

Employee Theft – Part One

When a typical business considers either insurance or loss control to protect itself from losses, the focus is usually upon outside forces. In other words, the assumption is often that some event or some party not directly connected with the business will be the source of a loss. While this assumption works in many instances, it is a very limited and dangerous assumption.

Unfortunately losses may occur from inside a business just as easily as from outside. Ironically, a major source of loss for many businesses is their employees. Even more ironic, the more trust an employer places in a given employee, the more vulnerable that employer is to suffering a loss caused by the employee....IF that employee is dishonest. To protect itself from crooked employees, a business may need to purchase crime coverage.

A company's exposure to theft from employees lies with workers who are responsible for handling money (and similar property) and those who have significant access to company inventory. Therefore, a company that wants to evaluate its possible expense for purchasing crime insurance as well as to determine what control measures it should create to minimize theft losses, must properly classify its employees.

Types of Employees

Employees in positions of greater trust (such as supervisors, managers and executives) usually have greater access to company assets. These workers are more expensive to insure because they can, potentially, create greater theft losses. These employees are often in a position, not only to handle money and securities; they usually handle company records concerning monetary transactions. They are also, often, in charge of benefit plans or have other fiduciary responsibilities.

Other employees, with non-managerial duties, can also cause problems. Consider persons, such as those in sales, product transportation and/or warehousing and supplies who have constant access to valuable company property. Because dishonest employees at this level deal with tangible items rather than money and securities, they represent a less dangerous source of loss. However, depending upon the property involved, they may also create substantial losses. Still, such employees are less expensive to insure. A business that is evaluating its need for insurance coverage and for anti-theft controls MUST make thorough consideration of their type of business.

Please see part two of this article which discusses control methods.

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