Liability Case Study

Loaning chapter property to another organization

Scenario

Members of a sorority loaned their house to a men’s fraternity for a party. The men’s fraternity house was being painted, and they were unable to have a party at their own house. The sorority members did attend the party, but did not provide the alcohol. An underage member of the men’s fraternity was leaving the house when he fell down the front steps, which resulted in him losing his vision in one eye. The young man was intoxicated when he fell.

A lawsuit was filed in the matter against the fraternity and sorority, as well as some of their members. The allegations against the sorority included allegations of failure to supervise their patrons which resulted in the plaintiff being served alcoholic beverages until he was visibly intoxicated. Allegations against the sorority members included failure to supervise and control the fraternity members.

Result

The lawsuit settled for $190,000. The insurance carrier for the sorority paid $154,500. The remaining amount was paid by the member’s personal homeowner’s policy. We do know that the men’s fraternity contributed towards the settlement. However, we do not know the settlement amount.

The defense costs for this claim totaled $329,223. This was a very expensive claim to defend due to individual members being named and additional coverage investigations into whether or not the members were acting on behalf of the sorority.

Issues to Discuss

1. When loaning or leasing the property to other individuals/organizations, we recommend that you refer to MJ’s Position Paper on the topic and contact your Account Executive to discuss further.
2. How do your policies address social events at the chapter property? What policies were broken in the above described claim? What policies would have prevented this claim from happening?
3. What are some potential risks of renting the chapter property out to a third-party?