

Crime Loss Trend Alert

We have seen four claims in the recent weeks caused by our insured accepting a Certified Bank Check, depositing it in their account, and then wiring money out before the check clears. The checks turn out to be counterfeit and the bank reverses the wire transfer, causing a loss to the insured. The scheme has been the same in all four claims.

Counterfeit official checks scheme

The Insured, typically a law firm or a collection agency, is contacted by an individual purporting to be an executive in a foreign country, who is looking for the law firm or collection agency to assist it in collecting some receivables from a domestic company with which it did business. The Insured, in recent claim scenarios, conducted an Internet search to verify the foreign company existed and that the web site agreed with the information on the emails received by the Insured from the foreign country. The Insured then receives a call that the domestic company is going to be delivering payment. The Insured receives an "official check" drawn on a well-known bank for a certain amount of money listing the domestic company as the remitter. The Insured deposits the check into its bank account. A few days later, at the request of the foreign corporation, the Insured wire transfers the funds to the foreign corporation and pockets its fee.

A few days after depositing the "official check," the Insured receives notice from its bank that the check was returned as counterfeit. The Insured then submits a claim to Travelers under Insuring Agreement E of the Wrap+® Policy.

Risk prevention

- Review practices regarding the acceptance of cashier's checks, money orders, travelers checks and other negotiable instruments. Establish the practice of waiting for the instrument to clear the financial institution before making payment/disbursement of money or inventory, regardless of the type of instrument or the appearance of an "official check".
- The FDIC publishes an alert concerning numerous issues related to financial institutions including counterfeit checks, forgeries instructions etc. All members of the public can sign up to receive this alert through the FDIC's website at www.fdic.gov. Become familiar with the FDIC website and sign up for notice of stolen, false, fraudulent, and counterfeit negotiable instruments.
- Make sure all employees are aware that counterfeit negotiable instruments are widespread in today's electronic age and that they should exercise caution in the acceptance of negotiable instruments for the immediate exchange of money, merchandise or services.

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