



**MJ INSURANCE**  
SORORITY DIVISION

## **Directors & Officers Case Study**

### **Scenario**

After going through the organization's appeal process in an attempt to have her membership reinstated, a former member filed a lawsuit alleging fraud and breach of contract. The lawsuit alleged that the organization failed to follow their own internal rules and procedures in terminating the plaintiff's membership. Throughout the appeal process and the lawsuit, the organization stood by their decision to terminate the plaintiff's membership. The organization did agree to pay \$5,000 to the plaintiff for a settlement, but did not agree to reinstate the plaintiff's membership. The defense costs in the matter totaled \$66,207.

### *Issues to Discuss*

1. The above claim example demonstrates the importance of following all proper procedures and policies when it comes to disciplinary issues. Even though the organization in this situation felt that they were on solid footing in how they handled the plaintiff's membership termination, the insurance company still paid nearly \$70,000 to defend the claim on the organization's behalf. What are your organization's policies and procedures regarding membership termination?
2. What additional risk management policies might minimize the likelihood of a claim like this happening again?