

SIMMONDS ON BANK INSURANCE

Volume 5

Consulting On, But Never Selling, Insurance

Issue 1

Your Bank Insurance To-Do List for 2011 Eight Action Steps for the New Year

Here are some ideas for bankers who buy insurance for their banks — straightforward tactics to help you manage your bank's insurance better.

- 1)** Review your exposures to loss and your current insurance coverage. Look for gaps and overlaps in protection. Much has changed in bank insurance over the last 2 years. Did your coverage keep pace?
- 2)** Meet with your agent at least 5 months before your insurance renews. Discuss the insurance marketplace, changes in your business, and your concerns about risk. Discuss your agent's plan for your next renewal.
- 3)** If it's been more than three years since the last time you got quotes from multiple insurers this is the year to bid. The bank insurance marketplace is exceedingly competitive. There are several insurers providing exceptional coverage and service who have only recently entered the bank insurance marketplace.
- 4)** I know that some banks cannot consider changing insurance agents. Perhaps the agent is a large depositor, or a stockholder, or sits on the board. You might own the insurance agency. Get outside advice. A single source of insurance information only gives a single perspective. Call in "another set of eyes." Consider someone with bank insurance expertise.
- 5)** If you are bidding, start at least 4 months before your coverage expires. Multiple agents quoting multiple insurers means maximum competition and yields the best results - best coverage, best price.
- 6)** If you are not bidding, insist that you get renewal premium indications no later than 90 days before the expiration of your insurance. Tell your agent that if you don't have a premium quote 90 days before expiration then you are going to bid your coverage. Do not accept last-minute insurance renewal quotes as "the way the insurance world works."
- 7)** Regularly review your exposures to loss and the risks you face. Stay up-to-date on bank insurance coverage trends and improvements. This newsletter can help. Six times a year you get information and advice not available anywhere else. Subscribe to my insurance blog — www.InsuranceAssuranceBlog.com — for the latest in the business insurance world. Visit www.InsuranceBookShop.com, my insurance bookstore, for articles, books, and workbooks.
- 8)** Those things that make your business better are also those things that make you attractive to insurers. A business that is



attractive to insurers will get better pricing and coverage. Policies and procedures that address accidents, promote security, improve communications, and spell out the leadership structure of your company all make you a better business and a better risk.

The best insurance strategy is to regularly review your bank's exposures to loss. Build your insurance program and insurance relationships to address those exposures.



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, including

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*, on 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 with his family and works 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

Q: We recently discovered that the life insurance a mortgage customer wanted was not put in force. Now the customer has cancer. What can be done to fix the problem? Do we have coverage if we end up paying the death benefit that should have been in place?

A: First, try to fix the problem. Review records to see what info was sent to your insurer. Talk with the life insurance processor to find out how they handle these mistakes. Second, look to your mortgage impairment insurance, sometimes called mortgage errors and omissions, as many have coverage sections that address mistakes in placing life insurance. Your bankers' professional liability insurance should also have coverage for errors made selling insurance. Speak with your insurance advisor.

Q: What's the most common mistake you see in bank insurance programs?

A: There are two. Both have to do with general liability insurance. First, many banks have subsidiary companies that are not listed on their general liability insurance policy. Rule of thumb, if an entity



is not listed, it's not covered. The second most common mistake is failure to list vacant property on the schedule of liability locations. Again, not listed, not covered.

Q: I'm concerned about my upcoming insurance renewals. Are directors' and officers' premiums going up dramatically. How about the banker's bond?

A: Well, that depends. First, do not assume your premium is going to go up. Despite the trouble in the banking industry, there are many insurers interested in competing for your business. Strong banks are seeing premiums drop. I just finished the renewals for two community banks and we

saw premiums go down by 30% from what they had. (Both were coming off three-year policies.) We improved coverage dramatically while having insurers fight to write the policies. The key is to allow competition to work its magic. Let several insurers quote your business and negotiate aggressively. It is a buyers market for strong banks.

If you have some trouble in your financial statements the key, again, is competition. Let the insurance market work for you. It's important to start the process of getting insurance proposals early — 120 days before expiration, at least.

Note: Your questions for this section are welcome. Email Scott@ScottSimmonds.com.

Diary of a Typical Bank Insurance Review

Well over 75% of the calls I get are from bankers who want a review of their bank's insurance coverage. The process is straightforward. Send me your policies and other information. I review it, ask some questions, and report the issues I find. Once I get the info I need, I can finish a review and have your bank moving towards improved insurance coverage within 15 days.

