Coverage Insights

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Discovery and Loss Crime Coverage

No employer wants to believe that their trusted employees would steal for them. Unfortunately, the unpleasant reality is that employee theft is all too common. Because of their trusted positions, it is often far easier for employees to steal from a company than any outsider. Also, once an employee begins stealing from their employer, it often continues over a sustained period and results in higher total losses.

While standard property insurance policies provide some protection from criminal acts, oftentimes they do not cover losses resulting from employee dishonesty. Crime insurance was developed to deal with the limitations of other policies and extend protection to include the fraudulent activities of employees. Standard policies cover such employee actions as the following:

- Theft
- Safe burglaries
- Embezzlement
- Forgery
- Computer fraud
- Credit card fraud
- Counterfeiting

Discovery or Loss Sustained

Crime insurance can be written as one of two policies, discovery or loss sustained. While a loss-sustained policy was a popular in the past, the Insurance Services Office (ISO) restructured the commercial crime program, and as a result made discovery policies more appealing.

Using a loss sustained policy, losses occurring during the policy period that are discovered during the period or within one year of its expiration are covered. Normally claims are covered by the policy in force when the loss occurred. However, if the policy in force when the loss occurred has expired and coverage has been continuously maintained since then, the current policy can be used to pay out at a reduced amount.

In basic terms, a discovery policy covers losses upon the discovery of a loss. The loss itself could happen at any time, but as long as it is first discovered during the active policy period, coverage will apply; if coverage is not renewed it has a 60-day tail. When considering a discovery policy, look for coverage without a retroactive date endorsement. Some discovery policies use such endorsements to eliminate responsibilities for losses that occurred before a certain date, even if they are first discovered during the policy period.

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