

Crime creates mass losses in hospitality industry

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"The past few years have seen a growing trend in employee criminal activity, both directly and indirectly, within the hospitality industry, as constantly highlighted by the media," said **Paul Halley, Managing Director of Ascent**. Ascent is an underwriting manager underwritten by Infiniti Insurance Limited. As an underwriting manager in the Tourism, Hospitality and Entertainment sectors, he has been privy to this new industry anomaly.

"We're not talking about minor pilferage, but rather large scale and complex criminal activity."

He outlined that the complexities of the hospitality supply chain, variable pricing models, technological advancements, human resources models in the sector and socio-economic pressures, have all contributed toward the rising trend. Theft by, or with the assistance of, employees whether intentional or otherwise, is one of the most common and frequent causes of loss in the Tourism, Hospitality and Entertainment sectors. The short-term and seasonal nature of the industry, skill portability and volume of low to medium skilled employment opportunities, exposes the sector to such incidents. A volatile labour and socio-economic environment and the frequent use of migrant and foreign labour are also contributing factors.

With sector players not officially recording the percentage of crimes with an element of employee involvement, best guess estimates trend this

number to be around 90% plus. "We can confirm that, in our estimation, and based on regular review of circumstances involved in both direct and indirect crime, this number could be a conservative estimate," said Halley.

Recent immigration rule changes for employers are expected to assist against this scourge. Ultimately it may make things worse. Recent changes mean work permits in the Hospitality and Food and Beverage sectors will be difficult to come by as these industries are listed as "undesirable business" for work permits under new legislation. Desperation could increase fidelity losses or drive further sophistication of the black market for fake and fraudulently obtained permits. This phase will require additional vigilance on the part of employers and regulatory compliance to ensure all foreign employees have valid work permits.

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Sharon Paterson, CEO of Infiniti Insurance and Underwriter of Ascent, said, "Directly, fidelity losses can be sophisticated and extensive, occurring with the ingenious use of point of sale and accounting software technology and syndicate involvement. The prospects of recovering the money are usually very low and losses include theft of stock, money and other assets of the establishment. This is very common within restaurants where syndicates have employed devious techniques of manipulating point of sale and accounting control systems."

In many instances the perpetrators have disappeared and cannot be brought to book. The human resource



model in the sector together with the fact that there is little or no basis for formal sharing of information regarding employees among operators and employers often means the individual implicated has secured another similar job in a different region or town but in the same sector and so the cycle continues.

Paterson said that indirect crime assists external forces to gain information on or access to premises, safes, security systems and banking patterns. This form of indirect involvement can be particularly dangerous as it places owners, staff and guests at risk of being drawn into the dangerous circumstances that come with contact crimes. Assets and cash can be replaced when insured correctly, lives on the other hand cannot. This also affects the perception of South Africa as a tourist destination with security being a major differentiator for international tourists and business people.

Halley concluded, "Ensure your clients have the cover they need when it comes to protecting against theft. Choosing an insurance partner that can assist with risk management practices and regulatory compliance will safeguard your clients, and go a long way to eliminating this risk exposure. It will also provide you with the ability to get back on your feet quickly and easily after a loss."