



EMPLOYEE FRAUD: YOU WON'T SEE IT COMING

Propel Insurance

The typical organization incurs a 5% loss of annual revenue as a result of fraudulent activity. Here's how it happens and why you never saw it coming.

Jim has been a loyal and dependable employee for 25 years. He made significant contributions to the organization throughout the early days of the business, and works closely with his boss, Kevin. The two men are not only associates, but their children attend school together. Kevin trusts Jim and believes he desires to protect the company and maximize its earning potential. It has never crossed his mind that Jim would ever intentionally jeopardize the business he helped build.

Kevin is representative of many business owners who do not believe they will ever be the victim of fraudulent activity at the hands of their own employees. Yet each year a typical organization loses 5% of annual revenue to fraud. In 22% of these cases businesses incurred a financial loss of at least \$1 million. Additionally, stolen inventory, embezzlement, check fraud, funds transfer fraud, and false payment result in an average loss of \$145,000 per occurrence.

How it happens

Most organizational fraudsters boast a clean employment history making them rather difficult to spot. A majority, 87%, are

first-time offenders having successfully passed various employment background checks. Statistics indicate that if the circumstances are right, even the most honest and trusted employees are tempted. Economic pressures, disgruntled attitudes, lack of organizational controls, technological advances, and ease of access are seen as major contributors to the growing trend in employee fraud.

Also a contributing factor, the 18 month average duration that fraudulent activity occurs before detection. Interestingly, small businesses of 100 employees or less experience a 28% higher median fraud loss.

What to do

Fidelity and crime coverage protect your organization against exposures such as loss of money and securities, loss from forgery and alteration, as well as reimbursement of claim expenses. Also critical, computer fraud and funds transfer fraud coverage which offer a much needed layer of protection against cyber perils. These coverages protect your resources, your money and your organization from a potentially debilitating loss at the hands of trusted employees.