

White-collar crime costs 5 billion euros to German companies

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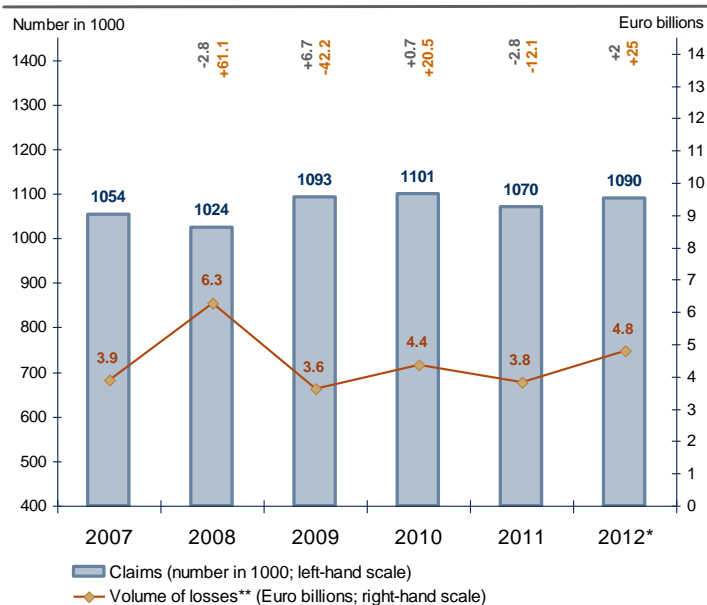
Executive Summary

- The risks posed by white-collar crime for German companies are growing. After declining slightly in 2011 in Germany, cases of criminal activity rose appreciably in 2012 according to the latest estimates by Euler Hermes. This applies to both the number of cases (+2%) and the resultant loss (+25%), which amounts to EUR 4.8 billion in 2012.
- What is conspicuous is the sharp rise in average loss per case. Frequently enough, the perpetrators are companies' own employees.

2012: a (very) bad year for white-collar crime in Germany

The threats to German companies coming from white-collar crime are growing. According to recent estimates by Euler Hermes, the number of incidents of fraud, employee dishonesty and embezzlement rose to 1.09 million in Germany in 2012, an increase of around 2 percent over 2011. Monetary loss is likely to have arisen at a far greater rate by 25 percent to EUR 4.8 billion, mainly due to the increase of cases involving higher amounts. The average loss per case climbed to EUR 4.4 million, up from EUR 3.6 million in the previous year. Around 40 percent of the total loss was caused by the afflicted companies' own employees in 2012 according to Euler Hermes estimates.

Fraud, employee dishonesty and embezzlement in Germany 2007-2012



* Euler Hermes estimate ** According to the Euler Hermes estimate some 40 % of these losses are caused by a company's own employees +x.x Annual percentage change in claims +x.x Annual percentage change in volume of losses
 Source: Police Crime Statistics, Euler Hermes; as at 03-2013

Where is the trend? Any link to the economic situation?

The number of criminal cases has increased over the past five years, climbing by 0.7 percent per year on average from 2007. At the same time, losses rose by as much as 4.3 percent per year on average, albeit subject to considerable fluctuation between EUR 3.6 billion and EUR 6.3 billion since 2007. 2008 was certainly exceptional with a record level of losses per case (EUR 6.1 million) but since there is no clear correlation with economic output. Overall, our research shows there is no link between a bleak economic outlook – or a bright one for the matter – and trends in white-collar crime.

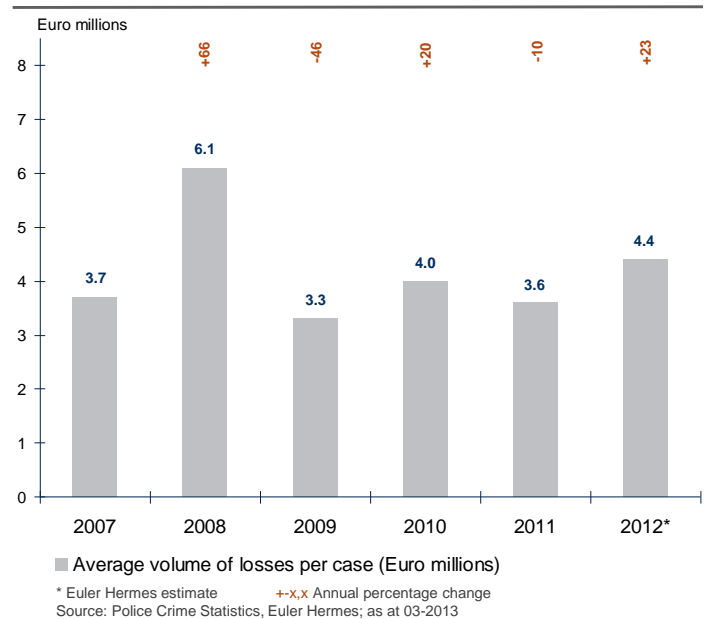
Why white-collar crime then?

According to existing literature, there are three main reasons for white-collar crime risk (which companies can mitigate): (i) the dynamic change in working conditions, frequently resulting in security gaps or shortfalls in monitoring activities; (ii) the increasing size of companies which may impair employees' ability to identify with their employer; and (iii) premeditated avoidance of legal stipulations despite heightened controls.

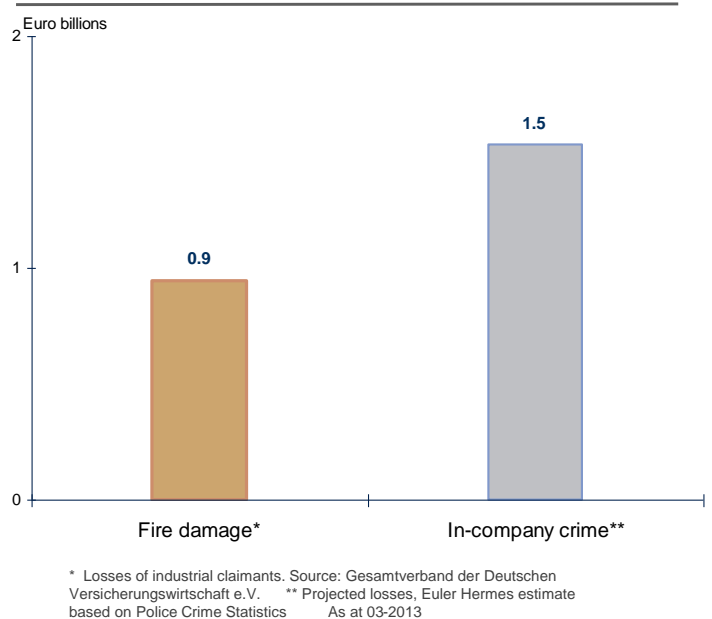
White-collar crime costs between 1.3x and 2.3x as much as fire damage

One key factor in trends in white-collar crime is embezzlement by companies' own employees. Euler Hermes estimates that criminal acts by employees directed at their employers caused losses of around EUR 1.9 billion in 2012, up from EUR 1.5 billion in 2011. This is substantially more than the total losses caused by fires in the industrial segment, which climbed by 23 percent to around EUR 940 million in 2011. Counter intuitively, and for many years now, the losses caused by employees (as a result of embezzlement or misappropriation) have far exceeded losses resulting from fires in the industrial segment.

White-collar crime in Germany: development of average losses per case



Euler Hermes protection from employee dishonesty: losses in comparison to 2011



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