

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.

Executive Risk	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B
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

Financial Institution Bond	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B
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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