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each case to determine what legal avenues are available to it and what defenses the financial institution may be able to assert on its behalf.

Under the guidelines of the UCC and recent case law, the best avenue for an insurer to seek recovery is when fraudulently converted instruments that were delivered to the insured involve missing, illegible, or restrictive indorsements. In those situations, the odds of an insurer receiving a recovery increase significantly, and the comparative negligence principles under the UCC do not apply.

Unauthorized or fraudulent indorsements provide another positive avenue for an insurer to seek recovery from a financial institution. However, the guidelines and defenses under sections 3-405 and 3-406 provide a financial institution avenues to limit its liability. An examination of all of these facts by an insurer assignee will be required to determine the viability of a conversion claim under the UCC. Included in the examination of the facts will be the need to determine if the statute of limitations has barred the insurer's claim for recovery. Depending on the facts surrounding the claim, an insurer that received delivery of the converted checks may have a potential cause of action against a financial institution to recover the losses sustained by the victim employer due to unauthorized or fraudulent indorsements, restrictive indorsements, and/or missing or illegible indorsements related to a fraudulent scheme against the insured employer.