

# Scott Simmonds CPCU, ARM

## Is Your Bank's Insurance Making The Grade?

Here are 25 insurance issues that can tell you how well protected your bank is:

		Y/N
1	Does your property insurance include blanket building and contents without a coinsurance penalty?	
2	Are all bank owned/related entities covered by each policy (including charitable foundations)?	
3	Do you meet the minimum limits on D&O?*	
4	Do you meet the minimum limits in your bank's fraud-bond?*	
5	Do you meet the minimum limits for your bank's data breach remediation coverage?*	
6	Do you meet the minimum limits for your umbrella liability coverage?*	
7	Do you meet the minimum limits in your bank's banker's professional (lender, trust, etc.) coverage?*	
8	Do you meet the minimum limits in your bank's employment practices liability coverage?*	
9	Do you meet the minimum limits in your bank's computer coverage?*	
10	Do you meet the minimum limits in your D&O, banker's prof. and employment practices coverage?*	
11	Do you meet the recommended minimum limits in your bank's cyber liability coverage?*	
12	Do you have mortgage impairment coverage?	
13	Do you have automatic coverage on mortgage impairment by flood?	
14	Do your general liability and umbrella policies include personal injury coverage?	
15	Are your REO properties covered by your bank's general liability and umbrella policies?	
16	Do you have coverage if you misclassify a mortgaged property's flood zone?	
17	Does your auto insurance include liability coverage for vehicles you have repossessed?	
18	Do you have coverage for employees as insured by your bank's auto coverage?	
19	Is all your insurance coverage with one insurance agent?	
20	Do all your policies expire on the same date (multi-year policies excepted)?	
21	Have you met with your agent in the past 12 months to review your bank's coverage?	
22	Do you have an up-to-date spreadsheet of your locations showing the coverage that applies to each?	
23	Have you reviewed the specifics of coverage for EFT and other funds transfer systems?	
24	Have you considered your debit card exposure and insurance coverage?	
25	Do you understand the pollution exclusions on your policies?	
	4 Points For Every "Yes." Your Bank's Total Points:	

\*See recommended minimum coverages attached.

# How Did You Do?

I review bank insurance all day long. I look for big holes and little. I find gaps and overlaps in coverage. The questions above are a simple tool you can use to tell if your bank should be considering a more in-depth, professional, unbiased review of coverage. Should you rest easy? Are there areas of concern?

## Your Results

A score of 100 to 90 means your bank gets an "A." You understand your exposures and have taken on a broad program of insurance coverage to protect your organization. Frankly, I don't see many bank insurance programs at this level. On average my bank insurance policy reviews turns up 25 issues for discussion and consideration.

**A score of 89 to 80 earns your bank a "B."** There are some areas to be improved, but the bank's insurance program is strong and well-thought-out. Perhaps some issues need to be fine-tuned or you need to bump up a few limits. It may be time to really dig into some broader issues to be sure you have the most comprehensive coverage available.

**If your score is 79 to 70 you are average.** Who wants to be average though? There are undoubtedly some areas of concern here. Perhaps your insurance agent needs a bit of prodding. I suggest all banks review their insurance with their agent at least once a year. Talk about the changes taking place at your bank. Discuss renewals and the bank insurance marketplace. Ask what improvements can be made. Are there services that your agent or insurer offers that can help you more effectively manage risk?

