

# ABC Bank - Insurance Review

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## General

Named insured on most policies is ABC Financial Services Corporation and does not show ABC Savings Bank, ABC Investment Services, ABC Insurance Agency. Some policies will automatically cover subsidiaries. Some will not. Best to list all entities.

You agent has informed me that they must replace the current policies that are written with XYZ Insurance in two months.

Renewal re-write issues – when the current XYZ policies are replaced the following should be considered as minimum requirements:

-Blanket building and contents including ATM machines that are not attached to any building

-Replacement cost valuation

-Flood and earthquake coverage

-Coverage specifically designed to protect your computers – EDP coverage.

-Extra expense and loss of income at each location

-Property deductible quotes of 1k, 2.5k, 5k and 10k to reduce premiums and minimize insurance losses.

-Either no coinsurance penalty or the inclusion of the agreed amount endorsement.

-Valuable papers coverage of at least \$500k

-Per location aggregate under the general liability and umbrella policies

-Foreclosed properties included under the general liability and umbrella

-Symbol 1, Any Auto coverage including repossessed vehicles

-You have an amazing experience mod on your work comp. You should also have some additional credits on the policy.

-Umbrella – quote \$7m, 8m, 9m, 10m

## Property

Deductible at \$1,000 is too low. You can reduce premium with higher deductibles.

Review list of insured locations – Don mentioned ATM in Plainfield – only location similar to that is Meriden NH.

Be sure all ATM locations are listed

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Your fine arts coverage is only \$50,000. If you own any art of special value you should have the items appraised.
Your valuable papers coverage is only \$100,000. I consider \$500,000 to be a minimum for a bank.
Review the schedule of property coverage and the limits of coverage.
Review the business income coverage for appropriateness of limits at each location.
Consider builders risk coverage on the new West Riverton branch as construction starts.
<b>Liability</b>
Review list of insured locations. Be sure vacant land owned by bank and foreclosed properties are included as well as all ATM locations.
You raised the issue of the slip and fall claim that was recently settled. We can discuss if you like.
FYI – policy excludes damage or injuries caused by mold, bacteria, and fungi.
Any charitable foundations or other entities?
FYI – Policy excludes liability for pollution events and does not include most cleanup expenses. Vermont locations have limited protection up to \$100,000 – bodily injury and property damage only – no first party cleanup.
<b>Auto</b>
Policy includes coverage for  99 Ford Ranger 06 Ford F150 06 Ford F150  Any other vehicles?
Employees who use their own vehicle on bank business should be required to purchase personal auto liability insurance of at least \$300,000.

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Clarify with employees the bank's position on the repair of employee owned vehicles damaged in the course of bank business.

-Will you pay for the repair?

-Will you pay the deductible?

-Do you pay a mileage fee and expect that the employee has their own insurance?

Consider sending an annual reminder to employees of your policy.

This action will prevent misunderstandings.

Garage-keepers exposure? – Do you charge for parking in any of your parking lots?

Implement a policy where employees who rent vehicles on bank trips (Hertz, Avis, etc.) are required to buy the collision damage waiver or use a company credit card that provides equivalent coverage.

### Workers' Compensation

The policy is priced with no rating credits. Credits can be negotiated to save your bank premium.

Provide me with a copy of the workers' compensation experience modification calculation and I can do an analysis of the losses and calculation of the factor.

FYI - The policy does not use the sales code for loan officers – in the future you might get caught upon audit resulting in an additional premium.

Implement a program of loss prevention on issues of repetitive motion injuries.

### Umbrella

Your current umbrella limit is \$7,000,000. Get quotes at \$10m to judge the value of additional protection.

Confirm with the agent that foreclosed properties included as insured under the umbrella.

### Insurance Agents Errors and Omissions

Consider adding this coverage to the D&O policy. The coverage will be broader and will dove-tail with the banks other E&O type exposures.

One reason to keep this policy may be the lower deductible.

Named insured is ABC Bank and ABC Insurance Agency. Should other entities be listed?

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Coverage is limited to \$1,000,000 each claim and \$3,000,000 annual aggregate. Get quotes at higher limits.
Your deductible is \$5,000 each claim. Get quotes increasing to 10,000, 25,000 and 50,000.
What contractual liabilities do you have with your insurance partner, Prebble Insurance? Are they insured for E&O? Are you responsible to insure them? Do you indemnify them?
Policy excludes wholesale insurance operations.
Policy excludes co-mingling of funds.
Policy excludes fiduciary duties under ERISA etc. This includes actions for clients.
Policy excludes actions as a financial planner.
Policy excludes reinsurance placements.
Excludes notary duties without personal appearance of subject.
Placement of insurance with a carrier under a AM Best rating of B+ that results in insolvency of the carrier is excluded.
HMO PPO Insolvency is excluded.
<b>D&amp;O</b>
\$5,000,000 Shared Limits – d&o, bankers professional, employment practices, and, civil money penalties.
Peer data from ABA shows: \$7,000,000 for d&o \$4,200,000 for bpl \$2,500,000 for epl
Quote deductibles higher than the current \$100,000 to save premium that will allow higher limits.
FYI - Named insured is ABC Financial Services Corporation. Other entities are insured if ABC owns more than 50% of the entity.
FYI – defense costs are inside the limit of liability. As defense costs are paid you use up your insurance.
Current extended reporting period is only for 12 months. Request addition of 24 and 36 months.
FYI – policy excludes all claims caused by pollution.

