



**The National List[®]
of Attorneys**

Worldwide Legal Referrals to the
Credit Industry Since 1900

**By Ben Johnson, Risk Management Consultant
Integrity First Insurance/Cornerstone Support, Inc.**

In tight economic times, it comes as little surprise that incidents of employees stealing from their own company or a client are on the rise. According to a recent study by Chubb, one in three companies experienced at least one incident of employee theft such as stolen funds within the past five years. For those companies in the study that had reported a loss, the average dollar value was \$42,000. Another recent study by the Association of Certified Fraud Examiners placed the average cost of an employee theft claim closer to \$100,000.

Most commercial crime policies offer coverage for employee theft, burglary or robbery on the premises, forgery, computer fraud, credit card fraud, and several other types of incidents. Some crime policies also include client coverage.

Business owners should note that the computer fraud coverage under a crime policy simply means using a computer system to steal money. A crime policy does not cover the cost of data breaches, which are a growing threat to the collections industry.

The National List of Attorneys carries a \$2 million crime insurance policy. The policy is unique in that it extends coverage to attorneys and law firms on the list, while they are acting as a collector for the work. The coverage does not apply to negligence, errors, overcharges or other breaches of judgment by the employee. The coverage provided is actually crime insurance rather than a bond, and this coverage provides a reassuring safety net for companies that hire law firms through The National List. Forwarders can file a claim on The National List crime policy, if a law firm hired through The National List fails to remit payment.

It is important to note that this policy does not eliminate the need for law firms to maintain an employee dishonesty policy. The National List crime policy does not protect the law firm against employee theft. The National List crime policy protects the forwarder from law firm theft.

It is also important to note that this policy does not eliminate the need for each company to maintain its own crime and professional liability insurance. Debt buyers and collection agencies should still carry their own crime insurance, to protect the company if their own employee commits theft or fraud against them or a client.

In our highly litigious society, many business owners are taking a closer look at their risk management strategy and evaluating their exposure. Professional liability and cyber liability are two other types of policies that are relevant to the collections industry. Professional liability insurance, also called errors & omissions (E&O) insurance, protects professionals from lawsuits from consumers, related to their professional services. For attorneys, a professional liability policy is often called malpractice coverage. In some cases, collection law firms may need a separate errors & omissions policy if the collections arm is a separate company.

It is important to pay attention to the coverage exclusions on an E&O policy, as well as the list of endorsements added to the policy. Professional liability coverage has become a frequent topic of conversation in the collections industry, which has seen a sharp increase in lawsuits filed under the federal Fair Debt Collection Practices Act, or other similar state laws. Suits filed under the Fair Credit Reporting Act (FCRA) and the Telephone Consumer Protection Act (TCPA) are also on the rise.

As mentioned earlier, data breaches are becoming more commonplace and are another risk that business owners must address. Purchasing a separate cyber liability policy is the best way to make sure you are covered.



**The National List[®]
of Attorneys**

Worldwide Legal Referrals to the
Credit Industry Since 1900

Errors & omissions policies typically do not cover claims related to data breaches. Some E&O policies offer a network security coverage endorsement for an additional fee, but such endorsements usually do not cover the third-party costs of notifying consumers about the breach. Most states now have laws requiring notification of consumers whose personal information has been compromised, and the cost can reach \$30 per person.

Any business that stores personal information on consumers is a potential target, including the collections industry. A quick glance over the long list of breaches tracked on www.privacyrights.org is a sobering reminder of the growing threat.

The scope of a data security incident can range from a single stolen laptop to a massive breach by overseas hackers, and anything in between. In the past two years, millions of consumers were impacted by breaches at retailers TJ Maxx and Marshall's, and more recent incidents involving RBS WorldPay and CheckFree Corp. Even the National Archive experienced a breach that exposed sensitive data in May of 2009.

As business owners continue to look for ways to cut costs, it is a good idea to shop around for savings on insurance premiums. However, it is also important to understand your risks and what is covered by each type of policy, to make sure you are not leaving any gaps in your risk management strategy.

[Cornerstone Support](#) is the premier provider of licensing and insurance services to the collections industry, serving more than 1000 collection agencies, debt buyers and attorneys over the past 12 years.