

# SIMMONDS

## ON BANK INSURANCE

VOLUME 4

CONSULTING ON, BUT NEVER SELLING, INSURANCE

ISSUE 2

## Renewal Tactics

### For Your Bond and Directors' & Officers' Insurance

I've started calling bank insurance policy renewals the "bank insurance affliction." Those D&O applications are horrible. The bond applications are not much better. Here are some strategies to make things a bit simpler:

■ **START EARLY** Plan to get applications to your agent 60 days before the policies expire. That means you should have the applications in your hands at least 90 days before expiration.

■ **GET HELP INSIDE YOUR BANK** As soon as you get the applications, figure out who has what information. Delegate sections of the applications to the right people in your bank. The sooner you get the questions to the departments, the sooner you'll get them back.

■ **HAVE PAST-YEAR APPLICATIONS HANDY** Most insurers use the same application year after year. Having last renewal's apps in front of you will make this year's easier.

■ **GIVE THE UNDERWRITER TOO MUCH INFO** The more you can give the underwriters, the better. Provide copies of your annual report, press releases, employee newsletters, employment handbooks, safety policies, and inspection reports as all help your case in showing your underwriter that you are an exceptional risk. If you've had claims or issues in the past, be sure to tell the underwriter why things are better now.

■ **GET QUOTES FROM MULTIPLE COMPANIES** The current bank insurance marketplace is amazingly competitive. This is the time to get quotes from several insurers. The more competitors fighting over you, the better.

■ **INSIST THAT ALL INSURERS BID FROM THE SAME APPLICATIONS** Each insurance company will have their own application form. All should be able to quote from your current insurer's applications. They may ask for some additional info. Fine. When you decide which insurer you'll be placing your coverage with, you'll have to complete their application. That's expected.

■ **GIVE YOUR AGENT A FIRM TARGET DATE** When you give your agent your completed applications, provide a due date for proposals.

■ **THINK MULTI-YEAR** The word on the street is that insurers are not issuing multi-year bank insurance policies. It is not true. Banks with solid financials and good loss experience are being fought over. The fight includes an offer of multi-year policies. Push your agent to scrap for you. Lock your rates in for two or three years. Some banks are being offered discounts for three-year policies.



■ **BE UP FRONT ABOUT OPTIONS** You should get quotes at several different limits of liability and at several deductible levels. Ask for these options when you submit your applications. Save everyone time.

■ **KNOW WHAT YOU WANT** There are some coverage issues you know are important when walking into your renewal. Tell your agent that you will want to see \$200,000 of debit card coverage, wage hour coverage, and a limit on the dishonest-employee cancellation provision of the bond. (If you don't know what these are, you need to call me to help with your renewal process! *wink*)



## **Scott Simmonds, CPCU, ARM, CMC**

Scott Simmonds is the Unbiased Insurance Guy™ and banks are his specialty.

He provides information and advice to banks and other businesses around the US – and never sells insurance.

Scott has written five books for insurance buyers. Titles include

*Simmonds on Bank Insurance* and *The Bank Insurance Assurance Toolbox*. He has been quoted in the *Wall Street Journal*, *Money*, *Inc.*, *Fortune*, *Investor's Business Daily*, *CNN.com*, *Smart Money*, and countless local and industry publications, including several state bank association magazines.

Scott has 30 years of insurance experience, the last ten as an unbiased insurance consultant. He has provided insurance advice and counsel to hundreds of companies, large and small, throughout the US.

He lives and works with his family on the coast of Maine.

**“Your work for us is as important as any insurance policy we buy.”**

– Bill Swales, Bangor Savings Bank

## **Real Questions | Q&A | Real Answers**

### **■ We're worried about debit card fraud. How does our insurance protect us?**

When the issue is fraud, always go to your bond for protection. Many bonds include coverage for debit cards within the coverage section dedicated to ATMs. Some bonds include debit card protection as a separate coverage section. Some insurers call this “plastic card coverage.”

Unfortunately, coverage is often limited to \$50,000. Talk with your insurer to learn how your policy responds. Obviously, debit card issues are huge. Watch out for aggregate limits of coverage – the most the policy will pay for all claims. Multiple, unrelated incidents can hit you and “use up” your insurance protection.

### **■ What's the biggest liability issue for a bank?**

I can almost guarantee it isn't what you think. There is a single exposure faced daily by every bank that can result in a multi-million-dollar claim. This afternoon, at least one of your



employees will drive their car on some errand of bank business. It might be to meet a customer. It might be to buy office supplies. If that employee causes an accident, the claim against the bank could be in the millions of dollars.

An employee driving their own vehicle on bank business is an exposure almost no banker thinks about in the management of risk. Yet, every day, employees are putting your bank at risk. Half of

the readers of this are making a note to call their agent right now.

