

D&O COVERAGE OVERVIEW

The Who, What and Where of Coverage

Our Directors & Officers Liability policy protects the interests of you and your bank against a variety of risks. Where is coverage found?

COVERAGE	DESCRIPTION	CLAIMS EXAMPLE	WHERE TO FIND COVERAGE
Directors & Officers Indemnification	Protects the personal assets of the bank's directors and officers (and other insured persons) against losses arising from wrongful acts.	A shareholder derivative action is brought against a bank's former board of directors after the bank was sold. Shareholders alleged the board failed to obtain a fair value for the sale of the bank and demanded that the board provide restitution for the disparity.	<ul style="list-style-type: none"> • Insuring Agreement A
Company Reimbursement (for Insured Persons Indemnification)	Pays the bank back for loss it paid out on behalf of insured persons, when such loss arises out of a wrongful act.	A loan applicant alleged that a loan officer made an oral agreement to provide financing for a property purchase; however, the applicant was denied financing and sued the officer for his \$80,000 loss in earnest money. The bank indemnifies the loan officer for defense costs and damages.	<ul style="list-style-type: none"> • Insuring Agreement B
Securities Liability	Protects the bank from claims arising out of the issuance, purchase and management of the bank's own securities.	A bank is required to restate earnings due to poor loan quality, subsequent to a regulatory exam. The restatement shows the bank's financial condition to be worse than initially reported. Shareholders file suit against the bank and the board alleging securities fraud.	<ul style="list-style-type: none"> • Insuring Agreement C
Lender Liability (Borrower and Guarantor Claims)	Provides coverage for claims brought by borrowers and guarantors relating to the extension, collection and restructuring of credit, or the refusal to extend credit.	A commercial enterprise defaults on a loan and enters bankruptcy. The bank obtains a judgment against the guarantors for the balance of the loan. A dispute ensues when the guarantors allege that the bank agreed to partial satisfaction of the loan after the property was sold at a loss.	<ul style="list-style-type: none"> • Lender Liability • Broad Form Lender Liability • Broad Form Company Liability
Lender Liability (Third Party Claims)	Provides coverage for claims brought by borrowers, guarantors, and third parties relating to the extension, collection and restructuring of credit, or the refusal to extend credit.	The bank initiated foreclosure against a construction loan customer. The subsequent owner of the property could not obtain title insurance at the completion of the project due to the contested nature of the foreclosure. The owner filed suit against the bank to recover damages.	<ul style="list-style-type: none"> • Broad Form Lender Liability • Broad Form Company Liability
Professional Services Liability (Customer Claims)	Provides coverage for claims brought by customers relating to the bank's provision of professional services.	The bank mistakenly transferred funds from a joint checking account to an estate account. The funds were withdrawn, and the surviving co-owner of the checking account sued the bank to recover the lost money.	<ul style="list-style-type: none"> • Bankers Professional Liability • Broad Form Company Liability

D&O Coverage Overview, continued

COVERAGE	DESCRIPTION	CLAIMS EXAMPLE	WHERE TO FIND COVERAGE
Professional Services Liability <i>(Third Party Claims)</i>	Provides coverage for claims brought by customers and third parties relating to the bank's provision of professional services.	A massage therapist hired a real estate agent employed by the bank to help buy a condo. The agent told the therapist that he could run his business out of the condo that he eventually purchased; however, condo regulations forbid any business operations on premises. Both the therapist and the condo board sued the bank and the agent for misrepresentation.	<ul style="list-style-type: none"> • Broad Form Bankers Professional Liability • Broad Form Company Liability
Other Company Liability <i>(Nonprofessional Service)</i>	Protects the bank from lawsuits stemming from non-customer relationships, such as other banks, vendors, and business partners.	A bank signed a contract for space that it intended to lease. When the property was not developed in the agreed-upon timeframe, the bank located elsewhere. The property owner sued, alleging breach of contract and bad faith.	<ul style="list-style-type: none"> • Broad Form Company Liability
Fiduciary Liability	Protects against lawsuits brought by current or former employees for loss resulting from the implementation, administration and dissolution of any employee benefit plan offered by the bank.	Employees filed a class action lawsuit against a bank in its capacity as a settlor of its fiduciary plans. The suit alleged age discrimination under ERISA in connection with directives in the bank's pension plan that required the bank to invest in pension funds in high-risk vehicles designed to be held for more than a decade.	<ul style="list-style-type: none"> • Fiduciary Liability
Employment Practices Liability	Provides coverage for claims brought by current, former or potential employees for discrimination, wrongful termination and other wrongful employment acts.	A bank employee who was terminated sued the bank, claiming he was fired in retaliation for filing a workers compensation claim.	<ul style="list-style-type: none"> • Employment Practices Liability
Brokerage/Advisory Services Liability	Protects against allegations of wrongful acts arising out of the bank's provision of brokerage/advisory services.	An investment advisor employed by the bank misplaced the decimal point when investing client funds, resulting in \$60 being invested instead of \$6,000. The investment appreciated in value before the error was discovered. The client sued for negligence.	<ul style="list-style-type: none"> • Brokerage Services Liability • Bankers Professional Liability • Broad Form Bankers Professional Liability • Broad Form Company Liability
Insurance Services Liability	Protects against allegations of wrongful acts arising out of the bank's provision of insurance services.	A customer sued the bank and its insurance agent for failure to report a crop insurance claim in a timely manner, resulting in a denial of coverage.	<ul style="list-style-type: none"> • Insurance Services Liability • Bankers Professional Liability • Broad Form Bankers Professional Liability • Broad Form Company Liability
Trust Services Liability	Protects against allegations of wrongful acts resulting from an insured acting in the capacity as a trust administrator, guardian, or custodian.	The remaining beneficiary of a trust sued the bank after it was discovered that the bank continued to make trust disbursements to the life beneficiary as trustee for 12 years after his death.	<ul style="list-style-type: none"> • Trust Services Liability • Wealth Management