



JEWELERS' BLOCK GUIDE TO LOSS PREVENTION & CONTROL

*Prepared by IMUA's
Loss Control and Claims Committee*

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INTRODUCTION & INDUSTRY BACKGROUND

Jewelers' block policies are one of the oldest forms of inland marine insurance. They are one of the better known classes in name, but probably not in substance because of the evolved specialization of the class. Most commercial property policies either completely exclude jewelry from coverage or severely restrict coverage for theft of jewelry.

The jewelers' block policy -- one of the first true package policies -- was developed to combine a number of separate coverages within a single contract specifically directed to the wholesale and retail jewelry business.

It combines premises coverage with off-premises protection for property at other locations and while in transit.

A jewelers' block policy covers both property owned by the insured and property entrusted to the insured but owned by others. The three classes of property covered by the policy are:

- property owned by the insured;
- property delivered or entrusted to the insured by others who are dealers in such property or in the jewelry trade (including manufacturers, wholesalers, pawnbrokers, and watch dealers); and
- property delivered or entrusted to the insured by others who are not dealers in the property.

There is one important difference between jewelers' block policies and nearly all other inland marine and property policies. The application for coverage, sometimes called a Proposal for Jewelers' Block Coverage, becomes part of the policy, and all of the insured's responses to questions on the application are treated as warranties. Any inaccurate responses in the proposal put the entire coverage in jeopardy.

Historically jewelers' block business has been a class of business susceptible to various types of loss because of the very nature of property insured. A retail jeweler's inventory usually consists of small items which are easily misplaced, lost or stolen, and which frequently have a high individual value. In addition, property valuation is subject to fluctuations in gold, diamond and other precious metal and gem markets, all of which are often linked to unpredictable international events. These two realities - theft and high values - combine to make loss prevention and control critical business priorities.

The Jewelers Security Alliance (JSA), a New York based non-profit trade association comprised of over 21,000 members, maintains the most complete databank of statistical information on losses. Its level of reporting is broken down into On Premises (robbery, burglary or theft) and Off Premises (attacks against traveling salespersons; exhibitors at a show; trunk shows; or the retailer/employee attacked away from the place of business). Retail theft is still the most frequently reported crime and the most preventable type of loss if salespeople are properly trained, informed and alert. The main categories of theft include:

- Distraction
- Grab & Run
- Check Fraud
- Internal Theft
- Diamond Switch

Reported on-premises theft losses in the United States were \$80.1 million in 2005 (a 5% increase over prior year), and off-premises losses were \$31.4 million. By far, on-premises events were the lion's share of reported events numbering 1094 in 2005 versus 181 off-premises events.

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MANAGEMENT PRACTICES

Good management practices are key to jewelers' block loss prevention and control. Management practices must be created, implemented and monitored for effectiveness. These management practices include a business administration program, an employee hiring and training program and a crisis management program.

Business Administration Program

All businesses need to develop administrative programs that are specific to their type of operation. The details and complexity of the program will vary due to the size of the operation. A family owned and

operated business will likely require a less formal program, while a larger or 'franchised' operation will need a more detailed plan.

- **Operational Planning** - The management team of any jewelry operation must develop, implement and maintain policies and procedures that outline the business activities and goals including loss prevention and loss control.
- **Formalized Loss Control Program** - A formalized loss control program should be established and utilized at all company and store locations. This provides employees and management personnel a detailed list of loss control related expectations such as how to prevent losses from occurring and what to do in the event of a loss. The benefits derived from this program will enhance employee performance and provide management with an employee performance measurement tool. A formalized program should include, but not be limited to:
 - Basic Loss Control Guidelines
 - Site Specific Loss Control Guidelines
 - Emergency Response Guidelines
 - Performance goals relating to loss prevention and control should be documented and non-compliance processes should be established.
- **Formal Staffing Protocols** - Formal protocols should be established to ensure adequate staffing levels are identified and maintained in all locations.

Employee Hiring & Training Program

Adequate staffing with trained employees and managers is essential to maintain a viable and profitable business as well as reduce one's exposure to loss. All management personnel should be bonded as well as those employees who handle daily receipts, make bank deposits and are part of the store opening and/or closing. Background checks should be conducted on all new employees and extensive criminal and credit background checks must be conducted on all employees including managers. One way to accomplish this is to have a pre-employment screening process in place. For all applicants this formal pre-employment screening process includes the following action steps:

- Reference check
- Previous employer check
- Criminal history (include misdemeanors)
- Motor Vehicle Records check
- Bonding history
- Credit check
- Drug testing

Employee security protocols should be documented, communicated to all employees and monitored for compliance since this facilitates achievement of employer expectations. Periodic follow-up checks on some or all of the aforementioned initial employment checks are also useful for monitoring compliance.

