



ForeFront PortfolioSM Risk Analyzer for Privately Held Companies

CRIME



Risk review performed for: _____

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The Purpose of the Risk Analyzer

When it comes to insuring your company, you can't afford to leave things to chance. A lack of proper coverage at a critical time can potentially result in a huge financial loss. The key to a sound base of insurance protection is securing coverage that truly meets all of your company's unique exposure needs.

How? Chubb's **ForeFront PortfolioSM Risk Analyzer** can help. The **Risk Analyzer** can help you uncover some of the biggest potential threats to your company's bottom line. It will help you answer several important questions about your company's possible financial exposures:

- What are your company's exposures and vulnerabilities?
- What is your company's tolerance for risk?
- Is your company's insurance protection adequate?

Your trusted agent or broker can assist you in using the **Risk Analyzer** to identify possible financial exposures your company might have in each of eight critical areas:

Risk*	Description
Employment practices liability	Employees and former employees can sue a company, its board members, and its officers for discrimination, harassment, and other employment practices exposures.
Fiduciary liability	Retirees, former employees, and employees can sue the company and its plan fiduciaries for alleged mismanagement in administering benefits.
Crime	A trusted employee can embezzle funds, steal inventory, or commit fraud over a long period of time.
Directors and officers liability	Investors, shareholders, customers, clients, government regulators, creditors, and competitors can sue a company's board members and officers over their actions or decisions.
Miscellaneous professional liability	Customers and related third parties can sue professional service providers for negligence in providing or failure to provide a service.
Workplace violence expense	An employee, relative of an employee, or outsider can threaten or perpetrate harm against employees in the workplace.
Internet liability	An outside person or company can sue the company for copyright infringement or defamation over content it posts on its Web site.
Kidnap/ransom and extortion	An employee can be kidnapped while traveling, or a criminal can attempt extortion against the company by threatening its employees or products.

By using Chubb's **ForeFront Portfolio Risk Analyzer**, you are taking an important step toward effectively managing some of your company's most dangerous financial exposures. Your answers to the **Risk Analyzer** questions will serve as the foundation for a program of insurance coverage, specifically designed to meet your company's needs.

* Shaded area denotes the risk area covered by this version of the **Risk Analyzer**.

Crime Coverage Gap Analysis

WHAT ARE SOME TYPICAL GAPS IN TRADITIONAL COVERAGE?

ForeFront Portfolio Crime Insurance can help fill unexpected coverage gaps that may exist in your company's current **package policy**¹. For example, a package policy:

- Is relatively restrictive with only a handful of insuring agreements, whereas a crime policy offers 10 insuring agreements.
- Does not expand the definition of employees to include non-employees with fiduciary responsibilities.

In summary, even if crime insurance is purchased as part of a package policy, the following criminal acts may not be covered:

- Computer fraud.
- Funds transfer fraud.
- Money order and counterfeit currency fraud.
- Credit card fraud.

¹ Policy references are based on the commercial ISO policy.

Crime Risk Analysis

EMPLOYEE THEFT

Questions:

Have any of your company's employees had, or do they now have, direct access to its funds/assets?

Yes No

Do these employees also deal directly with vendors?

Yes No

Exposure:

Your company's management may find it hard to believe that anyone—employee or non-employee—would ever steal from your company. Unfortunately, that mentality plays straight into the hands of a “trusted” employee with opportunity and motivation.

Consider this:

According to the *2005 Chubb Private Company Risk Survey*²:

- More than one in three (**36%**) private companies had an employee steal company funds, equipment, inventory, or merchandise during the past five years.
 - The average value of the stolen assets was more than **\$348,000**.
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² For the *2005 Chubb Private Company Risk Survey*, Chubb interviewed 451 executives from privately owned companies in 46 U.S. states in order to gain a better understanding of the companies' potential liability exposures.

Crime Risk Analysis

EMPLOYEES WITH MULTIPLE DUTIES

Question:

Do employees who reconcile the monthly bank statements also either sign checks or handle deposits?

Yes No

Exposure:

Your company is especially vulnerable to the impact of long-term fraud if employees are handling multiple important financial duties.

Could this happen to you?

Accounting head approved checks to phantom vendor

- The head of accounting, in order to fund his gambling habit, concocted a scheme in which he approved payments to phony vendors. (For example, he approved invoices for the phony ABC Inc., which sounded like ABC Company, a legitimate firm hired by the company.)
- After more than two years, an accounting clerk noticed a slight difference in names and the scheme was uncovered.

Result: The accounting head approved false invoices totaling more than \$650,000.

Crime Risk Analysis

LACK OF FINANCIAL CONTROLS

Question:

Is only one employee responsible for signing all outgoing wire transfers, letters of credit, or checks?

