

Private Company Loss Scenarios from Chubb



Scrap Scheme

COVERAGE SECTION	Crime
Cause of action	Employee Theft (Raw Material)
Type of organization	Scrap Metal Firm
Number of employees	More than 500
Annual revenue	More than \$350 million

DESCRIPTION OF EVENT

A scrap metal firm collected wrecked automobiles and used appliances and sold parts and scrap to manufacturers. A yard worker, the nephew of the veteran yard manager, arranged to have deliveries of scrap made to a friend, and the three would sell the material at discounted rates to a metal fabricating business. The company's books were managed by a young bookkeeper, but controls over the incoming and outgoing scrap were fairly loose, and keeping the scheme a secret was not difficult. However, the bookkeeper left for another job and was replaced by a more experienced bookkeeper who tightened the firm's accounting controls and discovered the theft.

RESOLUTION

The company brought in an outside auditor, who estimated the value of the stolen scrap at between \$500,000 to \$600,000.



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Could this happen to your organization? Contact your trusted Chubb agent or broker.

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