

SUMMER  
2022



# The Crime Times

## INSIDE THE ISSUE

Exclusive insight from our product leaders on our focus during challenging economic times and what issues these present to those companies.





Happy Summer! In this edition of *The Crime Times*, our product leaders of Mercantile, Financial Institutions, Specie, Small Business and Fine Art share a recap of 2021. They also discuss what trends can be expected going forward.

## Mercantile

While 2021 saw the continuing of an uncertain commercial market, Great American Fidelity / Crime continued to be a steady ship in the rough seas.

We proudly launched our new Comprehensive Asset Protection Policy (CAPP). CAPP is our first proprietary policy, and we designed it to be easier to read and understand.

Our goal was to make our intent on the coverages clear and straight forward.

In order to reduce the number of endorsements on the policy we have included these coverages into the form.

One of the coverages we are proud to provide is coverage for theft of Cryptocurrency by an employee. In this ever-changing environment, it's important to be agile and address new exposures.

We encourage everyone to visit our website, [CrimeInsurance.com](https://CrimeInsurance.com), and review the information pertaining to CAPP.

## Financial Institutions (FI)

Having gained momentum in 2021, we continue to see evolution in the Financial Services marketplace. Virtual models for interacting with customers have shifted to the fore. Online banking is a much more reliable and convenient means of transacting business as shuttered brick and mortar locations remain under limited in-person (public) hours.

We are seeing consolidation in the industry. Last year hit a record of Registered Investment Advisors merging with each other. There were more than 220 mergers that took place in 2021. With the increase in assets and wealth, we are seeing many prominent families going the Family Office route rather than retaining the services of an investment advisor.

Record levels of assets for financial institutions and investment advisors have been the result of:

- Restricted social interaction
- Telecommuting
- Travel bans
- Curbed purchasing habits due to supply chain upset
- Strong financial markets

In general, we have seen the following:

- All financial institutions have grown.
- Insureds are responding with inquiries for higher limit options.
- Stronger balance sheets become fertile ground for misappropriation of funds by employees with extenuating circumstances.
- Third-party hackers, or unscrupulous imposters seeking to abscond with an Insured's assets.
- Writers of financial institution bonds have seen an uptick in claims activity directly related to these fraud schemes.
- Carriers are managing the environment with calls for more stringent verification procedures on the part of employees and revisiting appropriate deductible levels.



## Specie

2021 saw increased cash movements following the lull that we saw in 2020. When the pandemic started in 2020, cash movements were reduced. These reduced movements were further impacted by the lockdowns many states put in place throughout the year. Going into 2021 the biggest challenge to most armored carriers became maintaining a fit, strong, and well-trained work force and one that wanted to work. There were two issues faced.

1. Many employees took the increased unemployment benefits offered by the government. This created little incentive for furloughed employees to return to work as they were earning more money sitting at home.
2. Despite strict precautions, with employees working in close quarters both on the trucks and in the terminals, there were COVID outbreaks in the workplace amongst staff.

New variants could make this worse in the remainder of 2022.

## Small Business

The ongoing pandemic continues to impact smaller businesses, but there is light at the end of the tunnel. While some businesses have struggled, many have been able to flourish. Our small business book has grown during this difficult time. Small business owners are becoming more aware of their risk to occupational fraud and taking steps to protect their assets. Protecting valuable economic resources amid an economic recession can be a challenge.

Statistically smaller businesses are the most common victims of fraud when compared to larger organizations and the impact can be far greater.

Employees continue to pose the greatest threat, especially in the current economic environment. Organizations, particularly those with fewer resources, are encouraged to take the increased threat seriously as fraud tends to thrive in times of economic turmoil. Segregation of duties to mitigate risk remains a top priority. Businesses are doing more with less due to staffing issues and its best practice to segregate job function and for the owners to be more actively engaged with their business. Gaps left within an organization's internal controls due to layoffs or limited availability of employees can be a dangerous proposition. The probability of decreased employee moral combined with the added job responsibilities and fewer formal controls can also lead to an influx of fraud. The financial hardships will be felt for some time and employees who identify a perceived opportunity to abuse their position are of greatest concern. However, with proper internal controls, along with increased review and oversight, a smaller business can exercise significant, or in some circumstances, complete control.



