive days.

Conditions (Cont'd)



3. Conditions Applicable To Insuring Agreement A.2.
a. Deductible Amount
 The Deductible Amount does not apply to legal expenses paid under Insuring Agreement **A.2.**
b. Electronic And Mechanical Signatures
 We will treat signatures that are produced or reproduced electronically, mechanically or by other means the same as handwritten signatures.
c. Proof Of Loss
 You must include with your proof of loss any instrument involved in that loss or, if that is not possible, an affidavit setting forth the amount and cause of loss.
d. Territory
 We will cover loss that you sustain resulting directly from an "occurrence" taking place anywhere in the world. Territory Condition **E.1.q.** does not apply to Insuring Agreement **A.2.**

STOP POLL QUESTION

Under The Commercial Crime Form The Coverage Territory can be:

- a. Only the USA
- b. All parts of the world under some Insuring Agreements
- c. Never in Mexico
- d. Can only be added by endorsement

Conditions (Cont'd)

4. Conditions Applicable To Insuring Agreements A.4. And A.5.

a. Armored Motor Vehicle Companies

Under Insuring Agreement A.5., we will only pay for the amount of loss you cannot recover:

- (1) Under your contract with the armored motor vehicle company; and
- (2) From any insurance or indemnity carried by, or for the benefit of customers of, the armored motor vehicle company.

b. Special Limit Of Insurance For Specified Property

We will only pay up to \$5,000 for any one "occurrence" of loss of or damage to: **\$5,000 can be increased by endorsement**

- (1) Precious metals, precious or semiprecious stones, pearls, furs ...

Conditions (Cont'd)

5. Conditions Applicable To Insuring Agreement A.6.

a. Special Limit Of Insurance For Specified Property

We will only pay up to \$5,000 for any one "occurrence" of loss of or damage to manuscripts, drawings, or records of any kind, or the cost of reconstructing them or reproducing any information contained in them.

b. Territory

We will cover loss that you sustain resulting directly from an "occurrence" taking place anywhere in the world. Territory Condition E.1.q. does not apply to Insuring Agreement A.6.



Endorsements

There are over 100 ISO Crime endorsements to add/delete and amend coverage. A complete list should be reviewed by the students.



One Important Endorsement

A recent VU question

My client, a property manger has brought a contract to me that he is trying to fulfill. The contract requires "crime insurance" to cover all employees in respect to the property of the client.

Need to endorse insured's policy with an ISO crime form called "Client's Property", CR 04 01 05 06. Talk to underwriter to see if this covers what the 'client' wants. This insuring agreement is similar to the Employee Theft insuring agreement except for a very important restriction. The employee or employees who commit the theft must be **identified**. There is no coverage if the guilty employee or employees involved are unknown.

In order to be covered by this insuring agreement, property must be owned or leased by the client or be property held by the client for others or consist of property for which the client is legally liable.

Congratulations Questions??



Upcoming Webinars

March 12

“How to Compete with Direct Writers in Personal Lines...Combating Low-Cost Advertising with Coverage and the Independent Agent Advantage”

March 16

“How to Calculate Business Income Limits in 5 Minutes!”

March 17

“Demystifying Business Income Coverage, Options, and Worksheets”