Employers should incorporate loss prevention and control training into orientation programs. Regular in-service training should also be conducted to ensure employees are current on all established work protocols and procedures. Jewelry operations should join and actively participate in industry trade associations, such as the Jeweler's Security Alliance. These organizations can provide valuable training tools and up-to-date loss control measures. Formal employee training programs should, as a minimum, include:

- Loss Control Training
 - Robbery loss control
 - Burglary loss control
 - General Theft Related loss control
- Loss Reporting Processes

- Internal/Employee Theft
- External Event
- Employee Training Documentation
- Fire Suppression Training
- General Business Operations Training
- Crisis management training

Crisis Planning

A crisis or emergency management plan should be established to ensure all employees understand the company expectations for response and recovery from natural and man-made disasters. A viable Crisis or Emergency Management Plan should be established to ensure all management personnel and employees understand company expectations should there be a need to respond to various types of emergency incidents. Notification lists and processes should be established to ensure incident responses are timely and appropriate. Both internal and external resources required to be identified should be included in the classification process.

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PHYSICAL PLANT

In addition to the business administration program, one needs to focus attention on the physical location covering such items as construction, fire protection, source(s) of power, lighting and location.

Location Evaluation Process

The location was ostensibly selected based on business potential and the local customer base. From an insurance perspective, important considerations should include:

- Vacant or distressed property in the area
- Whether there is any co- or joint tenancy
- Adjacent occupancies - e.g. strip mall; building with common basement or attic access
- Natural Hazard Potential
 - Flood
 - Earthquake
 - Windstorm - Hurricane - Tornado
 - Wildfires
 - Other perils
- Property/crime loss history
- Susceptibility to Damage
- Law Enforcement Response - crime prevention and notification/response capabilities

Building Construction

As with most property evaluations, an initial consideration is whether or not the structure meets the needs of the business. A structure that is poorly built, has a history of poor maintenance or does not appear to be able to withstand "attack" by criminals is NOT the type of structure that should be considered. As the vulnerabilities increase, the exposures to loss are increased dramatically. As a practical matter, most jewelry locations will have glass doors and/or windows, sheet rock walls and traditional building construction. One way to evaluate a building is via a rating system, for example from excellent down to poor, as to its resistance to attack. General structural conditions that might contribute to a lower rating and therefore an increase in loss potential include:

- Walls that can be too easily penetrated
- Ceilings, especially drop ceilings, that allow concealment
- Unprotected skylights
- Floors that have openings to a basement and are not properly secured
- Openings in the walls (besides normal windows and doors) such as a wall-mounted air conditioner

An alternative to questionable construction would be a safe or vault discussed later in this report.

Fire Protection

Each location should have a plan to ensure that any fire can be addressed as soon as possible and normal business operations can be resumed.

An adequate number and correct type of fire extinguishers should be placed at strategic locations throughout the premises. Areas where jewelry repairs are completed using bottled gases [usually oxygen or propane in tanks - ideally but not always stored outside of the building]] should be equipped with the appropriate grade fire extinguisher(s). Staff should receive hands-on training on extinguisher capabilities and operation.

Sprinkler systems should be in place and should meet the applicable codes and standards. They should also be periodically tested as well as maintained.

Fire alarm systems should be sufficient to provide ample warning to the occupants and notification to an external monitoring location. Exits should be illuminated and marked accordingly. At a minimum, testing in compliance with applicable codes and standards should be completed to ensure proper operation of the system.

One should also be knowledgeable about the local fire fighting capabilities. Included in this analysis:

- Type - Volunteer or Paid/Full Time
- Availability - some towns have begun the use of a lottery system of open/closed station houses
- Distance and Response Time
- Water - source and pressure

Power Systems

Adequate power systems are essential to both business and loss control needs. Alarm systems and Closed Circuit Television (CCTV) systems require adequate and reliable power sources to maximize their functionality. Considerations for power systems include:

- Condition - Is the condition of the system such that normal daily business needs can be met?
- Code Compliance - Is the power system in compliance with local codes?
- Electrical Safety - Are there scheduled inspections, testing and maintenance of the main electrical systems and equipment?
- Back up Systems
 - Are they sufficient to maintain operations?
 - Are they sufficient to maintain adequate security?

Lighting Systems

Adequate lighting systems, while certainly a plus as respects off-hours burglary, are not actually a deterrent, especially during normal business hours. When installed, these systems should be placed in such a manner as to illuminate the interior / exterior areas of the premises if they are to be considered a factor in loss deterrence.

