

Management & Professional Liability Coverage



Please take time to review this overview of management and professional liability coverage by OneBeacon Financial Services. Because of the length of this article, part two will appear in next month's issue.

Insuring Agreement A: Insured Persons Liability

Insuring Agreement A provides coverage for the directors, members of the board of trustees, officers and employees of the financial institution for loss—including defense costs—resulting from claims made against them for their wrongful acts which are committed while acting in their capacity as a director, member of the board of trustees, officer or employee. This coverage applies where the financial institution does not indemnify these individuals because it either (1) is prohibited by law from doing so, (2) is permitted to do so by law and the company's bylaws but chooses not to do so, or (3) is financially incapable of doing so, due to bankruptcy, liquidation or lack of funds.

Insuring Agreement B: Financial Institution Indemnification

Insuring Agreement B provides reimbursement to the financial institution for its loss when the financial institution indemnifies its directors, members of the board of trustees, officers and employees for claims made against them for wrongful acts which are committed while acting in their capacity as a director, member of the board of trustees, officer or employee. Insuring Agreement B does not provide coverage for the financial institution for its own liability.

Insuring Agreement C: Financial Institution Liability

Insuring Agreement C provides protection for the financial institution for its own liability against various types of claims whether or not its directors, trustees, employees or officers are also sued.

- **Insuring Agreement C1, IRA/Keogh Liability:** Provides coverage for claims made against the financial institution for wrongful acts which are committed while acting in its capacity as administrator, custodian or trustee under any IRA or HR 10 Plan, other than plans created for the benefit of employees of the financial institution.

- **Insuring Agreement C2, Depositor Liability:** Provides coverage for claims made against the financial institution for wrongful acts relating to establishing, maintaining, administering or servicing any FDIC-insured deposit account.
- **Insuring Agreement C3, Loss of Sensitive Customer Information:** Provides coverage for claims brought by a customer against the bank for the bank's failure to protect the customer's personal information, accessed through means other than the Internet or a private computer network.

Insuring Agreement D: Employment Practices Liability

Provides coverage for claims brought against the financial institution or insured persons, by or on behalf of an employee or governmental body, for violations or any employment-related laws. Examples include workplace harassment, discrimination, wrongful termination, or employment-related retaliation.

- **Insuring Agreement D1, Third-Party Sexual Harassment:** Provides coverage for claims brought against the financial institution or insured persons by a third party other than an employee, for sexual harassment.

See next month's column for continued information on management and professional liability coverage—Insuring Agreement E: Fiduciary Liability, Insuring Agreement F: Lender Liability, and Insuring Agreement G: Bankers Professional Liability. ■

The summaries contained in this document are for informational purposes only. Please refer to the actual policy for exact coverage descriptions and limits; exclusions and deductibles apply. Coverages are subject to policy terms and conditions. Some of the words used in this document are defined terms within the policy. Refer to the actual policy for the definitions. To learn more, visit onebeaconfs.com.

Mike Feimer is president of the South Dakota Bankers Insurance & Services (SDBIS), Inc. Feimer can be reached at 605.660.2341 or mfeimer@sdba.com.

OneBeacon Financial Services, an SDBA associate member, provides insurance and risk management solutions for community banks. For more information contact Craig Collins, financial services president, at 952.852.2434 or ccollins@onebeacon.com. Or visit www.onebeaconfs.com.