

Crime Insurance and Fidelity Bond Coverage

The Complete Guide

This guide is for the title and law professionals who want to make confident insurance decisions.

By the last page, we will have guided you through -

1. **The Basics:** The components of crime insurance and fidelity bond coverage and why it's important
2. **The Variations:** The important differences between coverage across the industry
3. **The Decisions:** How we recommend building your proper insurance plan

Make this guide personal:

Your Business Name:

Your First Name:





1| The Basics

Crime Insurance and Fidelity Bond Coverage Components and Importance

, welcome to your complete guide for crime insurance coverage, or the very similar product you may know as a fidelity bond.

Our first objective is for you to know the intent of crime insurance and how a policy is structured. Knowing these “basics” will help you understand the risks that can be offset by crime insurance and help you navigate an insurance policy to find the information you need.

Intent of Crime Insurance

What is the purpose of crime insurance?

Crime insurance is a product that is applicable to many industries. The main intent is to provide coverage for fraudulent acts of an employee, or more commonly referred to as employee dishonesty or theft.

In the title industry, you will also encounter this same coverage through fidelity bonds which carry the same intention. Both products also have the ability to include coverage outside of this main intent, which typically expands coverage to include theft or fraudulent acts of a third party in specific scenarios.

What does crime coverage typically include?

Coverage afforded in a crime policy typically addresses the direct loss of funds or property, as well as litigation costs. However, please be aware that there are always variations between policies.

The Escrow Security Bond

Created from our group’s influence, the Escrow Security Bond is a title industry-specific fidelity bond. It has incorporated relevant coverage for our title-focused professionals. While it is a term you may also hear in the industry, keep in mind that this particular product is not offered by most insurance advisors.

Crime Insurance Policy Components

While all crime insurance has a basic intent, the policies are a little more complex when specifying coverage.

Below are the components of a crime policy and what each section communicates. Knowing these components is key to understanding where differences arise between policies and will also help you navigate your policy for clarification when you need it.

1 | Declarations Page

The high-level overview of your coverage amounts, the amounts you are responsible for, your retroactive date and your policy period.

“Insured:

Coverage Amounts:

\$500,000

Deductible: \$5,000

Premium: \$10,000

Retroactive Date: 1/1/2015

Policy Period: 12:01AM
1/1/21 – 12:00AM 1/1/22”

2 | Insuring Agreements

Statements that detail what the insurance company is agreeing to insure.

Throughout this section, many words within these statements will be highlighted for further explanation in the next section.

Example:

“**We** agree to provide coverage for the **damages** resulting from **employee dishonesty**”

3 | Definitions

This ‘dictionary’ of the policy gives further meaning to the Insuring Agreement section. And these two sections often give the most insight into the true, deeper intent of coverage the insurance company is offering.

Example:

“**We** – The insurance company

Damages – The monetary costs including....

Employee dishonesty – acts committed by an employee...”

4 | Exclusions

The outline of scenarios the insurance company is *not* agreeing to insure.

Example:

“**We** will not provide coverage for intentional, unlawful acts”

5 | Endorsements

Overlaying changes to your *entire* policy. Endorsements, also referred to as “Riders”, can either limit or expand coverage in small or large ways.

Example:

“The Insuring Agreement is amended to read....”

6 | Conditions

Renewing, cancelling, giving notice of a potential claim or actual claim, and other important processes are outlined step by step in this section.

Example:

“The Insured must notify the insurance company of claim through this process...”



2| The Variations

Crime Insurance and Fidelity Bond Differences in the Industry

Like any other product or service you purchase, there are variations when selecting crime insurance. However, unlike most purchases, these variations can have substantial positive or negative impacts on your business.

Fortunately, you are here to learn about these differences and how to approach this decision so you can be confident in your coverage.

