



Expertise | Quality | Experience

Bankers' Blanket Bond – Policy and Claims
James Vincent – Associate Director, ASL – Dubai

Who we are

ASL is a market leading supplier of high quality loss adjusting, forensic accounting and other claims related professional services in the insurance sector.

Our specialist team handles claims world-wide and we have extensive experience throughout the Middle East and North Africa.

We have a regional branch office in Dubai. This allows us to combine locally based expertise and cultural awareness with the resources of our London head office.



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What we do

We provide a highly-skilled and efficient loss adjusting service that is focused on specialist casualty business. We deal with cases in an open and proactive way that wins the confidence of everyone involved. Our detailed and informative reports clearly set out the facts of the loss, its quantification and our insight regarding policy coverage, recovery potential and all other claims related issues. We work for regional Insurers or Reinsurers as well as those in London and other international markets.

And it's not just loss adjusting. If it's in-depth quantum analysis that you want then we offer an insurance focused forensic accounting service. Our experienced team of qualified accountants undertake assignments around the world.

We also offer a range of support services that are ancillary to our loss adjusting and forensic accounting functions. These range from the processing of notifications to full claims portfolio administration as well as bordereau reporting, desk-top reviews and the monitoring of aggregate erosions. That means we can customise our service to your exact requirements.

Classes of Business

Financial Institutions

- Employee dishonesty, forgery and other third party fraud
- Robbery and theft
- Electronic and computer crime
- Financial Institutions PI and D&O

Commercial Crime

- Fraud
- Theft of stock

Cash in Transit & Specie

- Armoured vehicles
- Premises, vault and ATM losses
- Pawnbrokers, Jewellers' Block and bullion risks

Professional Indemnity

- Construction and engineering professionals
- Directors and officers
- Public officials
- I.T. and media professionals

Liability

- Public liability
- Products liability and recall
- Employer's liability and employment practices liability
- Environmental Liability

Cyber Risks

- Cyber crime
- Denial of service
- Loss of data and intellectual property
- Breaches of privacy and confidentiality

Forensic Accounting

- Business interruption and complex quantum analysis

Support Services

- Full account management
- Captive services

- The Bankers' Blanket Bond policy is “discovery based”.
- Retroactive date / Discovery limitation clause
- Claims control / Claims co-operation clause

Issues to consider when notifying claims:

- The extent of cover available
- Excess / Deductible
- The nature of the loss
- Mitigation
- The country in which the loss arises
- Law and jurisdiction

- Bad loans
- Invoice discounting
- Payments made against uncollected items
- ATM (Cover add on available)
- Plastic cards (Cover add on available)

- Notification and appointment of loss adjusters
- Issue of questions, arranging a meeting to discuss, inter alia:
 - Discovery
 - Procedures
 - Circumstances
 - Investigations
 - Extent of loss and recovery
 - Police / Courts
 - Security
- Reporting process

Typically, Insurers are interested in the following representations made on the BBB Proposal Form:

- Values at risk
- Operational security
- Physical security

Issues to consider :

- Evidence of improper personal financial gain. Certain policies also extend cover to improper personal financial gain by third parties, some don't.
- Evidence of fraud and forgery.
- Aggregation (i.e. does the fraud attract one or multiple deductibles?)
- Quantification of loss in accordance with the policy requirements.
- Internal audits or monitoring of loan/credit portfolio.
- Holiday requirements.
- Division of duties and dual control.
- Recovery. Are there any guarantors or collateral secured against the facilities? Can the dishonest employee(s) or fraudster(s) be pursued?

Employee Infidelity

Case Study

Employee Infidelity involving Loan Fraud:

Fraud discovered on 2 May 2017 involving a senior employee.

Three personal loans and an overdraft facility were advanced to the senior employee by the Bank through the dishonesty of her own actions.

We verified the amount misappropriated at USD 2,929,132.

The prospects of further recoveries appear poor; however, the police investigations and criminal proceedings are ongoing.

Insuring Clause 1 – Infidelity of Employees provides cover for loss sustained by the Insured:

*“by reason of and solely caused by dishonest or fraudulent acts of any **Employee**, wherever committed and whether committed alone or in collusion with others, which acts have been committed by said **Employee** with the intention either to cause the **Assured** to sustain such loss or to obtain an improper personal financial gain to said **Employee** or a third party.*

*(1) Notwithstanding the foregoing, it is agreed that concerning **Loans or Trading** this Insuring Clause covers only such direct financial loss that results from dishonest or fraudulent acts committed by an **Employee** whereby an improper personal financial gain is obtained by such **Employee** or a third party.*

(2) Salary, fees, commissions, bonuses, salary increases, promotions, profit sharing and other emoluments or benefits...do not constitute improper financial gain”.