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FYI – Bankers professional liability excludes losses due to violation of intellectual property rights, insolvency, actions as a bankruptcy trustee, data processing services to others, mechanical breakdown of machines, and fee disputes.

Exclusion L removes coverage for underwriting, securitizing, syndicate, promoting, or market making under Securities Exchange Act 1934 including equity securities. This may be interpreted to exclude financial brokerage operations in some way. Clarify with Chubb

Investment banking activities are clearly excluded.

I find no exclusion for the sale of insurance. Confirm with Chubb and cancel the separate policy. Recall the shared limits issue.

I find no exclusion for the investment advisory services or for your actions as an investment broker. This should be confirmed with your insurer.

What are your contractual liabilities involving the brokerage operation and AMA Financial Services?

Wage / hour claims are excluded.

No coverage for outside directorships – except nonprofits.

Third party discrimination is excluded - coverage is provided for employment discrimination.

### **CyberBankSecurity Liability**

Have one insurer for you bond, d&o and ebanking insurance to avoid gaps and overlaps in protection.

\$1,000,000 limit – quote higher (ABA Peer \$1,900,000)

This coverage is excess after other policies pay.

### **CyberBankSecurity – First Party Coverage**

This policy overlaps with your bond in that both provide coverage for computer losses. At renewal all such coverage should be placed with one insurer to coordinate protection without overlaps.

\$1,000,000 limit – quote higher (ABA Peer \$5,000,000)

### **Bond**

Your current insurer is using an old bond form that has been renewed using certificates. At renewal get proposals from insurance company A, B, C, and D as they have proven to be competitive.

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The declarations page and policy form are unclear as to coverages for employee dishonesty, on premises, in transit and counterfeit currency. I assume that coverage is at \$4,000,000 for each item. However, the policy declarations page and the policy are not clear.
ABA Peer Survey indicates \$5,700,000 of bond coverage and \$5,000,000 of computer coverage. Your current limit is \$4,000,000.
Review named insured, add insurance agency and other entities.
Bond deductible is \$35,000. Get quotes at higher deductibles: \$50,000, \$75,000, \$100,000.
Basic bond limit is \$4,000,000 – Quote higher (ABA Peer \$5,700,000)
Is \$200,000 stop payment limit enough?
Bond requires that any fax, voice, EFT over 50,000 be verified by callback
Debit card – is \$100,000 limit enough?
ATM coverage limited to 50,000. Consider increasing coverage.
Confirm that coverage is included for ATMs at locations other than one of your offices
Consider coverage for restoration costs of electronic information as part of the dishonesty coverage, coverage A
Confirm no coverage for hacking, virus, or destruction of computer data by employee or former employee.
No coverage for kidnap or extortion. Get quotes to include. (Your CyberSecurity policy does provide coverage for cyber extortion)
Schedule of insurance shows separate policy. I have not seen it
FYI - Employee dishonesty coverage terminates immediately for an employee when any manager or officer of the bank becomes aware of an employee who has committed a dishonest act.
Confirm no coverage for Email or Voice Computer EFT fraud
<b>Safe Depository</b>
Safe Depository coverage is at \$3,000,000 – Quote higher (ABA Peer 1,800,000)
Safe Depository coverage is for legal liability only. There is no coverage for lost customer property if the bank were not legally liable.

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<b>Mortgage Holder E&amp;O</b>
\$1,000,000 Limit
No Coverage for Flood Insurance Errors
No Coverage for Loss of GNMA Errors
<b>Forced Placed / Foreclosed Property</b>
No flood coverage
No quake coverage
No building ordinance coverage
Policy has 3 different perils clauses – is it named perils or special perils?
Policy appears to be named perils for commercial properties and special perils for residential
Get clarification
No coverage for freezing under named perils coverage.
Residential deductible 1000 – 1500 for vandalism
Commercial deductible 1000 – 2500 for vandalism
2% windstorm deductible
Confirm no limitation on coverage for manufactured housing
Many forced placed policies include coverage when an error was made by the bank and no coverage was added inadvertently. Does your insurer offer such coverage?
<b>Forced Placed Flood</b>
ACV valuation
Basements not covered
No contents coverage
Must request coverage

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<b>Forced Placed Liability</b>
Use general liability policy for this exposure – confirm coverage under GL and Umbrella and cancel this policy.
<b>Other Coverage To Consider</b>
Pollution insurance – coverage on owned properties and legal liability – coverage for pollution to property of others and for cleanup of pollution events at owned locations.
Lender's single interest – coverage on collateral for loans – boats, ATVs, Recreational Vehicles. Autos are covered for some events on the commercial auto policy.
Registered mail insurance – coverage on securities and valuables sent by mail or delivery service
STAMP Policy – coverage for signature guarantees.
Employed Attorney – do you have attorneys who are employees who may offer advice outside what is normal banking business?

Respectfully Submitted By  
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