



BANKERS' ERRORS AND OMISSION COVERAGE

Given the volume and complexity of some of the business transactions that banks and bankers are involved with, invariably mistakes will occasionally happen. Also even if the bank does everything right, customers or third parties may assert claims against the bank. Basic directors' and officers' liability insurance policies provide protection for certain claims made against directors' and officers.' Generally they do not provide coverage for the bank itself unless endorsements are attached which expand coverage. BancInsure has offered a comprehensive basic policy with endorsements for coverage for the bank itself for certain lender liability, trust department errors and omissions, employment practices, and mutual fund, annuity and insurance sales. BancInsure is now offering a Bankers' Errors and Omissions Endorsement to the basic BancInsure Directors' and Officers' Liability Insurance Policy. This endorsement offers coverage for legal liability for a wide variety of potential errors and omissions that could occur subject to the terms of the endorsement.

Recently BancInsure received an inquiry as to potential coverage concerning situations that had occurred if BancInsure's Bankers' Errors and Omissions had been in place. One of these situations involved ACH drafts that the bank returned after the deadline for returning ACH items. The drawer of the ACH drafts sued the bank, but the matter was settled before it went to trial. Based on the information provided, it appears that the loss would have been covered subject to the terms of the endorsement. Defense costs and the settlement would have been paid subject to the policy retention.

The second situation involved the deposit of a nine-year-old check. The customer did not point out to the teller that one of the checks in a large deposit was nine years old. Neither employees of the bank accepting the deposit or the employees of the bank paying the nine-year-old check noted that the check was stale dated. The maker of the check sued the bank that paid the check, the bank that accepted the check for deposit and bank customer who deposited the check. The plaintiff could not prove that it had really suffered a loss, as a duplicative check had never been issued. The bank that accepted the check for deposit won the case on a motion for summary judgment. The bank that accepted the check for deposit inquired as to possible coverage for defense costs had the BancInsure's Bankers' Errors and Omissions Endorsement Coverage been in effect. From the information provided, it appears that the Bankers' Errors and Omissions Endorsement would have provided coverage subject to the terms of the endorsement.

These situations are examples of potential coverage that would not have available through the basic directors' and officers' liability insurance policy and other endorsements providing coverage to the bank.

BancInsure has become a leading writer of Directors' and Officers' Liability Insurance Policies in the United States by providing a sound stable market, excellent service and fair claims treatment. If you would like to learn more about BancInsure's Directors' and Officers' Liability Insurance coverages including Bankers' Errors and Omissions and other entity coverages, please contact your state BancInsure marketing representative.