

## **Full insurance coverage on IOLTAs terminated as of December 31, 2012**

In 2010, full insurance coverage on IOLTA accounts was extended through December 31, 2012. That coverage has not been extended, and the \$250,000 cap is once again in place. The FDIC explains its insurance coverage on IOLTAs as follows:

*After December 31, 2012, funds deposited in IOLTAs will no longer be insured under the Dodd-Frank Deposit Insurance Provision. However, because IOLTAs are fiduciary accounts, they generally qualify for pass-through coverage on a per-client basis. FDIC regulations provide that deposit accounts owned by one party but held in a fiduciary capacity by another party are eligible for pass-through deposit insurance coverage if (1) the deposit account records generally indicate the account's custodial or fiduciary nature and (2) the details of the relationship and the interests of other parties in the account are ascertainable from the deposit account records or from records maintained in good faith and in the regular course of business by the depositor or by some person or entity that maintains such records for the depositor.*

*If an IOLTA does qualify for pass-through coverage as a fiduciary account, then each separate client for whom a law firm holds funds in an IOLTA may be insured up to \$250,000 for his or her funds.*

*For example, if a law firm maintains an IOLTA with \$250,000 attributable to Client A, \$150,000 to Client B, and \$75,000 to Client C, the account would be fully insured if the IOLTA meets the requirements for pass-through coverage. If the clients have other funds at the same IDI, those funds would be added to their respective shares of the funds in the IOLTA for insurance coverage purposes.*

For further information, go to the FDIC's website:

<http://www.fdic.gov/deposit/deposits/unlimited/expiration.html>

Please note that FDIC insurance coverage does not apply to funds held in a repurchase agreement IOLTA account or an open-end money market fund IOLTA account. [See, SCR 20:1.15(cm)(4)(c)]. Those types of IOLTA accounts are subject to the insurance and safety requirements of SCR 20:1.15(cm)(3)b. and c.