

Background

The State of Ohio through the Department of Administrative Services, Office of Risk Management (ORM) purchases a blanket employee fidelity (or dishonesty) bond for large losses from a surety. The surety (the state's commercial carrier for large losses) wants proof adequate to sustain a civil action for recovery of the loss. Employee dishonesty means a loss of state money or property directly caused by an employee's fraudulent or dishonest act. For example, an employee might:

- Steal or convert state funds.
- Send benefit checks to him, friends, or relatives who are not entitled to them.
- Falsify records to misrepresent that he or a friend or relative paid a state bill or qualify for a state benefit.
- Take state equipment, furnishings, or supplies for personal use.

Claim Reporting

You must report every suspected employee dishonesty loss, or potential loss, upon discovery. Reporting a suspected loss promptly is essential to preserving your insurance coverage. Discovery and reporting are the key stages of an employee dishonesty claim. A wrong action or statement when you discover a suspected loss could:

- Impair the state's ability to prosecute a civil or criminal legal action.
- Impair the state's ability to recover insurance proceeds.

Suspected losses must be investigated, the purpose of which is to verify and document or disprove them. You must follow your agency's procedures pursuant to Executive Order 2007-01S. At a minimum, you should:

- Notify the Office of Risk Management and provide us as much information as possible regarding the potential loss.
- Loss information, if available, should include date, time, location and amount or estimated amount of the loss.
- Notify the State Highway Patrol and request an investigation.
- Notify your internal legal counsel and audit section.

Proof of Loss

The insurance company requires the filing of a proof of loss for every employee dishonesty claim. ORM may have to file an incomplete proof loss if the investigation is not completed. An incomplete proof includes a summary of evidence available, an estimate of loss, and a plan for continued investigation. If necessary, amendments may be filed later. Filing the proof of loss on time preserves the state's coverage. The following steps are necessary to prepare a proof of loss:

- The state agency shall supply any information needed by ORM to complete the proof of loss.
- The investigating law enforcement agency shall supply ORM with a final report and if available a list of evidence and narrative (as available).
- Upon request, ORM may prepare proof of loss form for insurance recovery.

Subrogation

The state's employee dishonesty coverage has a deductible. However, it may be possible for the insurance company to recover the amount if ordered by the court as restitution. The agency may be reimbursed for the deductible payment.

ORM Contact Information

For questions and claim reporting please contact:

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