For example, a normal Closed Circuit Television (CCTV) system operates very well provided adequate lighting is available. When the CCTV system is installed, tests should be conducted to ensure lighting

provides sufficient illumination to be able to identify someone through the use of the CCTV system.

HVAC Systems

Heating, ventilation and air conditioning (HVAC) systems can be a source of problems if not properly installed and maintained. The following are some basic considerations relative to these systems:

- Does the HVAC System meet the business need?
- Does the HVAC System meet all applicable fire, safety and construction codes?
- Is there scheduled inspection, testing and maintenance?

A review of these systems is also important because they could be used as a clandestine way to enter/exit the premises.

NOTE: Licensed professional personnel should be utilized when installing, testing and maintaining all physical plant systems.

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OPERATIONAL SYSTEMS

Beyond the basis structure, there are numerous "add on" systems that serve to make a particular premises more secure, and therefore, a potentially more desirable exposure for underwriters. The following represent the types of systems one might encounter.

Alarm Systems

Alarm systems serve two basic functions - life safety and property/burglary protection and notification. One should not assume that the presence of an alarm [usually indicated by a Yes or No response on an application] is an indication of adequate security. Not all alarm systems are the same, and neither are alarm companies. The prudent underwriter will be well served by a deeper exploration of the actual type and provider of alarm at each premises.

Note: For a more complete explanation of alarm systems, the Central Station Alarm Association [CSAA] has developed a primer entitled *A Practical Guide to Central Station Burglar Alarms Systems - Third Edition*. This document is available from CSAA on their website www.csaaul.org

Underwriters Laboratories (UL) classifies burglar alarm systems according to five types -

- central station;
- proprietary;
- mercantile;
- bank
- residential.

For the purpose of this report, we will focus mainly on the UL certified alarm system.

The UL Certificate is generally recognized as proof that an installed alarm system meets established performance standards. The certificate recognizes the quality and extent of the installed system and the quality and level of the monitoring (See Appendix I for levels and extent of protection). For jewelry operations, it should be the standard required to meet minimum protection guidelines.

The alarm system should be specifically designed for each individual establishment. The alarm system is comprised of hardware that will provide physical and electronic coverage of the establishment and its

contents. This hardware may include, but is not limited to, perimeter, motion, glass break, hold-up devices, safe and vault alarms.

The **perimeter alarm system** notifies the central monitoring station and/or may activate a local audible alarm of a breach of the entry/exit points of the premises during non-business hours. Periodic testing should be performed to ensure the system is operational at all times. A critically important issue is the construction of a written notification list of people who would actually show up in the event of an alarm. This list must be on file with the central monitoring station, and must be updated periodically.

Hold Up Detection Systems (sometimes referred to as Duress Alarms) are used by employees to alert the central monitoring station and/or law enforcement agency(ies) of a potential threat or crime in progress. It should be noted that many establishments have policies controlling the use of the hold up button or ambush code as it may place the employees and/or customers in danger if activated while the perpetrators are still on site. A good suggestion would be to follow the Jewelry Security Alliance's instructions on the proper use of these systems.

Intrusion alarms are activated when the interior of the premises is actually breached or when access is gained through another point in the establishment via windows, ceilings, and basements.

Zone of Protection alarms are activated when specific areas of the location are entered, i.e., safe, vault, or showcase. An alarm can also sound for those establishments that require each customer to be individually granted entry to the store. Keep in mind that each "zone of protection" has a cost component, and more "zones" generally equates to higher central station alarm fees.

To ensure any or all of the previously mentioned alarm systems are effective and provide the desired result, written protocols should be established to ensure the system is operated as planned. These protocols should consider:

- Type System - As briefly explained above, there are various types of alarm systems available. The system selected must meet the business need keeping in mind the risks and exposures present.
- Alarm Operation - Protocols should be established for each of the following since they directly affect both internal and external alarm responses.
 - Arm / Disarm
 - Response
 - Access Codes
 - Maintenance & Testing
 - Contingency Plan for Alarm System Failure
- Alarm Verification Processes - Many municipalities and law enforcement agencies are now requiring non-life safety "alarm verification" prior to responding to a given location. The verification processes can vary based on the type of system, system protocols and the responding agents. It is advisable to determine the type of verification required for each facility. Guard Response - Generally limited to metropolitan areas, the responding agent is based on the type of system utilized and geographic area. In a metropolitan location such as New York City, the responding agent will likely be an employee of an alarm company. In a more remote area, one might need to wait for the subscriber and/or local law enforcement to respond. Key control (who actually has keys to open the premises) becomes an important consideration here.