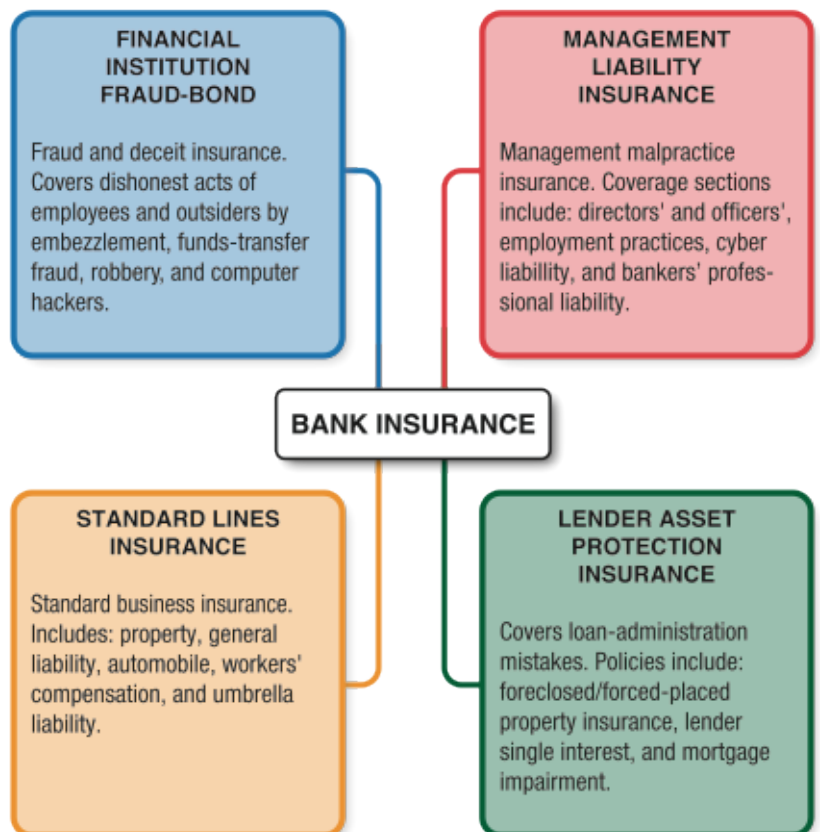
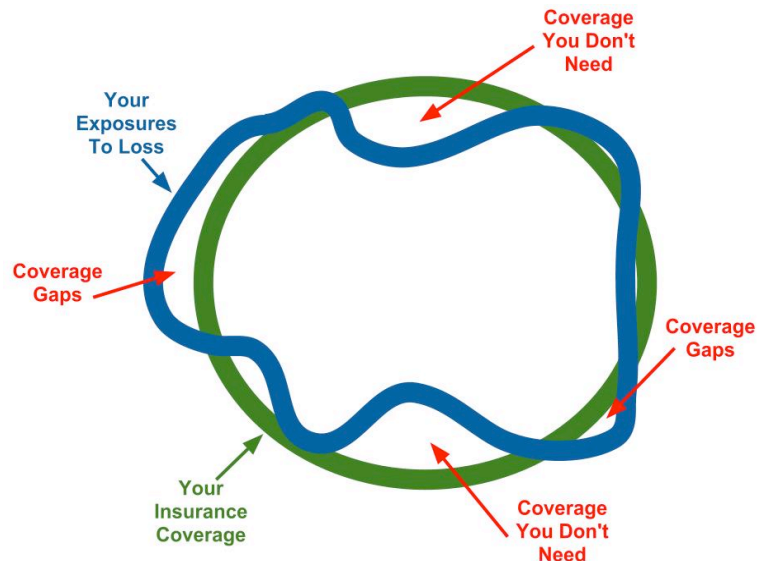
**Below a 70 and you need some help.** Too many questions are unanswered here. Actually, this is the grade I see most often. Meet with your agent. Discuss the questions and the coverage limits I have as my recommended minimums. There are reasons to have more insurance. In some cases the limit you have, though under my recommendation, may be justifiable. Review the issues and make informed decisions.

## Is The Grade Important?

Probably not. What is important is that you have doubts about the strength and quality of your insurance. Is it time to remove those doubts?

There are four parts to a bank insurance program. How confident are you in the breadth of coverage you are buying? Do you understand what is covered by your insurance and what is not covered?

If more than one insurance agent is on your team, does each have an understanding of what the others are covering? Is it possible that there will be "finger-pointing" at the time of a claim - agents saying they thought other agents were providing the coverage?



***The Real Test: If you knew a claim was coming next week,  
would you be certain  
that your insurance would respond properly?***

## **An Unbiased Insurance Review**

My job is to help banks buy better insurance. My review of your coverage will set you on the path of understanding and improving your bank's insurance program.

My work is unbiased. I'm an authority on bank insurance and a thought leader in the world of bank insurance. My review of your coverage will give you solid information on the gaps and over-laps in your insurance.

I build strategies on how you can get the broadest coverage the marketplace has available. I uncover (pardon the pun) your insurance problems and issues. I often work with my client's current Insurance agent. I have over 300 financial institutions as clients.

