

# commercial coverage



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## Small Business Fraud Is Costly

U.S. organizations lose an estimated 7 percent of their annual revenues to fraud—but damages are more among small businesses, according to a new study.

The median loss suffered by organizations with fewer than 100 employees was \$200,000, higher than the median loss for any other category among fraud cases detailed in the survey, according to a report by the Association of Certified Fraud Examiners (ACFE).

The study also found that check tampering and fraudulent billing were the most common of all small business fraud schemes. In fact, more than one-fourth of all small business frauds in the survey involved check tampering, making it a much more common method of fraud than in larger organizations. Check tampering commonly occurs in situations where duties over the cash disbursement function are not separated.

### Fraud Management Tips

The ACFE recommends a few simple steps a small business can take to identify and effectively manage potentially costly fraud losses.

- **Be Proactive.** Establish and maintain internal controls specifically designed to prevent and detect fraud. Adopt a code of ethics for management and employees. Set a tone at the top that the company will not tolerate any unethical behavior.



- **Establish Hiring Procedures.** Every company, regardless of size, can benefit from formal employment guidelines. When hiring staff, conduct thorough background investigations. Check educational, credit and employment history, as well as references. After hiring, incorporate evaluation of the employee's compliance with company ethics and antifraud programs into regular performance reviews.
- **Train Employees in Fraud Prevention.** Once carefully-screened employees are on the job, they should be trained in fraud prevention. Are employees aware of procedures for reporting suspicious activity by customers or co-workers? Do workers know the warning signs of fraud? Ensure that staff know at least some basic fraud prevention techniques.
- **Conduct Regular Audits.** High-risk areas, such as financial or inventory departments, are obvious targets for routine audits. Surprise audits of those and all parts of the business are crucial. ACFE's Fraud Prevention Check-Up is available under the Fraud Resources tab at [www.acfe.com](http://www.acfe.com). It can help to identify fraud risks and establish a strategy to prevent such losses.
- **Call in an Expert.** For most firms, fraud examination is not a core business component. When fraud is suspected or discovered, enlist the anti-fraud expertise of a Certified Fraud Examiner (CFE).

# SAFETY FIRST

ALL INJURIES NO  
MATTER HOW SLIGHT  
MUST BE REPORTED  
TO FOREMAN

## Did You Know???

According to a survey by FindLaw.com, the most-visited legal information Web site, more than a quarter of American adults say they have been injured while working, often missing substantial time from work as a result.

Of those injured on the job, 43 percent said they missed more than one week of work as a result of their injury. And 31 percent said they were off the job for more than a month.

According to the FindLaw.com survey, more than half of those injured on the job—53 percent—filed a workers' compensation claim as a result of their injuries.

## What This Symbol Means To You ...



There is a difference in where you buy your insurance. Many don't realize there are three sources for insurance:

1. Captive Agents—who can sell you the insurance of only one company.
2. Telephone & Internet Representatives—who can offer you the insurance of one company only on the telephone or via computer.
3. Independent Insurance Agents, like us—who represent many insurance companies. We research these firms to find you the best combination of price, coverage and service for all your insurance needs.

## How Financially Secure Are Your Insurance Providers?



Independent insurance agents can help consumers analyze the safety and stability of their insurance coverage. Given recent events in the news involving American International Group Inc., consumers have many questions regarding the stability of their own insurance providers. There has been no information reported to indicate that the challenges faced by the AIG situation will have a domino effect on the insurance industry, and virtually all experts agree that the insurance industry, as a whole, is financially secure. Consider the following when evaluating the stability and soundness of your insurance coverage:

- **Financial Strength:** Discuss the financial strength of your insurance company with your independent insurance agent. Insurance companies are rated on this, and your agent can access that information. This rating is an independent opinion of an insurance company's financial strength and its ability to meet its ongoing policyholder and contract obligations. There are a number of factors that contribute to the determination of a rating, including a review of various business data and review of the company's balance sheet and operating performance. These ratings are given by several organizations that collect and analyze carrier financial and other information. Each organization can provide a detailed explanation about their ratings. It is important to remember that the financial strength of the company is just one factor that agents evaluate when helping consumers select their policies. Coverage, price and customization to the needs of each individual or business also play a large role in making coverage choices.
- **Independent Insurance Agents:** Note that independent agents don't work for one company—they represent multiple providers—so they can offer choices, so you can select the carrier and coverage that meets your needs, and can provide guidance in times of carrier difficulty. It is important to stay in touch with your agent and ask the right questions.
- **An Insurance "Check-Up":** It is essential to conduct a comprehensive annual review of all your insurance policies with your independent insurance agent. You may have coverage that is no longer necessary, or you might not realize where you are vulnerable to serious losses. In addition, prices and protections can change.