



## Management Liability

# Epac 3 – Crime

Businesses of all sizes are constantly at risk of fraud. Strong internal controls may help an organization reduce its overall exposure, but they can't eliminate the risk. Fraud schemes tend to be elaborate, difficult to uncover and very expensive – especially when committed by a company's own employees.

The good news is that organizations can purchase insurance to provide coverage for this risk, and CNA has more than 40 years of experience in writing crime coverage for companies of all sizes. Our Epac 3 (EP3) policy was designed to provide clear solutions for complex management liability risks, with compartmentalized coverage options that work together and don't overlap. For organizational leaders facing new and complex exposures, EP3 offers a streamlined approach that's easier to understand and written in a clear, concise and conversational tone.

## Did You Know?

- For companies with **less than 100 employees**, the median loss from employee theft is **\$200,000\***.
- Executives represent **19%** of employee theft, with a median loss of **\$850,000\***.
- According to the FBI, social engineering has cost companies **more than \$12 billion** since 2003\*\*.

\* 2018, Report to Nations, Global Study on Occupational Fraud and Abuse

\*\* 2019, Trustwave Global Security Report

## Epac 3 Policy/Crime Coverage Part Highlights

### Coverage Part Basics

- Written on a loss-discovered basis
- Written notice and proof of loss to be provided up to 180 days after discovery, as long as notice is as soon as practicable
- Coverage for certain damage or loss to client property afforded as a standard offering
- Coverage Part language helps meet ERISA bonding requirements
- Worldwide coverage

### Transfer Coverage Includes:

- Computer transfer fraud
- Funds transfer fraud
- Social engineering fraud

### Sublimited Coverage Extensions Include:

- Proof of loss costs
- Computer restoration
- Record recovery costs

### Broad Definition of Employee Includes:

- Leased and temporary employees
- Independent contractors
- Students and volunteers
- Employees on military leave
- Former employees within 90 days of termination
- Certain former employees retained as consultants

## Crime Claim Scenarios

| Example                           | Cost               | Description   |
|-----------------------------------|--------------------|---|
| <b>Vendor Invoice Scheme</b>      | <b>\$2,200,000</b> | A data center manager at a publicly traded technology company established a shell company with a fictitious name for the purpose of submitting invoices. Over a five-year period, the company paid more than \$2,200,000 to this fictitious vendor.   |
| <b>Social Engineering</b>         | <b>\$650,000</b>   | A private pulp and paper company received a fraudulent email, purportedly from one of its vendors, sharing a new bank account and requesting that all future payments be made there. As a result, five payments were sent to the bad actor's account and the company suffered a \$650,000 loss.       |
| <b>Theft of Funds</b>             | <b>\$380,000</b>   | A private industrial services company discovered that its controller stole \$380,000 and that, for nine years, she had used the company's bank account to pay rent for her personal residence.  |
| <b>Ghost Employee</b>             | <b>\$900,000</b>   | The human resources director at a large private life sciences firm embezzled money by creating fictitious employees in the company's computer system and issuing paychecks to these "ghost employees" for over a year.  |
| <b>Theft of Client's Property</b> | <b>\$160,000</b>   | A small private technology services company provides IT support at its clients' premises. Over 16 months, an employee stole \$160,000 worth of computer equipment from a top customer and sold it on the black market.  |
| <b>Theft of Inventory</b>         | <b>\$230,000</b>   | A burglary incident was reported at a large retail tire company. The internal audit team reviewed incident, discovering falsified invoices and other inventory records by the sales manager. Over a two year period the sales manger stole \$230,000 worth of tires which he later sold for a profit. |

### Broad Crime Appetite

CNA has a broad appetite for many industry classes. EP3 can be written for:

- Publicly traded companies
- Private companies
- Not-for-profit organizations

### Claim Experience Matters

Crime losses tend to be very complex, so an experienced claim team is critical. With EP3 Crime policy, organizations will have access to our highly skilled Claim team. These experienced professionals provide expertise and guidance throughout the Claim process, and work hard to achieve the best possible outcome for each policyholder.

### About Us

CNA is one of the largest U.S. commercial property and casualty insurance companies. We provide a broad range of standard and specialized Property and Casualty insurance products and services for businesses and professionals in the U.S., Canada and Europe, backed by more than 120 years of experience.

For more information, please contact your local underwriter or visit [cna.com](https://www.cna.com).