A coverage review takes about two weeks and pays for itself ten times over in better insurance, better understanding, and better premiums — and then there's the comfort of knowing for sure.

Email me at [Scott@ScottSimmonds.com](mailto:Scott@ScottSimmonds.com) or call me at 207-284-0085.

# How Much Insurance Should My Bank Buy?

Community Bank Recommended Insurance Minimum Limits  
By Scott Simmonds - The Unbiased Bank Insurance Guy™

"How much insurance should I buy?" is an impossible question to answer. It's a question that most insurance people are afraid to answer. For many years I have used the same approach to limits recommendations. First, there is a minimum coverage everyone needs. Then compare the value you place on higher limits of coverage to the premiums charged. The ultimate decision on how much insurance to buy is determined by your perception of the value of the coverage.

<b>Executive Risk</b>	<b>&lt;\$150M</b>	<b>\$151M to \$300M</b>	<b>\$301M to \$500M</b>	<b>\$501M to \$1B</b>	<b>\$1B to \$3B</b>
Directors and Officers Liability	3,000,000	\$4,000,000	\$5,000,000	\$7,000,000	\$10,000,000
Entity Coverage	\$3,000,000	\$4,000,000	\$5,000,000	\$7,000,000	\$10,000,000
Bankers Professional Liability	\$2,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000
Lender Liability	\$2,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000
Employment Practices Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000
Internet / Cyber Banking Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000
Privacy Mitigation	\$500,000	\$500,000	\$500,000	\$1,000,000	\$1,000,000
Fiduciary Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000
Civil Money Penalties	None	None	None	None	None

<b>Financial Institution Bond</b>	<b>&lt;\$150M</b>	<b>\$151M to \$300M</b>	<b>\$301M to \$500M</b>	<b>\$501M to \$1B</b>	<b>\$1B to \$3B</b>
Fidelity / Employee Dishonesty	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000
Computer Systems Fraud	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000
On Premises	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000
Property And Money In Transit	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000
Check Kiting Fraud	\$250,000	\$250,000	\$250,000	\$500,000	\$500,000
Debit Card / Plastic Card	\$250,000	\$250,000	\$250,000	\$300,000	\$500,000
Loss To Safe Depository	\$1,000,000	\$1,000,000	\$1,500,000	\$2,500,000	\$3,000,000
Kidnap Ransom Extortion	\$1,000,000	\$2,000,000	\$3,000,000	\$5,000,000	\$10,000,000

Standard Lines	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B
General Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Automobile Liability	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Workers' Compensation	Per State Law	Per State Law	Per State Law	Per State Law	Per State Law
Umbrella Liability	\$5,000,000	\$5,000,000	\$10,000,000	\$15,000,000	\$20,000,000
Property Deductible	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
Property Coverage Structure	Blanket	Blanket	Blanket	Blanket	Blanket
Coinsurance	None	None	None	None	None
Property Valuation	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost
Minimum Property Perils	Special Perils	Special Perils	Special Perils	Special Perils	Special Perils
Additional Property Perils	Earthquake, Flood,	Earthquake, Flood,	Earthquake, Flood,	Earthquake, Flood,	Earthquake, Flood,
Forced Placed / REO Property	Reporting Form	Reporting Form	Reporting Form	Reporting Form	Reporting Form
Mortgage Errors and Omissions	\$1,000,000	\$1,000,000	\$2,000,000	\$2,000,000	\$5,000,000
Lenders Single Interest	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan
STAMP Bond	\$200,000	\$250,000	\$250,000	\$500,000	\$500,000

The above coverage minimums are starting points. Obtain proposals from your agent for higher limits. Of course, no simple guide can tell you the coverage concerns and problems that are within your insurance. What exclusions are there? What definitions are inadequate? What endorsements should be added? Can your insurer cancel the policy mid-term? These questions can only be answered with a comprehensive review of your insurance policies by an unbiased expert. Who else are you going to speak with? Can your agent or insurer be objective?

A comprehensive bank insurance review takes about two weeks from the time I get all your policy information. I provide strategies to remediate the insurance problems I find. I work with you and your insurance agent to fix the problems. I work with you to plan for future renewals.

As an unbiased insurance advisor, I never sell insurance and never accept fees or commissions from insurance agents or insurance companies. I work exclusively to the benefit of my clients.

The process starts with a conversation. Call or email me.

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