Crime Insurance Differences

When you select crime insurance, remember you are selecting –

- The insurance professional who will guide you through that coverage and through important business decisions ①
- The insurance organization that will serve you throughout your lifetime as a client and guide you during claim time ①
- A policy's promise of coverage ②
- The amount of coverage and cost ③



Each of these selections can be categorized into three overall categories that will frame your decision: **Insurance Advising**, **Policy Language** and **Cost Factors**.

You will face positive and negative variations in each of these areas. We will review each of these in detail so you can be aware of the variations and prioritize what is important.

Crime Insurance Differences | Insurance Advising

The insurance professional and organization you select impacts every step of the insurance process, and can have significant positive or negative effects in each stage:



There is no replacement for an insurance expert advocating for you every step of the way. For perhaps the most important decision, here are the different areas to consider when selecting an insurance organization and professional, and the most advantageous choice (in our experience):

INSURANCE COMPANY RELATIONSHIP	<p>Insurance Company Represents its own insurance products</p> <ul style="list-style-type: none"> ✗ Limited to insurance company selection ✗ Claims support is through the insurance company without outside consultation beforehand ✓ Potentially quicker process times 	<p>Insurance Broker Represents insurance products from multiple insurance companies</p> <ul style="list-style-type: none"> ✓ More selection among industry offerings ✓ Claims support prior to engaging the insurance company ✗ Potentially longer process times
INSURANCE PRODUCT EXPERTISE	<p>Specific Product Expertise Focus on one insurance product</p> <ul style="list-style-type: none"> ✗ No insight into multiple coverage intents and potential overlaps ✓ Very knowledgeable in one product 	<p>Broad Product Expertise Assists with multiple insurance products</p> <ul style="list-style-type: none"> ✓ Insight and synergy between all necessary coverages ✗ May be less familiar with uncommon products
INDUSTRY EXPERTISE	<p>Broad Industry Expertise Assists with all industries</p> <ul style="list-style-type: none"> ✗ Only superficial understanding of the many industries without specific knowledge 	<p>Specific Industry Expertise Focus on one or subset of industries</p> <ul style="list-style-type: none"> ✓ Deeply familiar with nuances in your industry and profession to provide better guidance
COVERAGE IMPROVEMENT	<p>Reactive Make coverage changes to their product reactively or when the market forces</p> <ul style="list-style-type: none"> ✗ Can leave you exposed for a period of time 	<p>Proactive Influence coverage and encourage proactive and continual improvement</p> <ul style="list-style-type: none"> ✓ More likely to maintain relevant and proper coverage over time
RESOURCES	<p>Dedicated Advisor Low support system to advise and service your company</p> <ul style="list-style-type: none"> ✗ Potentially slower production of important documents upfront and throughout the year as your business requires 	<p>Dedicated Advisor and Team High support system to advise and service your company</p> <ul style="list-style-type: none"> ✓ Faster production of important documents upfront and throughout the year as your business requires ✓ Potential of providing helpful reminders and education for you throughout the year

Crime Insurance Differences | Policy Language

You've learned that crime policies contain different sections, statements, and definitions. This language ultimately describes the promise of coverage you are purchasing and answers the first question at claim time: "Is there coverage?"

Discussing with an insurance professional how the policy language addresses your industry risks can help you either identify red flags or help you build trust in the coverage.

Review the table below for the most relevant cyber events, resulting losses and path to recovery to incorporate in your insurance discussion.

THEFT FACTORS	CONSIDERATIONS	QUESTIONS
WHAT FUNDS WERE COMPROMISED	<ul style="list-style-type: none">• Operating accounts are commonly covered• Third party settlement accounts and IOLTA accounts need to be addressed in coverage	<ul style="list-style-type: none">• What limitations are there for various fund accounts?• Are partners a covered party?
WHO COMMITTED THE THEFT	<ul style="list-style-type: none">• Employee committed theft is commonly covered• Partner committed theft needs to be addressed• If you have a single person operation, the owner committed theft may be required by certain partners as a precaution	<ul style="list-style-type: none">• What exclusions should I be aware of?• What additional industry specific coverages are available? How do they interact with my other coverages?
ADDITIONAL COVERAGES	<ul style="list-style-type: none">• Look for coverage for compromised funds by an outside party• Seek available coverage for wire fraud schemes	

The Escrow Security Bond has accounted for each of these specific industry factors to consider. Remember, there is much more to a policy than the coverages listed on the declarations page. Never accept general statements about coverage without insight into the policy language.