Here is the timeline from one of my recent projects:

■ **DAY 1** CFO of ABC Bank emails me. He is interested in a review of his bank's insurance. We discuss his bank's situation, current insurance, and his objectives. The call takes less than twenty minutes. Later that night I email a proposal that outlines the project's objectives, accountabilities, and fee.

■ **DAY 5** The CFO gets back to me, asking to move forward. He signs the proposal and cuts me a check for my fee. I email him a letter to send to his agent requesting information for the project — summary of insurance, loss runs, and the like.

■ **DAY 8** I receive a box of the bank's insurance policies, sent by the CFO. I start my review of coverage. (Note: more and more banks are scanning their policies and emailing them. This speeds up the review process.)

■ **DAY 10** I receive information from the bank's current insurance agent. As I have the info I need, I call the CFO and we set a date for the review conference call.

■ **DAY 15** I email the CFO a copy of my findings to be used in our phone call later in the day. At the appointed time we review the issues and I provide my recommendations. The CEO, CFO, and SVP of the bank are on the call. We set action plans and accountabilities for each issue. We set a date for the next conference call to review progress.

To start the process just send me an email at Scott@ScottSimmonds.com or call me at 207-284-0085. After a short conversation, I will send you a proposal, bank references, and everything you need to make the decision to go forward.

A Complete Insurance Review in 15 Days

Once I complete a review of your bank's insurance, you will have a better understanding of your insurance. You'll know the coverage you have, and the coverage you don't have. You'll have specific recommendations on how to improve your coverage, and tactics to broaden your insurance protection.

It all starts with a phone call or an email.

Bank Insurance Teleseminar — Bank Insurance 101

Join me for a fast-paced, information-packed 45 minutes of unbiased insight into bank insurance coverage issues. My teleseminars provide information on the bank insurance market, as well as tactics you can use to immediately improve the insurance your bank buys. Practical, easily implemented ideas every bank can use.

You will not get a sales pitch here. Valuable information, implementable now. Learn some of the common coverage holes.

When: February 11, 2011 — 1:00 p.m. Eastern

Where: Call in and listen from any phone

Bankers, register for free by emailing Scott@ScottSimmonds.com. Just ask to be added to the attendee list. No obligation, of course. Seats are limited. Register now.

Attention, Bank Associations & Meeting Planners

Need a speaker that provides unique value to your members? I'm your guy. I can do sessions of 30 minutes to 2 hours on insurance strategies for banks. Your attendees will get information on their bank's insurance not available anyplace else. A unique and unbiased approach to improving how banks manage risk. Call or email me to discuss what you need.

Professional Gratitude

"Hiring Scott to review the bank's insurance quotes has proven to be a very good decision for the bank. Scott is knowledgeable, thorough, and understood what we were trying to accomplish through the evaluation process. Scott accomplished this on short notice and gave us his recommendation with detailed explanations between the different proposals. On top of this he ended up negotiating a significant decrease in our premium."

*— Roger Metheny, EVP/CFO
Clear Mountain Bank, Bruceton Mills, WV*

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KEEP OUR MAILING
LIST UP TO DATE.**

Wrong person? Wrong address?
Multiple copies? Let us know.

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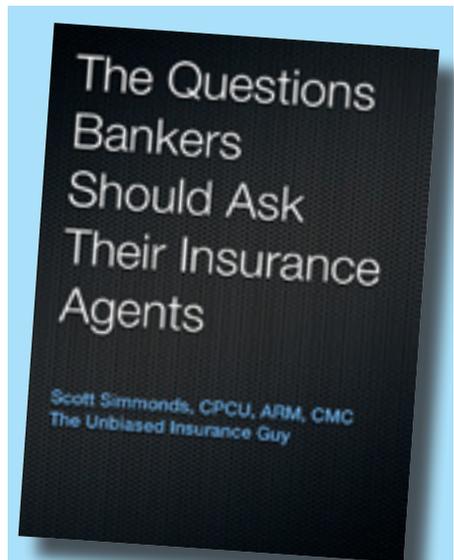
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Changing Your Ebanking Provider or Core Processor?

Your ebanking insurance was underwritten with specific service providers in mind. Your insurance company based your coverage and premium on the ebanking provider and core processor you were using at your last renewal. Notify your agent of any changes that take place in either of these areas. Some policies require such notification. In any case, it gives you another chance to build trust with your insurance company.



Questions to Ask Your Insurance Agent

Some banks prefer the "Do It Yourself Approach" to bank insurance. Get my free white paper that outlines some of the questions you need answers to.

It contains over 60 questions for your insurance agent that will help you get the best insurance coverage. This is the best way to start a discussion that can lead to a better insurance program for your bank.

For your free copy just email Scott@ScottSimmonds.com.

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