Employee Infidelity involving Electronic Transfers:

Discovery arose on 20 April 2017.

Funds improperly transferred to external bank accounts through the dishonest actions of at least one employee in collusion with a group of external fraudsters.

The amounts transferred away totalled USD 173 million.

The Bank was able to notify the receiving banks to block the beneficiary accounts and the majority of the funds were returned.

We verified the Bank's net loss at USD 2.7 million.

Further recoveries?

We are closely monitoring the police investigations and court proceedings.

Loan Fraud

Case Study

Loan Fraud:

Discovered on 25 September 2017 – email from a whistleblower.

Four individuals, who purported to be employees of two very well-known companies, applied for loans totalling USD 900,000.

The applicants provided salary certificate / salary transfer letters. These appeared genuine as they were on company headed paper and authorised by signatures and company stamps.

Investigations following discovery found that the applicants were not in fact employees of the two well-known companies and the salary certificates / salary transfer letters were fabricated.

Investigations also revealed that the applicants/fraudsters' UAE residence visas were also forgeries.

Customer Loan Fraud Extension

“Loss resulting directly from the Assured having, in good faith and in the ordinary course of business, granted a loan(s) to a customer(s) but which loan(s) was obtained using Forged Documentation and:

- 1. Was obtained with the intent by the customer to defraud the Assured and cause the Assured to sustain a loss; and*
- 2. Resulted in said customer obtaining an improper financial gain for themselves, or others.*

Provided however that the issue of said loan(s) conformed to the Assured’s normal lending criteria and said loan is subsequently defaulted upon by the customer(s).”

Special Definition

“Forged Documentation as used herein shall mean pay slips, credit notes, invoices or any other similar documentation used in the ordinary course of business.”

Premises Loss

Case Study





Insuring Clause 2 – Premises, provides cover for direct financial loss first discovered during the policy period by reason of:

- (a) Property within the Premises being lost through:*
- (i) Theft committed by persons present on the Premises, or*
 - (ii) a mysterious unexplainable disappearance, or*
 - (iii) being damaged, destroyed or misplaced,*

while such Property is within the Premises...

The definition of “Property” includes paper currency.

“Theft” is defined as:

burglary, robbery, hold-up, and the dishonest physical taking and carrying away of Property with the intention of permanently depriving the Assured of the Property.

Cheque Fraud

Case Study

The Insured paid away funds in reliance upon forged cheques which bore forged signatures of the affected customer's authorised signatories.

35 forged cheques total USD 450,000

The customer has demonstrated that the genuine cheques remain unused in their possession.

Unknown how the fraudsters obtained copies of the customer's chequebook and signatories...

Two implicated individuals have now been convicted of cheque forgery.

Insuring Clause 4 – Forgery or Alteration – provides cover for loss by reason of:

“(a) the Insured having acted or relied upon any Cheque, Bill of Exchange, Draft, Acceptance, passbook, Certificate of Deposit, Letter of Credit, money order or order upon a public treasury, any withdrawal order for the withdrawal of funds, or Property, Withdrawal Receipt, or Promissory Note, that:

*bears a Forged Signature; or
has been Fraudulently Altered.”*

Forged Signature is defined as:

The handwritten signing or endorsing of the name of another genuine person (or the use of a mechanically or electronically produced or reproduced copy of another person’s signature) without authority and with the intent to deceive. A mechanically or electronically reproduced facsimile signature shall be treated the same as a handwritten signature

Fraudulent Retention

Case Study

Discovery arose on 13 October 2016 when a customer queried why funds from a cheque for USD 800,000 had yet to be credited to its account.

Investigations found that the funds had been erroneously credited by the Insured's employees to an incorrect account and dishonestly retained by the beneficiary.

The Insured reinstated the affected customer's account in full.

Some recoveries were made.

The dishonest customer has been convicted and sentenced to a year in prison

Insuring Clause 16 – Fraudulent Retention of Funds or Property – provides cover for:

Loss which is incurred by reason of Fraudulent Retention by a third party recipient of any funds or Property, as a direct result of:

the misdirection or erroneous transfer of such funds or Property by the Insured or by a financial organisation acting upon instructions from the Insured, to a third party recipient account other than that actually intended; or

the transfer of such funds or Property by the Insured or by a financial organisation acting upon instructions from the Insured, to a third party recipient account in an amount greater than that actually intended

Special Condition

The Insured shall make all reasonable efforts to secure the recovery of such funds or Property.

And finally...

Other covers available:

- Professional Indemnity
- Computer Crime
- Internet Banking

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