Crime Insurance Differences | Cost Factors

Now, let's address what most of the insurance industry will have you focus on: Cost.

Fortunately, now you know a better way to begin your insurance evaluation and the most important factors on which to base your insurance decision.

Before you get to the point of evaluating cost, you have solidified your confidence in both your insurance professional and in the policy to answer "yes" to the first question at claim time, "Is this covered?" Now you can move on to your next consideration, "how much is covered?"

Let's review the cost factors during purchase and over your lifetime as an insurance client.

Cost Factors in Your Policy

Coverage Limit – Maximum amount of coverage provided by the policy for one claim (per occurrence) and during the policy period for all claims (aggregate).

Premium – Annual cost of the policy.

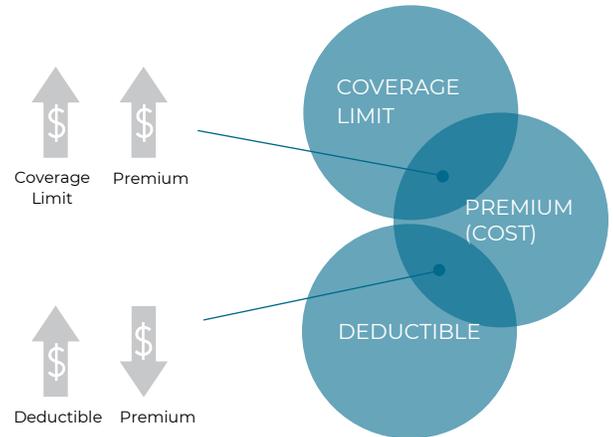
Deductible – Amount you are responsible to pay at claim time before coverage begins.

Based on your risk tolerance, clients, and your financial threshold, you will choose your coverage limit and deductible. This will determine how much is paid by the insurance company and you once coverage is confirmed for a specific claim. Other than the details of your business, these two amounts will affect the premium of the policy. A higher coverage limit will increase the premium while a higher deductible will decrease the premium.

While the cost of a crime policy will differ across the industry, this variation is arbitrary. Having an insurance advisor who knows the industry and advocates on your behalf is important to help you navigate these variations in the long run.

Cost Factors Over Years

Your insurance premiums may increase over time due to the market or as you grow and take on more employees. The best way to manage your insurance costs is to manage your risk of having a claim.



Risk Management Procedures

- Minimum of one week vacation requirement
- Segregation of duties during one transaction
- Dual signatures on checks
- Procedures for wiring funds
- Reconciliation processes for bank accounts



3| The Decisions

Building Your Proper Insurance Plan

You know the basics – the intent of crime insurance and the policy components.

You know the variations – the differences you will encounter in insurance advising, policy language and pricing.

Now it's time to make confident insurance decisions for

The best approach to your insurance decision is to have the mindset of building a proper insurance plan. A proper insurance plan is built according to your business and your personal coverage preferences. It requires your engagement, sharing and openness to learn.

The Steps to Proper Insurance





Your Resource
Stewart Insurance

Our team is dedicated to properly insuring you and your business.

Connect with a business insurance advisor to build a proper insurance plan for

We will –

- Engage with you to understand your business and coverage preferences
- Work with our insurance company partners to provide your desired coverage
- Discuss and build a proper insurance plan together
- Ensure your service expectations are met year-round
- Be your advocate during claim time
- Continue to influence beneficial coverage for you, year after year

Connect and join the properly insured. Become a Stewart Insurance client today.