CCTV Systems

The use of a CCTV in traditional jewelry store operation is now an industry standard. There are several types of systems in use ranging from black & white (B&W) to digitized color systems. The use of B&W as opposed to color and the quality of the system installed will assist in clarity and thereby enhanced identification of the persons/activity being viewed. Continual testing of the system for position and clarity should be conducted to ensure maximum coverage.

CCTV systems can be monitored at the establishment, remotely monitored or both. The need for monitoring is based on the exposures and loss activity of the particular business. The positioning of the cameras is important in that unwelcome persons often use various methods to alter their appearance and provide concealment from the normal positioning of cameras. Cameras are generally positioned in the ceiling at various locations within the viewed area. Cameras should also be positioned at eye level or even placed in showcases so they are focused on the faces of people.

All CCTV cameras should be recorded either by use of a VCR (tape) or a digitized (CD) system. The tapes/CDs should be retained for a minimum of 60 days. The tapes/CDs are a valuable tool in the investigation of illicit activity both internally and externally motivated. Those that do not contain suspicious activity can be recycled and reused. The use of multi-plexer units - up to 16 cameras that operate in sequence 1 camera at a time and provides a view of selected areas - is commonplace. This hardware gives the viewer the ability to observe and / or record in date and time sequence.

Access Systems

For practical purposes, there are basically three types of facilities where access systems are used - the retail store; the wholesale operation; and the manufacturer.

Access control to any establishment is governed by the existing exposures and subject to local building codes (e.g. one cannot require an egress system that violates a building code). Adequate access control measures are an important part of maintaining a secure environment for your merchandise. Whether one uses a key to access the establishment or electronic card key, adequate controls should be in place to ensure availability to either the key or card key is limited.

Many establishments utilize a selective access system (referred to as interlocking doors or a man-trap system) where the customer must be "buzzed in". This method permits the store operator the opportunity to scrutinize the customer prior to permitting access and is mainly used at the manufacturing or wholesale level. When reviewing the access system one should consider the following elements:

- Are there adequate protocols in place for system use?
- Is it a Key / Lock System or a remote Electronic System?
- Life Safety Systems

Safes and Vaults

The main purpose for using a vault or safe is to provide a secure environment for a certain percentage of the inventory during and after normal business hours. Vaults and vault doors should be constructed according to UL listed burglary standards/ fire resistance based on the merchandise value and exposure (see Appendix for additional information).

Ideally, safes/vaults should not be visible to the customer, but from a practical sense, this is not always avoidable. Access should also be limited to a minimum number of employees based on business need. Possession of keys and knowledge of combinations should be limited based on business need.

Points to consider include:

- What is the UL fire rating of your safe and/or vault?
- Is your safe permanently mounted or mounted on wheels?
Note to Above - burglary safes weighing 1000 pounds or less should be permanently mounted.
- What is the U/L or manufacturers rating of the safe / vault?
- Are there time locks? If so, please keep in mind jewelers do not usually activate time locks.
- Are there combination locks? Are they Group 1 (high security) or Group 2 (low security) in nature?

Inventory Systems

The use and implementation of sound inventory techniques and sales verification tools can help detect shortage, shrinkage and mysterious disappearance of merchandise. This practice is a valuable loss prevention tool. One should ascertain that the operation maintains a complete listing of all on-hand stock on at least a monthly basis, including owned merchandise, goods on consignment, retail customer property and property from customers in the trade. This control approach should be in addition to the annual inventory required for accounting purposes. Reconciliation of any discrepancies should be immediate. All goods, regardless of value, should be secured in safes and vaults upon receipt. On-going, detailed records regarding description, value, disbursement and sales should be maintained .

Written protocols outlining the entire inventory process should be developed and adhered to. The protocols should include:

- Daily merchandise tracking
 - Stock Keeping Units [SKU] systems
 - Hand written tags
 - Computerized Tracking
- Annual Inventory Process
- Daily Inventory and Case Counts
- Weekly Inventory
- Computerized Inventory
- Reconciliation Process for all Counts / Inventory Processes
- Shipping / Receiving Systems
 - Shipment Verification Systems
 - Area Access Controlled
 - Shipping / Receiving Protocols
 - Inspection Protocols
 - Reconciliation Protocols

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OPERATIONAL FACTORS

Several operational factors have an impact on a jeweler's likelihood of loss and the measures devised to eliminate or minimize their exposure to loss. The key indicators are:

- The type of business -i.e., retail, wholesale, manufacturing, appraisal or pawnbroker
- Percentage each represents of the total receipts
- Number of years the principals have been involved in similar enterprises
- Specific loss experience (type- frequency - severity)

The following represent some of the general operational and/or security considerations required when interacting with customers:

- Two employees should be in the store at all times with one employee optimally in the showroom area at all times.
- Wait on one customer at a time
- Allow the customer to handle only one piece of jewelry at a time
- All large gemstones should be verified prior to and after all customer examination to ensure authenticity.
- One needs to establish the total value in the establishment, establish a percentage of what should be in the safe/vault, and set a policy that no item greater than a certain dollar value should be on the floor at a time.
- Established Procedures for Employee Purchases

Store Opening / Closing Procedures

The procedures that dictate the methods for opening and closing of the establishment are very important. Many losses have occurred during these time periods. They offer the greatest vulnerability in that customer presence is generally minimal or non-existent leaving only employees in or around the establishment.

Appropriate protocols should be developed and implemented to minimize the risk and maximize employee safety. There should be more than one employee present during every opening and closing. One should conduct the actual opening/closing while the other observes from a safe distance with the ability to initiate emergency notification should the need arise.

The *Manual of Jewelry Security* by the Jewelers Security Alliance provides recommended practices in this area.

Key / Lock Control Procedures

Protocols should be established and implemented that control the issuance and usage of keys and locks. Keys should not be permitted to leave the store except with persons conducting the openings/closings. Keys, locks and codes should be maintained in a key control log.

Customer Merchandise Repair / Exchanges

The proper control, repair and retention of customer owned merchandise is a very important factor in a successful retail jewelry business. Replacement of lost or damaged customer merchandise is often impossible. Protocols should be established outlining exacting measures that dictate the handling, shipping, repair and return of customer owned merchandise to the customer.

Safes / Vault Procedures

The storage of high value, target items during business and non-business hours is a significant cause for concern. An agreed to percentage of high value merchandise should be stored in UL rated burglary resistant safes and vaults at all times. Safes and vaults should be selected and located with the values at risk and overall resistance to burglary in mind. A safe or vault should not be visible or available to customers or window shoppers. However, if this is not possible, it may be prudent, when the premises are closed, to illuminate the safe so security and / or police patrolling the area can maintain observation of the safe / vault condition.

Safe and vault combinations should be changed when appropriate. The Jewelers Security Alliance recommends combination changes when:

- The company from whom the safe was purchased has a record of the combination.
- The company that changed the combination has a record of the new combination.
- An employee of the company changing the combination has knowledge of, or a record of the combination.
- A store manager or employee knowing the combination has been terminated or has been transferred to another store.
- The combination was given to the alarm company to permit them to enter the vault to restore or repair alarm devices during a closed period.
- Optimally, the safe and / or vault should be alarmed and on a separate alarm zone. However, one should keep in mind this enhanced security will increase the jeweler's security costs.
- CCTV should be monitored during business and non-business hours.
- The CCTV monitoring should be recorded for review at a later time.
- Protocols should be established to control usage and access
- Safes / vaults kept on "day lock" during business hours should require the use of a minimum of two numbers to unlock them. Knowledge of safe / vault combinations should be limited to only those

persons requiring access.

Cash Security

Protocols should be established and implemented regarding the handling of cash receipts. Cash drawer procedures, an accurate system of accounting for daily receipts and bank/credit card deposit procedures all reduce the risk of loss as well as minimize any danger to your employees. In each instance losses could be significant for the business. One should establish protocols for

- Cash Drawer Precautions
 - Are all receipts retained in cash drawers?
 - Are excess receipts locked in the safe until deposited?
 - Are cash counts made in front of customers?
 - Are cash drawers left on desks or counters in plain view?
 - Are employees permitted to cash a check or borrow cash from store monies?
- Excess Daily Receipts
- Bank Deposit Precautions
 - Are night deposit made? If so, what systems are used?
 - Are deposits locked in the safe until just prior to the actual deposit?
 - Are deposits verified by a member of the management team.?

Credit Trade Transactions

The need for protocols regarding trade-ins and credit transactions reduces the risk of loss during these types of transactions. A viable "due diligence" process should also be established to ensure compliance, and should include established protocols as well as the maintenance of a credit/trade log with final disposition noted.