Yes No

Exposure:

Your company can potentially be pushed to its financial breaking point from a momentary lapse in controls.

Could this happen to you?

The tax man stealeth

- A company's former tax manager was responsible for making payments to federal, state, and local tax authorities, and he had check-signing responsibility as well as access to the company's payroll checking account.
- During his employment, the employee set up a fictitious firm that allegedly provided tax services to the company.
- The loss wasn't discovered until after the employee had left the company and was caught doing the same thing to his next employer, at which time he admitted that he had established the phantom company for the sole purpose of stealing from his employer.

Result: A thorough investigation determined that the tax manager had taken nearly \$600,000.

Crime Risk Analysis

LACK OF SECURITY

Question:

Can the public easily access your company's premises or computer systems due to limited security?

Yes No

Exposure:

The ability of an outside individual to access the internal operations or systems of your company creates opportunities for loss, ranging from simple theft of assets to high-tech hacking and other computer-related crime.

Could this happen to you?

Plant manager, truck driver conspire to steal inventory

- A manufacturer's plant manager went on vacation, and the company discovered its inventory records did not match with shipping and receiving.
- A review of inventory showed that product was missing.
- An investigation found that the plant manager and a truck driver had conspired for 18 months to deliver the stolen inventory to a buyer who paid the driver cash for the goods.

Result: The stolen inventory had a value of more than \$150,000.

Crime Risk Analysis

ERISA PLAN BONDING REQUIREMENT

Question:

Is it possible that your company's non-employees who serve your company's ERISA plan are not bonded for theft and forgery coverage, as required by ERISA?

Yes No

Exposure:

Your company could face significant crime risk if it does not comply with ERISA legislation, which requires that third-party fiduciaries, trustees, administrators, or other plan officers in the regular service of an ERISA plan are bonded for theft and forgery coverage, in addition to employees.

Consider this:

A **package policy** does not offer full ERISA coverage that expands the definition of employees to include non-employees with fiduciary responsibilities.

Chubb's Solution

Chubb's *ForeFront Portfolio Crime Insurance* offers insurance for privately owned companies against crime losses from employees and other sources.

WHO IS INSURED BY FOREFRONT PORTFOLIO CRIME INSURANCE?

Our policy's definition of employee includes:

- Directors and officers.
- Full-time, part-time, leased, temporary, and seasonal employees.
- Volunteers.

WHAT ARE THE COVERAGE HIGHLIGHTS FOR FOREFRONT PORTFOLIO CRIME INSURANCE?

- **Optional insurance for company clients**—Chubb offers insurance in the event your company's employees steal a client company's money, securities, or property.
- **Responds to Employee Retirement Income Security Act of 1974 (ERISA) plan bonding requirement**—Chubb's policy adjusts to the changing asset level of an insured's plans and assists in complying with the bonding requirement outlined in Title VII of ERISA. Few carriers provide coverage for third-party administrators.
- **Optional sublimit of coverage** is available for expenses associated with investigating and establishing a covered loss. This feature also responds to the costs of recovering from a computer violation—such as expenses incurred to reproduce data, computer time, or computer consultants to restore computing systems—resulting from a covered loss.
- **Legal expenses provided outside the limit of liability**—We defend our customer if it is sued over a covered forgery or credit card fraud loss.
- **Worldwide coverage.**

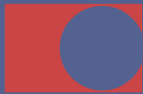
FOREFRONT PORTFOLIO CRIME INSURANCE offers an optional sublimit of coverage for expenses associated with investigating and establishing a covered loss.

Risk Analysis Summary

Your answers to the ***Risk Analyzer*** questions on the preceding pages could point to areas where your company may have significant financial exposures or gaps in its current insurance program that threaten its financial well being. Your answers will help you and your agent or broker to develop a *ForeFront Portfolio* insurance program that is tailored to your company's specific needs.

THE NEXT STEP

Your agent or broker will develop a recommendation for managing your company's risks with *ForeFront Portfolio*—an integrated insurance solution from Chubb.



Chubb Group of Insurance Companies

Warren, NJ 07059

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For promotional purposes, Chubb refers to the member insurers of the Chubb Group of Insurance Companies underwriting coverage. Not all insurers do business in all jurisdictions.

This literature is descriptive only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms and conditions of the policy as issued. Actual coverage is subject to the language of the policies as issued. Loss scenarios are hypothetical in nature and for illustrative purposes only. Whether or not or to what extent a particular loss is covered depends on the facts and circumstances of the loss and the terms, conditions, and endorsements of the policy as issued. It is impossible to state in the abstract whether the policy would necessarily provide coverage in any given situation. Consult your agent, broker, or other expert.

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