

Real Estate Case Study

Profit through Deception



Case Details:

The insured's business was in a suburb with significant growth, sales were booming and therefore there was a high level of transactions going in and out of the business. The insured received two complaints from vendors that monetary transactions had not reached their bank in the contacted timeframe. Through investigations, the insured noted that in fact there was no evidence of the transactions occurring through the office.

The insured's preliminary investigations revealed the complaints were being made against one particular employee of the company. The insured took the liberty of taking investigations further. What the insured realised was that this employee had changed the bank details on the documentation provided to purchasers and the deposit in relation to the purchasing of a property had likely been directed into an account under their control.

The local authorities were contacted and the insured's theories were true. The employee had deceived the purchasers and vendors to profit through deception. The police investigation revealed that this employee had a significant gambling addiction and a sum of \$85,000 had been spent by the employee and was therefore unrecoverable.

The purchasers and employees advised the insured they were liable and needed to correct the issue.



Case Outcome:

Legal

Needless to say, the employee was arrested and charged. However, the insured wondered how they could recover their losses.

Policy Response

The insured submitted a claim under their professional indemnity policy with the broker's assistance to seek their losses under the fidelity clause. The insurer received this claim along with the documentation supplied by the insured.

The investigations made it evident that the employee had profited through their fraudulent activities and the insured had suffered a loss which they were legally liable for. On the basis of their policy and the fidelity clause, the insured recovered the full amount lost (less the excess).



Reduce Your Risk:

- Where able, ensure documentation cannot be replicated to look like the original;
- Ensure information on standard documentation that does not need to be changed regularly is locked down;
- Consider if documentation where bank details are provided only becomes valid if signed by two signatories.