Great American and our team of underwriters whose primary focus is on the small business can also help. As a market leader, we can provide the following for small businesses:

- Competitive thresholds.
- Minimum premiums starting at \$100.
- Limits available up to \$3 million with minimal underwriting restrictions.
- Online quoter that allows agents and brokers to enter basic information for quick and efficient quote, bind and policy issuance.

For additional information, please visit [SmallBusinessCrime.com](http://SmallBusinessCrime.com), or to request access to our online quoter visit [AgentPortal.GAIG.com](http://AgentPortal.GAIG.com).

## Fine Art

The art market showed resilience in 2021. While not back to 2019 levels, galleries and auction houses reported strong sales as these traditional markets return to business. The money for the purchase of art remains. This is not a surprise. In previous seismic societal changes such as World War I, the Great Depression and the financial crisis of 2008, art buyers were still looking for art.

There appear to be lasting changes that took place in the pandemic era. There has long been an expected shift in art sales from in person to online. The market had stubbornly resisted the change despite many attempts to pull it into the digital world. 2021 will be noted as the year when the online transaction became essential to art sales. This change was led by the collectables market and then cemented into place when the major auction houses executed fully online sales of major works for the first time. Online purchases for more traditional mediums such as paintings and antiques have followed.





Insurance brokers need to address these changes with their art industry clients. Without face-to-face contact it will be much harder to be sure of that “trusted” client. Galleries and auction houses have a due diligence and legal requirement to know their customers. Additionally, with increased online presence, there is a heightened exposure to online scams and fraud. This can involve the theft of money from phishing attacks, but it can also mean the theft of valuable art assets. Lastly with a larger web presence there is greater exposure to perceived libel and publisher liability.

Most businesses saw these changes already but in the art world most of these exposures were not considerations just a few years ago. All galleries and auction houses should do a comprehensive review of their policies to look for gaps in coverage created by their online activities.



Great American Insurance Company is very proud to celebrate its 150th Anniversary. As Your Partner in Crime®, we will continue to provide current topics. We offer a full range of coverages for commercial business, financial institutions, public entities, small business, fine arts, kidnap & ransom, and specie.

*Thank you for your business and loyalty.*

Please visit our website for more information:

**CrimelInsurance.com**



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AM Best rating of "A+" (Superior) affirmed December 3, 2021. Online portal may not be available at all times. Coverage description is summarized. Coverage is subject to underwriting. Refer to the actual policy for full details of coverage and a full description of applicable terms, conditions, limits and exclusions. The claims scenarios in this material are provided to illustrate possible exposures by your clients. The facts or any situation which may actually arise, and the terms, conditions, exclusions, and limitations in any policy in effect at that time, are unique. Thus, no representation is made that any specific insurance coverage applies to the above claims scenarios. In the U.S.: Policies are underwritten by Great American Insurance Company and Great American Security Insurance Company, authorized insurers in all 50 states and the D.C. In Canada: All insurance products are subject to the limitations and conditions in the applicable policy or certificate of insurance in force at the time of purchase or enrolment and applicable legislation. Policies are underwritten by Great American Insurance Company – Canadian Branch, a foreign insurer authorized to insure risks in all Canadian Provinces and Territories. The Chief Agency of the Canadian Branch of Great American Insurance Company is located at Scotia Plaza, Suite 2100, 40 King Street West, Toronto, Ontario M5H 3C2. Great American Insurance Company is not responsible for any non-compliance with the applicable Insurance Act in your province or territory and any applicable marketing guidelines issued by a regulatory authority with jurisdiction. This information provides guidance and is not intended as a legal interpretation of any federal, states or local laws, rules or regulations. Great American Insurance Company does not warrant that all potential hazards or conditions have been evaluated or can be controlled. The liability of Great American Insurance Company and its affiliates is limited to the terms, limits and conditions of the insurance policies issued by them. © 2022 Great American Insurance Company, 301 E. Fourth St., Cincinnati, OH 45202. All rights reserved. 5612-FIC (06/22)