Emergency / Safety Procedures

Emergency response protocols are necessary for the safety of customers, employees and merchandise. The protocols should be established based on exposures and risks associated with the particular operation to include but not limited to:

- Actual Theft
- Customer Injury
- Hazardous Material [HazMat] Event(where applicable)
- Natural Disaster (Hurricanes - Tornado - Earthquakes - Flood)
- Man-Made Disasters (Terrorist - Bomb Threats -Power Failure)

Store Maintenance, Repair and Inspections

Occasions arise when upgrades to the physical establishment, alarm systems and other business related systems are necessary. Specialists are generally contracted to perform this work. One must ensure they are a reliable, reputable business and that they use only qualified, licensed and bonded employees. Each time this type of work is conducted, extra security measures should be implemented to ensure their access to merchandise is strictly limited. This is also true for access required by local, county and state inspectors. Limiting access to one's merchandise by any non-employee reduces the risk of loss. When maintenance, repair or inspection is necessary:

- Verify all repairs and maintenance operation are reputable
- Require identification of all personnel
- If at all possible, schedule all maintenance, repairs and/or inspections ahead of time

Showcase Protocols, Standards and Construction

Showcases generally have sliding or louvered doors, the former being the most vulnerable because the doors can be lifted out of their tracks. Keys to display cases should be entrusted only to trained personnel. Keys should not be left in a case lock or in a place visible/accessible to customers. All cases should be locked whenever a salesperson is not present at the counter. Ways to achieve this include installing automatic locking devices or using keys that are immovable from the lock of an open display case. Keys can also be kept on a chain or band around the salesperson's wrist or waist. Consideration should be given to changing the locks on a periodic basis, particularly following the discharge of an employee, or after employee turnover.

Use lockable cases, preferably hinged at the top so that they can be opened only from the back, not from the top or front. Horizontal sliding glass doors, a common feature, may allow unscrupulous individuals to reach in from the top. High-value showcase doors should have a delayed audible alarm. If the door is open for more than a specified time, a subdued, local audible alarm will sound as a reminder that a door has been left open.

The corners and tops of the display cases should be constructed in such a manner that metal or wooden edges are present. This prevents the slipping of a sharp instrument between the glass pieces and cutting the sealant.

Daily case counts should be conducted to ensure inventory accuracy as well as monitoring sales activity.

Showcase protocols should be established outlining procedures for the showing and display of jewelry. All slots in the trays should either have a piece or a tag inserted in the tray. This action assists in accountability of merchandise.

A new innovation of questionable value, but in use by many stores, is the "Disappearing Showcase". At the conclusion of the day's business, a device is activated that permits the bottom of the display area of the showcase to recede into the showcase base. A metal plate is then slid over the top to secure the contents. The problem with this device is that the showcase glass could be removed to allow entry.

Show or Display Window Considerations

Show windows are a magnet for customers and a target for criminals. Installation of shatter-resistant glass,; burglary resistant glass or film on existing glass; using "shadow boxes" (creating secondary windows); adding grills (although the space between the bars to permit ease of viewing also permits ease of access); and installing alarm devices - which may be turned off during business hours - (e.g., foil tape for plate glass and vibrator units for shatter-resistant glass) are all theft deterrents. Projecting windows offer an additional means of access. Tops and bottoms of such windows should be constructed of sturdy material and protected by an alarm device.

High-value items should be removed from the show window at the end of the business day. Always lock the show window from the inside during the time the store is open so that it is not vulnerable to attack from inside the store.

Frequent inspections should be conducted to ensure cement-filled plate glass windows are firm and binding.

Employee Operational Protocols

The development and implementation of store security protocols for employees is paramount for any successful loss control program. Once established, the protocols should be reviewed periodically with all employees. The most notable periods are prior to peak seasons (i.e., the beginning of holiday shopping periods). These refreshers are doubly important instructions for new or part-time personnel.

Store operational protocols should include the following precautionary measures:

- An "Employee Alert System" to minimize "in-store" theft. Alert, informed and trained personnel are a jeweler's best insurance against crime. This type of alert system has proved effective in controlling and preventing losses. Employees should keep suspicious "customers" under close watch and communicate suspicions to fellow employees. This communication can be a simple, pre-planned comment made in a calm, business-like tone using a designated code word. On hearing the code word, the second employee should relay it to other employees in the vicinity. This process should continue until all personnel are notified.
- Employees should wait on only one customer at a time. This concept reduces confusion for the employee as well as reduces exposure to loss. Expensive items should only be shown one at a time. Display a sign stating that the store policy is to show only one item at a time as required by the insurance company.
- Prohibit customers from placing coats, umbrellas and packages on display case counters. This action reduces the employee's view of the case and its contents.
- Price / Identification tags, SKU tags or other suitable identification means should be placed on all jewelry. When placing an item back on its tray, be certain it has its tag.
- All employees should receive training in the correct behavior to take in case of a robbery or burglary. Though mentioned several times throughout this document, it should be noted that more employees are injured during the commission of a robbery than any other criminal act.
- Employees should examine a diamond before showing it to a customer and re-examine it when it is returned.
- Strictly control employee access to keys.
- Never leave items alone with a customer when verifying a credit card purchase.
- Never release merchandise purchased with a check, even if it is a "certified" check or "bank cashier's" check until authenticity is verified by the issuing bank.

