



MJ INSURANCE

SORORITY DIVISION

Embezzlement Case Study

House Director Example

Scenario

The Chapter's Vice President of Finance became aware of unusual purchases such as gift cards on the chapter's account. The Chapter Advisor then noted that the chapter was exceeding their food budget, which led to an audit being conducted. The audit revealed that the House Director was using chapter checks to purchase gift cards for herself. The House Director then purchased personal items under the chapter's account using the gift card. The House Director purchased approximately \$7,000 worth of personal items. The House Director later admitted to purchasing the gift cards and had planned to reimburse the chapter.

Issues to Discuss

1. What procedures do you have in place to avoid this type of incident?
2. Do you require two signatures on your checks?
3. Do you conduct regular audits?
4. Do you segregate duties between volunteers who write checks and those who reconcile the accounts?
5. Are receipts reviewing monthly?

Some Important Information Regarding Embezzlement Claims

Embezzlement claims are on the rise. We often see more frequent and more severe embezzlement claims during economic downturns. Because of the increase in claims, we wanted to remind you of the importance of reporting embezzlement claims **as soon as you** suspect that an embezzlement claim may have occurred. According to the policy language, it is a condition of coverage that the organization must

1. Give written notice to the insurance company at the earliest practicable moment, and in no event later than 90 days after the initial discovery
2. Furnish affirmative proof of loss with full details to the insurance company at the earliest practicable moment, and in no event later than six months after initial discovery

We have had a recent claim that was not reported within 90 days of it being discovered, which jeopardizes the coverage available to the client in this situation. Unlike homeowner's insurance, there is no penalty under your organization's insurance program for submitting an incident, even if you're unsure whether or not it will arise to the

level of a full-blown claim. It is in your organization's best interest to call us at any time that you suspect any type of embezzlement activity because of the strict reporting guidelines under the embezzlement coverage.

Embezzlement claims are often very difficult and costly to investigate, which is why we have negotiated with the insurance company on your behalf to add expense coverage to the policy. The expense coverage affords the client with \$25,000 to spend to document the embezzlement for the purposes of the claim (e.g. moneys spent on forensic accountants, time to procure documents, etc.).

Refer to your [Insurance Overview](#) for your location's specific limits and deductibles for all of the coverages afforded under the insurance program, including embezzlement.

For more information about preventing embezzlement from occurring in the first place, review the [Guide to Preventing Workplace Fraud](#) from Chubb, the insurance company with whom we partner to provide the embezzlement coverage.

In the event that you suspect an embezzlement claim has occurred, do the following as soon as possible:

- Notify [Bev Stiles](#) or [Heather Cox](#) at MJ Insurance as soon as possible.
- Remove all financial responsibilities from the individual immediately.
- Begin the process of developing the details to the loss.

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