Employee Theft Limit Formula

The formula presented below can be used to compute the amount that should be considered a minimum when purchasing employee theft insurance. Every business is different, so the amount determined by using this formula should only be considered a starting point.

The computation requires two steps:

1. Enter information from financial statement in the formula in Section 1. The result is the Theft Exposure Index.

2. Refer to the chart in Section 2. Obtain the Minimum Amount of Insurance by selecting the amount on the same line as the Theft Exposure Index determined by the formula in Section 1.

Section 1

			Column A	**Column B**
(1)		Enter total current assets (cash, deposits, securities, receivables, inventory, etc.)	$_____	
	A	Enter the value of Inventory (stock or raw materials, materials in process, finished merchandise)	$_____	
	B	Enter 5% of **A**		$_____
	C	Enter current assets LESS inventory (the difference between **(1)** and **A**)	$_____	
	D	Enter 20% of **C**		$_____
(2)		Enter annual gross sales or income	$_____	
	E	Enter 10% of **(2)**		$_____
(3)		Add the amounts in **Column B**. This is the **Theft Exposure Index.**		$_____

Section 2

Theft Exposure Index	Minimum Amount
Up to $500,000	$100,000
$500,000 - $750,000	$125,000
$750,000 - $1,000,000	$150,000
$1,000,000 - $1,375,000	$175,000
$1,375,000 - $1,750,000	$200,000
$1,750,000 - $2,125,000	$225,000
$2,125,000 - $2,500,000	$250,000
$2,500,000 - $3,325,000	$300,000
$3,325,000 - $4,175,000	$350,000
$4,175,000 - $5,000,000	$400,000
$5,000,000 - $10,000,000	$600,000
$10,000,000 - $20,000,000	$900,000
$20,000,000 - $25,000,000	$1,000,000
$25,000,000 - $50,000,000	$1,250,000
$50,000,000 - $100,000,000	$1,500,000
$100,000,000 - $200,000,000	$2,250,000
Over $200,000,000	1% of Exposure Index