Selling Agents and Couriers

Ideally, background checks should be performed on all independent contractors (selling agents and couriers). All agents and couriers should be bonded with adequate bonding limits commensurate with the amount of merchandise they have in their possession. A certificate of insurance should be obtained and kept on file.

Selling agents and couriers should vary their delivery schedules and conveyances; repetitive routes are found to be more susceptible to the possibility of theft. Itineraries should be both varied and closely guarded. Salespersons' families should be reminded never to disclose to third parties any location or telephone number where the salesperson can be reached.

The following include some of the recommended practices and safety precautions for Selling Agents and / or Couriers:

- When traveling out of town on business, place merchandise in the hotel safe in lieu of hotel room, or leave merchandise in the safe of a reputable jeweler in the area being visited.
- Never talk about your line of business or upcoming trade shows in public.
- Salespersons/couriers need to be alert to vulnerability at unguarded moments such as at motel, airport security check-in or in taxi lines.
- Salespersons/couriers traveling on foot to multiple sites within a city should be trained in sample case and handcart security, adhering to the rule - never leave the bag out of your line of sight.
- Jewelry should always be carried in a non-descript bag. Backpacks, while in vogue, have been found vulnerable to slash and grab incidents.
- When using personal, rented or company vehicles, salespersons/couriers should be alert to the telltale signs of tampering - "punctured flat tire," "pulled lock"; minor fender bender - as warning signs of a theft attempt or set up. Another common method of theft is distraction, particularly asking for directions or assistance.
- When using a cab or limousine, the selling agent or courier should not share the vehicle with strangers, and instruct the driver not to open the vehicle trunk until he or she is outside the vehicle and standing by the trunk.

- Never open the case in public. If a TSA agent at the airport requests to search one's bag, always request a private bag check out of sight of fellow travelers.

Holiday Precautions

There are several holiday periods during a business year that create enhanced business opportunities as well as opportunities for theft. They include Valentine's Day, Mother's Day, Father's Day and Christmas. During these peak periods, consideration should be given to ensuring adequate staffing is available to handle the added customers as well as the increased handling of stock. Consideration should also be given to applying enhanced security measures during these periods as well. Enhanced security measures can include positioning private security or off-duty law enforcement officers at high-risk locations.

Other considerations during these periods should also include an employee review of operational and security related protocols.

Alarm Protocols

Protocols for arming / disarming, testing and response to alarm system activation should be established. Protocols should include preplanning in case of alarm failure due to weather or man-made disasters that would disable the alarm system for extended periods.

Shipping / Receiving Protocols

Merchandise owned by or entrusted to a jeweler is shipped by various modes, including the U.S. Postal Service, freight forwarders, air express, truck, armored car services, waterborne carriers and passenger bus lines. A carrier's liability for damage to shipped merchandise often is quite limited (e.g., \$100 per shipment); the purchase of additional insurance may be necessary to at least cover your deductible amount. This may help ensure closer scrutiny by the carrier in the handling of your shipment. Select carriers for merchandise based on their track record. Rate competitiveness is only one factor; shipment tracing efficiency, responsiveness and claims handling also are key performance indicators. Instill strict accountability through positive signature service each time merchandise changes hands during transit. Require protective devices for insured's fleet of vehicles.

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SUMMARY

Jewelry, particularly high-end jewelry and precious gems, remains high on the target list of both organized and opportunistic criminals. Jewel thieves typically have excellent intelligence gathering techniques that include both overt and covert surveillance. The fact that jewelry thieves have success at breaching security measures means the underwriter and loss control professional must be equally informed and aggressive. The swift and sometimes violent nature of jewelry theft leads one to conclude that the various points presented in this report are only mitigation steps.

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APPENDIX I

The extent of Central Station alarm protection for commercial risks - premises or stockrooms - is classified as Extent Number 1, 2, 3 or 4. In general, Extent #1 provides the most extensive protection while Extent #4 provides the least extensive. However, Extent #1 is rarely used because of the cost of installation, and the fact that Extent #2 with motion detection may provide equivalent protection.

