



Crime Insurance...



...an introduction Many businesses choose not to opt for crime insurance; however, by doing so, they risk exposing themselves to potentially significant frauds and thefts. We summarise below some of the “crimes” which frequently affect businesses, outline what crime insurance is and explain the role of a fraud investigator in investigating claims under certain crime policies.

What is “crime” in this context?

Most crime insurance is aimed at indemnifying the insured for losses sustained as a result of the dishonesty of one of their employees. These employees may work in any area of a business but are commonly involved with some element of a company’s finance function or have responsibility for looking after its stock or assets.

Crimes may also involve dishonest acts committed by non-employees, sometimes in collusion with employees and sometimes not. Common examples of third party frauds are those including fraudulent payment instructions and social engineering.

Fraud affects all types of entities including companies, partnerships, charities and public authorities. Multi-national listed companies with sophisticated control environments can be victims as well as small owner-managed companies with a couple of employees.

Although many instances of fraud are preventable, this is not always the case and companies can be the victim of fraud through no fault of their own. Even trusted and long-serving employees can be fraudsters and, indeed, these individuals often have a greater opportunity to commit crimes due to the positions they hold and their knowledge of an organisation.

What is “crime” insurance?

Crime insurance typically aims to cover losses resulting from fraud committed by employees in certain circumstances as prescribed by the policy terms and conditions. This type of insurance is intended to cover the unavoidable risk associated with companies entrusting employees with their assets.

In some instances, crime insurance policies also cover frauds perpetrated by third parties. Given that a company’s internal controls should cover much of the risk associated with third party fraud, cover for this type of crime is often quite specific.

Subject to the exact policy terms and conditions, crime policies often cover the “direct financial loss” suffered by a company as a consequence of the crime. In simple terms, this usually comprises the amount of cash or value of the items misappropriated. It may well not include fines, penalties, salaries and bonuses, commissions, fees and any associated lost income.

This is intended as a brief overview and introduction to the types of possible cover. A company’s exact cover will depend on the terms agreed with the insurer. When taking out insurance, it is critical that companies familiarise themselves with the exact terms of their policy so that they are aware of the risks that are and are not covered.

What does the investigative specialist do?

As noted above, every policy is subject to specific terms and conditions. Some crime policies enable the Insured to instruct a fraud investigator to assist them in establishing what has happened and reporting the facts to the Insurers to enable them to consider the claim.

AIG's PrivateEdge Policy contains Investigative Specialist provisions. If this is included within the cover, AIG will indemnify the policyholder for the reasonable and necessary fees, costs and expenses of an "Investigative Specialist", to investigate the facts behind a loss covered or potentially covered under the policy and to determine the quantum of such loss. This is subject to certain conditions including that AIG's prior written consent to such costs must be obtained.

The Investigative Specialist will then liaise with the Insured and undertake a detailed investigation into how the fraud was perpetrated and what loss was sustained as a result; the specialist then issues a report in duplicate to the company and AIG. This can significantly assist with the claims process.

The Investigative Specialist can also provide advice on how the Insured's controls were breached and make recommendations which may prevent future similar losses.

AIG only use specialist and experienced Investigative Specialists such as ASL who are knowledgeable, professional and who can give constructive advice.



ASL are specialist loss adjusters. They have worked closely with AIG and their clients for many years investigating the full spectrum of crime claims including stock losses, employee fraud and social engineering frauds.

This thought leadership article is not intended to constitute a definitive, up-to-date, or complete statement of the law, nor is any part of it intended to constitute legal advice for any specific situation. You should take specific advice when dealing with specific situations and jurisdictions outside England & Wales.

American International Group, Inc. (AIG) is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG is the marketing name for the worldwide property-casualty, life and retirement, and general insurance operations of American International Group, Inc.

All products and services are written or provided by subsidiaries or affiliates of American International Group, Inc. Products or services may not be available in all countries, and coverage is subject to actual policy language. Non-insurance products and services may be provided by independent third parties. Insurance products may be distributed through affiliated or unaffiliated entities. In Europe, the principal insurance provider is AIG Europe Limited.

Additional information about AIG can be found at www.aig.com | YouTube: www.youtube.com/aig | Twitter: @AIGemea | LinkedIn: <http://www.linkedin.com/company/aig>

AIG Europe Limited is registered in England: company number 1486260. Registered address: The AIG Building, 58 Fenchurch Street, London EC3M 4AB.

AIG Europe Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (FRN number 202628). This information can be checked