

Protecting Your Business from Employee Theft

From an article by West Bend Mutual

Almost every business needs crime insurance. While it's important to have the right coverage to protect against crimes committed by outsiders, it's also important to have the right coverage to protect against crimes committed by employees.

Most commercial property policies written on a "Special", or all-risks basis, cover most types of thefts, such as those of stock or other contents. Money and securities, however, do NOT qualify as covered property, so they are not covered. Therefore, it's a good idea to purchase a crime policy to cover theft of money and securities inside and outside the premises.

In addition, employee theft is almost always excluded on a property policy written on a special basis. Unfortunately, even a crime policy doesn't provide the coverage you need to protect against a theft committed by an employee. That's why you need an employee theft policy.

Theft by Employees

Embezzlement occurs when you entrust an employee with your business assets and the employee steals the property. There's no simple way to prevent embezzlement because some degree of trust between employers and employees is required in every business. Fortunately, this type of loss would be covered by an employee theft policy. This is probably the single-most important type of crime coverage.

Most employee theft policies will cover theft of money, securities, and other property. Coverage can vary with different insurance companies, so consult your agent or broker for specifics.

Employee benefit plans can also be covered under this contract. The Employee Retirement Income Security Act (ERISA) requires an amount of insurance equal to 10% of the funds handled, subject to a minimum of \$1,000 and a maximum of \$500,000. This can include not only 401(K), profit sharing, and pension plans, but also medical, dental, vision, life, and disability insurance plans. ERISA requires that those who handle funds of employee welfare or benefit plans (subject to its provisions) be bonded. The employee theft policy can be used to satisfy these ERISA requirements. Each of the plans must be added to the named insured on the policy (usually the owner of the company) to activate the coverage.

If You Suspect Theft

Contact the police or a professional security consultant for help. Don't try to solve the crime yourself, you could hinder the investigation. You could also risk exposing your company, your co-workers, and yourself to liability or serious danger. Cooperate with the authorities, and keep your insurance carrier informed. Remember, your carrier will need absolute proof of the theft and amount lost to help you recover your losses.

If employee theft is proven, always prosecute. Don't settle for restitution and an apology, it doesn't deter future theft. If you treat employees fairly, those who are honest will understand prosecution is a tough but deserving consequence of dishonest behavior.

If you'd like to add employee theft coverage to your business policy, contact your agent for more information, or to obtain a quote. Your agent will be able to recommend the amount of insurance your business needs.

To discuss insurance coverage options, please call Dyste Williams at 952-593-5025.

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