The following is a general guide to the various Extent protections -

- **Extent #1**
 - **Perimeter Only** - complete protection of all openings, ceilings, floors and walls enclosing the premises with the use of protective wiring
 - **Sound and Vibration Detection** - partial (contacts only) protection of all movable openings leading into the premises and an acceptable sound or vibration system installed on all openings, ceilings, floors and walls adjusted so that the alarm will be initiated if a manhole size opening is made.

- **Extent #2** can be accomplished in any of four ways:
 - **Perimeter Only** - protection (wire walls, ceiling and floor) of all accessible openings, ceilings, floors and walls enclosing the premises, except those constructed of concrete, and partial protection (contacts only) of all inaccessible movable openings
 - **Motion Detection** - partial protection (contacts only) of all accessible movable openings leading to/from the premises, and intrusion detection in all sections of each enclosed area that has any surface common to the outside of the premises to detect the movement of a person walking four consecutive steps at the rate of one step (30 inches) per second.
 - **Sound Detection** - complete (contacts plus additional protection) of all accessible movable openings leading from the premises and provision of a sound detection system in all sections of each enclosed area that has any surface common to the outside.
 - **Channels** - complete (contacts plus additional protection) of all accessible openings leading from the premises, and provision of a network of invisible beams or intrusion detectors arranged to subdivide the floor space of each floor or separate section of the protected area that has any surface common to the outside into at least three approximately equal areas not exceeding 1,000 square feet of floor space.

- **Extent #3** - can be accomplished in any of the following four ways:
 - **Perimeter Only** - complete (contacts plus additional protection) of all accessible openings.
 - **Motion Detection** - partial protection (contacts only) of all accessible doors leading from the premises and provision of a system of intrusion detection in all sections of each enclosed area that has exterior openings to detect the movement of a person walking four consecutive steps at the rate of one step (30 inches) per second.
 - **Sound Detection** - partial protection (contacts only) of all accessible movable openings leading from the premises and a sound detection system in all sections of each enclosed area that has any surface common to the outside. The use of a sound detection system is limited to buildings of a substantial construction with ambient noise levels that are below 65 decibels when the alarm system is turned on.
 - **Channels** - partial protection (contacts only) of all accessible movable openings leading from the premises and provision of a network of invisible beams or motion detection coverage. The protection is arranged so that the minimum length of the beam or motion detection coverage is equal to the longest dimension of each area.

- **Extent #4** - can be accomplished in one of three ways:
 - Partial protection of accessible doors (contacts only) and at least two interior doors.
 - Partial protection of accessible doors (contacts only) and motion or sound detection in one or more selected areas
 - Partial protection of accessible doors (contacts only) and one or more channels of radiation to limit movement within the premises

NOTE: Specific details can be found in Underwriters Laboratories publication UL 681.

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APPENDIX II

Safes and vaults play an important role in the protection of valuables from burglary attack. When used in combination with burglar alarm systems, safes and vaults will provide a degree of delay to allow law enforcement or Central Station personnel time to respond.

- **UL Classification of Safes**

Underwriters Laboratories rates burglary-resistant safes according to the length of time the safe will resist various methods of burglary attack. **UL 687 - Standard for Burglary Resistant Safes** - provides the classification system for burglary-resistant safes ranging from Class TL-15 to TXTL-60x6 with the following a brief explanation of terminology:

- TL signifies tool-resistant
- TRTL signifies a torch and tool-resistant safe
- TXTL signifies an explosive, torch and tool-resistant safe
- x6 signifies a safe that provides the equivalent protection on all six sides
- 15, 30 or 60 is the time in minutes the safe will resist a specific series of physical attacks

It is important to note that UL does not perform testing on the other five sides of a safe unless the safe is rated x6.

- **UL Classification of Vault Doors**

The UL classifications give the time the vault will resist attempts at entry using the tools and techniques specified in **UL 608 - Standard for Burglary-Resistant Vault Doors and Modular Panels** as follows:

- Class M - signifies burglary protection equivalent to 15 minutes
- Class 1 - signifies burglary protection equivalent to 30 minutes
- Class 2 - one hour protection
- Class 3 - two hour protection

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REFERENCES

Manual of Jewelry Security

Published by - Jewelers' Security Alliance

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Underwriters Laboratories

UL 687 - Burglary Resistant Safes; UL 608 - Burglary Resistant Vault Doors and Modular Panels; UL1610 - Central Station Burglar Alarm Units; UL 827 - Safety Standards for Central Station Alarm Services; UL 3044 - Surveillance Closed Circuit Television (CCTV) Equipment.

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