

Fidelity and Crime Insurance Coverage Experience



A growing component of K&L Gates' insurance coverage practice is the representation of policyholders in the prosecution of claims under fidelity bonds and commercial crime policies. Business organizations are becoming increasingly aware of the need to insure against the risk of crime and financial fraud, particularly that committed by employees. Studies indicate that embezzlement now accounts for the majority of ordinary business losses by employers.

To protect against such losses, many businesses obtain fidelity insurance. These policies address internal crimes, such as employee theft, as well as external crimes, like robbery or burglary. Fidelity insurance indemnifies the insured for loss caused by the dishonest and fraudulent acts of its covered employees. Fidelity policies are divided into two primary categories: the financial institution bond, which covers banks, stockbrokers, insurance companies, and finance companies, and the commercial crime policy, which covers non-financial institutions like mercantile and governmental entities.

Our commercial crime policy and financial institution bond experience includes representation of:

- A government municipality in securing fidelity coverage for a loss that resulted from an outside investment advisor who misappropriated municipality funds.
- A nonprofit organization seeking coverage for loss arising from former executives' misuse of funds, including charging personal expenses to the company and making excessive expenditures.
- A domestic bank holding company seeking coverage for multimillion-dollar losses resulting from an employee embezzling money from a client's account.
- A pension fund seeking coverage for losses from two employees that defrauded the fund.
- A domestic bank holding company regarding potential fidelity coverage associated with alleged fraud by certain employees in managing retirement plans.
- A bank holding company in multimillion-dollar coverage litigation under a financial institution bond involving a fraudulent employee scheme related to a new vehicle floor plan financing loan.
- A highway construction facilities and equipment manufacturer seeking coverage for losses incurred as a result of the fraudulent activities of two officers of one of its acquired companies.
- A domestic bank holding company regarding potential fidelity coverage associated with alleged fraud by its customer in connection with asset-backed lending.
- An investment firm in an appeal regarding the nature of third-party liability coverage under a financial institution bond for losses arising out of a multimillion-dollar claim settlement.

- An international bank holding company seeking coverage for a multimillion-dollar loss resulting from an employee's embezzlement of bank funds.
- A domestic bank holding company seeking coverage for a massive, international fraud that victimized several banks through securitized loans that were based on sham transactions.
- A domestic grocery wholesaler in securing fidelity coverage for a multimillion-dollar loss from an employee forging credit records and fraudulently extending revolving credit to third parties.