### **■ What is going on now in the marketplace for bank insurance renewals?**

This is absolutely the hottest insurance marketplace for banks in the last ten years. New insurance companies are entering the bank insurance market.

Some of the old-line insurers are losing their footing. New coverages

are coming out and every insurer wants great clients. Banks with solid financials are having no trouble getting multiple quotes – in most cases. Banks having financial troubles are struggling to find premiums at past year's levels. There are players. You just have to know where to look.

### **■ A few issues ago you mentioned that employment practices insurance does not cover wage/hour disputes. Why?**

Most employment practices insurance policies specifically exclude wage/hour claims. The theory goes that such awards are back pay and benefits that you should have paid. However, even if your bank is innocent of the allegations, you will have costs to defend yourself. It could be tens of thousands of dollars.

Several insurers are now offering wage/hour defense cost coverage. Push your insurer for a quote on your next renewal.

# Common Bank Insurance Mistakes

Here is the latest round of mistakes I've found in bank insurance programs. Some are pulled from prior editions of this newsletter. Some are new:

## ■ MISSING ENTITIES

Some insurance policies require that entities be listed on the policy for coverage to apply. Some banks have real estate operations or mortgage operations that are separate legal entities. Many community banks manage charitable foundations. All your entities should be insured.

## ■ COINSURANCE ISSUES

Coinsurance is a penalty on property insurance policies that does not have to be there. It's an insurance clause that never helps you. If you have coinsurance, question your agent's dedication to you as a client.

## ■ LOW DEDUCTIBLES

I commonly see property deductibles of \$1,000. Pretty low, if you think about it. Why would any bank turn in claims that low to an insurance company?

## ■ INADEQUATE UMBRELLA LIABILITY LIMITS

To me, \$5 million of umbrella liability coverage is the minimum for even the smallest bank.

## ■ INADEQUATE EXTRA EXPENSE COVERAGE

After a fire or other insured loss, extra expense insurance pays for the increases in costs necessitated by the bank's need to continue operations. The coverage can pay for such things as temporary office space, the rent of a bank trailer, and the retrofitting of current office space to handle more people.

## ■ INADEQUATE MORTGAGE IMPAIRMENT PERILS

Mortgage impairment insurance pays for losses to mortgaged properties when the customer defaults on their loan due to a fire or other catastrophe. Many policies limit the coverage to perils required by mortgage documents – a very low standard. You want the coverage to be for “special perils,” or “all risk.”

## ■ MISSING PROTECTION ON THE BANKER'S BOND

Most insurers offer a wide range of coverages on the banker's bond policy. Many seem to only offer the coverage they are asked to provide. Safe depository coverage and debit card coverage seem to be the most frequently overlooked.



## **62 Questions to Ask Your Insurance Agent**

“I don't even know what questions to ask” is a comment I often hear from bankers.

*Do you have the right insurance for your bank?*

*How do you know?*

Of course, a phone call to me would start you off right. Let's assume you're not ready for that, though.

I've come up with 62 questions you can ask your insurance agent. These are the key questions to start you off on the path to finding out if you have the right insurance policies.

Send me an email. I'll gladly send you a free copy of my white paper:

Scott@ScottSimmonds.com.

## Professional Gratitude

“Northeast Bank has made it a regular practice to review the status of our various insurance policies, and we are very pleased with Scott's ability to deliver real value in the form of personalized service and quality information. Scott does an excellent job of explaining the various issues and identifying opportunities that result in the right level of coverage for our institution.”

– Jim Delamater, President and CEO, Northeast Bank

“Your involvement has been of great value as we work through complex insurance issues. The detailed support you provided helped us strike a better balance between coverage and premiums during our last renewal. I appreciate your responsiveness and the fact that you're only a phone call away for insurance information and assistance.”

– Steve Closson, Androscoggin Savings Bank

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Please email corrections to  
[Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com).

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Visit [www.BankInsuranceConsultant.com](http://www.BankInsuranceConsultant.com) for more information.



## Associate's Degree In Bank Insurance

OK, IT'S NOT A REAL associate's degree. However, it's more than any college will ever teach you about managing your bank's insurance.

Download the recording of five fast-paced, information-filled sessions covering the whole range of bank insurance issues. Each class includes advice and information not available anywhere else.

Here, in less than 5 hours, is almost everything you need to understand the basics of insurance for your bank. Each session is available as an MP3 file so you can listen on your computer, iPod, or other digital player.

- **Session 1**  
**Bank Directors' and Officers' Liability Insurance**
- **Session 2**  
**Financial Institution Bond (AKA Bankers' Bond)**
- **Session 3**  
**E Banking, Employment Practices Liability Insurance**
- **Session 4**  
**Bankers' Property, Liability, Workers' Comp Coverage**
- **Session 5**  
**Insurance Management and Bidding Your Insurance**

*For free access to ALL SESSIONS, just send me an email, no obligation – [Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com).*