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## ***Communication of All-Risk Loss Activity***

### **Background**

A subsidiary of The Brink's Company ("Brink's") incurred a loss in 2008 of approximately \$400K due to a robbery at a customer's location. The initial court ruling of the case found that the Brink's subsidiary was at fault and they were ordered to pay their customer for this loss. As they are insured under the global All-Risk insurance policy, they received a reimbursement from their insurance company for this loss (less their per-event and retention deductibles). In 2011, this case was appealed and the original verdict was overturned. The court found that the customer was at fault for the loss. Therefore, the customer paid back the loss amount to the subsidiary and the subsidiary reimbursed the insurance company.

When the court ruling was overturned, the subsidiary notified the Corporate Risk Management group. However, the subsidiary did not notify BCO Accounting. Additionally, when the subsidiary received the payment from their customer, the payable back to the insurance company was not recorded to the All-Risk Payable account in HFM (Account 2030\_15). Therefore, Corporate Accounting was not aware that the court ruling was appealed and that the subsidiary owed money back to the insurance company.

### **Lessons Learned**

While the subsidiary followed the proper communication channels to inform the Corporate Risk Management group about the change in the court ruling, they did not inform the Corporate Accounting group about this update in a timely manner. Additionally, they did not record the payable back to the insurance company in the proper All-Risk account. Therefore the Corporate Accounting group did not identify this when reviewing All-Risk insurance activity in the current year.

The Corporate Accounting group monitors the All-Risk activity, including claims and recoveries, on a global basis for several purposes, including forecasting, budgeting and disclosure requirements. Also, the accounting treatment for losses and recoveries under US GAAP can be complex and require significant judgment. Therefore, it is important that, in addition to the Corporate Risk Management group, the Corporate Accounting group is made aware of any significant activity regarding All-Risk insurance and loss/recovery activity. When All-Risk insurance activity is recorded in the designated accounts, Corporate Accounting can properly track this activity.