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Growing threat from white-collar crime

Companies increasingly victims of white-collar crime, losses run into the billions, perpetrators are often their own employees.

White-collar crime is a growing threat for companies in Germany. According to a recent estimate by Euler Hermes Kreditversicherungs-AG in Hamburg which is based on police crime statistics, the number of cases of fraud, embezzlement and misappropriation of company assets will rise to 1.15 million this year, up five per cent on 2004. The increase in the total of losses is even higher, going up by 30 per cent on the previous year to some 6 billion euros. Something like 40 per cent of this, i.e. 2.4 billion euros in 2005, is due to actions by companies' own employees, estimates Euler Hermes.

The number of criminal cases has seen a continual rise over the past ten years, in fact going up by more than 28 per cent since the turn of the millenium. Total losses, in contrast, have stabilized at a high level of just over five billion euros on average per year, albeit with major fluctuations between extremes of 4.5 and 6.6 billion euros since 2000. This suggests that it is the number of relatively minor crimes in small and medium-sized companies which is steadily rising, while large-scale cases in bigger companies account for the fluctuations.

One major factor in this development is the embezzlement of funds by a company's own employees, which has caused losses of 1.8 billion euros in German companies over the last year. That is more than double the total of losses due to fire damage¹ in industry, a threat which looms much larger in the perception of companies. „The fact is that small and medium-sized family-owned companies totally underestimate the risk compared with larger firms.“ states Hartmut Köhler, Head of the Fidelity Insurance Division at Euler Hermes.

¹Source: Gesamtverband der deutschen Versicherungswirtschaft e.V.

Current developments confirm the results of a representative poll for all companies with an annual turnover of more than 1 million euros commissioned by Euler Hermes in 2003. At that time some 86 per cent of all companies stated that they regarded white-collar crime as a serious problem. But, according to the study, only a tenth of the companies thought that they themselves faced an elevated risk from wrongdoing by their own employees. This shows that companies certainly realize the dangers, but are guilty of criminally underestimating the threat to themselves.

Charts giving figures quoted in the text (Fraud, misappropriation of assets and embezzlement in Germany 1995-2005, Euler-Hermes Cover against Fraud: Claims paid out 2004 in comparison) can be accessed on the Internet at www.eulerhermes.de under the heading Press.

Euler Hermes is the world-wide leader in credit insurance and one of the leaders in bonding and guarantees. With 5,400 employees in 40 countries, Euler Hermes offers a complete range of services for the management of customer receivables and posted a consolidated turnover of 1.9 billion euros in 2004.

Euler Hermes, subsidiary of AGF and a member of the Allianz group, is listed at Euronext Paris. The group and its principal credit insurance subsidiaries are rated AA- by Standard & Poor's.

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