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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.



In this edition of *The Crime Times*, Rob Larsen, Divisional Director of Fidelity / Crime Division, New York City Office, is interviewing our Product Leaders for multiple coverage lines that we write. We will be discussing Kidnap and Ransom, Fine Art, Specie and Gaming. Our focus is on challenging economic times and what issues these present to those companies.

Kidnap and Ransom

Tory Mucci, Divisional Director

Crime Times (CT): During these troubled economic times infused with expense reductions, is this a good time to drop the coverage as it isn't needed?

TM: The motivation for kidnappings is typically political or monetary. During economic hardship, kidnaps, express kidnaps, and virtual kidnaps could increase as a stream to bring in revenue.

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CT: The general audience may think a K&R policy only covers kidnappings. Can you confirm if this is accurate or if there are additional highlights of the policy?

TM: Yes. A K&R policy provides much more than just coverage for a standard kidnapping. While kidnapping claims do occur, and having the proper response and crisis response consultants in place is crucial, a Kidnap, Ransom & Extortion policy extends to provide cover for Threats, Detentions, Extortions, Child Abduction, Express Kidnaps, Disappearance, Hostage Crisis and more. For example, any Company is vulnerable to threats of violence. U.S. Manufacturers are prime targets for Product Extortion. Facilities with public access are common sites for Child Abduction. All of these scenarios are covered under the policy. Finally, another important aspect of our policy is the Crisis Response

Consultant. Under our policy, the fees and expenses for the crisis response consultant, Control Risks, is unlimited. While any company can secure independent consultants, it may be cost-prohibitive. Offered as a benefit under the K&R policy, these resources become much more accessible and affordable.

Fine Art

Andrew Gristina, Divisional Director

CT: When there is a slowdown in the economy, do museums, galleries close or have shorter hours? If so, how does this increase the exposures to these places? Do they increase the physical security?

AG: Like most not-for-profit businesses, museums have limited flexibility in their budgets and must constantly work to maximize what they can do with the funds they have, so they are good at staying open even when the money is tight. The impact of a larger economic recession depends on the business model of the individual museum. If the museum's operational budget comes from an endowment or public funding, an economic slowdown may not be felt as sharply as when it is derived from ticket sales to tourists. Since the mission of most museums is public education, they are extremely hesitant to reduce hours or close galleries. They will usually choose other areas to cut first. Unfortunately, this can mean reducing the budget for collections storage, facilities maintenance, and physical security.

CT: In a turbulent economy, are forgeries more apt to be produced and presented for sale? Does your policy cover this type of exposure?



AG: Forgeries and fakes exist in all economic climates. Any time there are naïve buyers available, unscrupulous groups will take advantage of them. The issue with forgeries is they often go undetected for decades, so the crimes are not immediately associated with the economic conditions at the time they were originally sold. Forgeries of works by old masters created in Europe after World War I to be sold to newly wealthy, but not yet worldly, Americans are still being uncovered today. The well-known adage “if it is too good to be true it probably is” applies doubly to art and collectibles. Fine art insurance policies do not cover loss in value due to misattribution. In other words, if an artwork is represented as being by a well-known artist when it is purchased and is later discovered to be a forgery, it will lose most, if not all, of its value. However, since there has been no physical damage to the work there is no insurance claim.

CT: Is there an increase in the loss or damage to artwork, so they can collect a higher insurance settlement as opposed to trying to sell the piece for less than value?

AG: This is not usually the case with museums and private collectors who generally do not see their collections as a source of revenue. It can be the case with those who buy and sell art and collectibles on a regular basis. The increased moral hazard usually occurs with partial damage. An example would be when a dealer ships an item to a potential buyer. The sale fails to materialize, and the item is shipped back. Upon receipt some form of damage to the work is discovered. The dealer will claim that the damage to the work represents a significant loss in the potential sale price even when it can be fully restored. The psychology of this is not surprising. A work which just failed to sell now has damage and the dealer sees an opportunity. The insurance company becomes the buyer of last resort. Fortunately, this kind of behavior is very rare.

Specie

Jason Kyd, Divisional Vice President Armored Car/Cash in Transit/Metals

CT: We are focusing on a period when the economy is in a downturn, should customers cut their use of Armored Car Services to reduce costs? If not, why not?

JK: Cutting armored service would potentially put employees at greater risk as they would have to move cash to the bank. This increases physical danger to them as they are neither trained, nor paid, to deal with moving cash. In the event of a loss, they may not even have insurance coverage elsewhere or it can also lead to potential liability issues with employees. An armored carrier offers the movement of cash, insurance, and employee safety. Therefore, the customer would not have to move it, and they will be protected in case of a loss.

CT: It seems in difficult times precious and non-precious metal losses seem to increase in frequency and value. Why is that?

JK: In tough times, people get desperate. They do things they normally would not do. Stealing precious and non-precious metals is easier than robbing a bank or an armored car company, and far less dangerous. Metals are used in everyday life and are found all around us in homes and cars, so access is easy. We have seen empty houses being broken into and stripped of the copper piping. We have even seen manhole covers stolen!

Gaming

Melissa Person, Divisional Vice President

CT: In a slow economy, let's say for example a casino needed to close its doors for a certain period of time, how do they handle their exposures to chips and the large amounts of cash which is now idle?

"Many casinos are open 7 days a week, 24 hours a day. They are not familiar with being closed; never mind being closed for a few months. COVID-19 emphasized the critical role security and inventory play in casinos."

MP: Many casinos are open 7 days a week, 24 hours a day. They are not familiar with being closed; never mind being closed for a few months. COVID-19 emphasized the critical role security and inventory play in casinos. No matter the reason, when a casino learns they will have



to be closed for a certain period of time, it is vital they secure their chips and cash. They should have a contingency plan in place for these types of events. Depending on the time frame, the best measure may be to transport the majority of their cash to an armored car facility. The armored car company would be able to facilitate this for the Insured. The Insured should conduct inventory of their chips and secure them in lockable cash handling bags. These bags should be placed in their locked vault. Security should remain present at the location 24/7, closely monitoring all vaults. When the casino is able to reopen, they should again work with their armored car company to have the cash delivered in a secure manner.

“The Insured should conduct inventory of their chips and secure them in lockable cash handling bags. These bags should be placed in their locked vault.”



We hope you enjoyed our two-part newsletter! It is especially important during these challenging economic times for businesses to have strong internal controls in place. These controls can possibly minimize the likelihood of a large crime claim. After more than 25 years of protecting virtually every class of business from crime-related losses, we have a depth of experience in both underwriting and claims unmatched in the marketplace. We offer a full range of coverages for commercial businesses, financial institutions, public entities, small business, fine arts, specie, all of which can be wrapped up with our outstanding Kidnap & Ransom coverage.

For more information on what we offer please visit our website:
CrimelInsurance.com.

Finally, please keep an eye out for some exciting news coming within the next few months!

Thank you for your business and loyalty. We look forward to serving you for years to come.



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AM Best rating of "A+" (Superior) affirmed October 28, 2020. 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 enrollment and applicable legislation. Policies are underwritten by Great American Insurance Company, 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. © 2021 Great American Insurance Company, 301 E. Fourth St., Cincinnati, OH 45202. All rights reserved. 5612-FIC (02/21)