
Question:

A customer placed an order via the internet for a product you sell. You verified that the credit card was valid through a service that your business uses. It was not until several days later that the service that your business uses advised you that the credit card had been stolen. You shipped the product that your business sold and are now without the product and lost the income. Is there any insurance product out there to cover this?

Answer:

A separate insurance policy for this type of loss is not likely practical for a business due to high premium. That leaves alternative risk management approaches. Here are procedures and loss control measures can be implemented to reduce, if not eliminate, this type of fraud:

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1. **Use Address Verification Service (AVS).** The method is useful, but far from foolproof which can be frustrating for e-merchants, who sometimes have to turn the AVS off to enable legitimate transactions.
 2. **Request Card Verification Codes.** If you've ordered merchandise online or over the phone in past few years, you've probably had to provide not only your credit-card account number, but a short security code as well. Card Verification Codes appear only on the actual credit cards, not on statements, receipts or other documents. So when customers give you correct three-or four-digit verification codes, that means they're probably holding the actual credit cards, not just stolen account numbers.

Identify high loss areas:

- Billing and shipping addresses don't match (although if the item is being sent as a gift, the shipping address may well be different).
- Mail goes to a post-office box rather than standard business or residence address.
- Customer can't be reached by phone; number is missing or incorrect.
- E-mail goes to a free Web account rather than one connected with an Internet service provider.
- Order total is surprisingly large for your business.
- Order is being shipped overseas (when most of your business is domestic).