



HOW LONG IS LONG ENOUGH?

BancInsure recently paid a Financial Institution Bond claim that illustrates the challenge of determining how long of a hold should be placed on deposited items and perhaps that even when the maximum hold is placed on a deposit it may not long enough. The story goes like this. A check in the amount of \$65,000 was deposited through the night deposit drop and it was payable to a third party corporation. The check was supposedly endorsed over to the depositor. The bank processed the check depositing to its customer's account and placing a five-business day hold on all but \$100 of the proceeds. The hold expired and all the funds were withdrawn. Six days after the hold had expired the bank received electronic notification that the check was being returned because of the endorsement. The bank's customer was contacted. His story was that a third party, not the payee of the check in question, owed him \$15,000. The third party told the bank customer if he would deposit the check he could keep the \$15,000 that he was owed and requested that the remaining funds be paid with \$14,000 in cash and a cashier's check in the amount of \$36,000. The bank's customer agreed to the arrangement. The cashier's check was payable to a local title company with the remitter listed as the bank's customer. The bank obtained a forgery affidavit from the payee of the check to the effect that it did not endorse the check or receive any the funds from the check. Further investigation by the bank revealed that the check was a part of an air express package that may have been intercepted for fraudulent purposes. Also it was learned that another area bank may have been defrauded of \$40,000 in a similar scheme. It is not clear at this point whether the bank's customer was a part of the scheme or if he was "duped" in to participating in it. The investigation of this matter by the authorities is continuing.

The bank's loss was \$65,000. BancInsure paid the bank \$55,000 after the application of the \$10,000 deductible on the bank's Financial Institution Bond.

While it is not our purpose to second guess the bank's actions or lack thereof, from the information we have it appears the depositing of a sizable check payable to a corporation with which the bank was not familiar into a personal checking account would raise questions sufficient to warrant further inquiry even though it may appear to have been endorsed over to the depositor.

We trust that these comments have been helpful.

BancInsure has become a leading writer of Financial Institutions Bonds 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 Financial Institution Bond or other coverages, please contact your BancInsure marketing representative.