

How Much Insurance Should Your Bank Buy?

Community Bank Recommended Insurance Minimum Limits

This is the fifth edition of this white paper. My desire from the start was to help answer to the most common question I am asked: “How much insurance should my bank buy?”

It is an impossible question to answer. It’s also a question that most insurance people are afraid to answer. I’m not afraid. I think this is what my clients need to hear from me. 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. Any other approach or calculus is hocus-pocus.

Executive Risk	<\$150M	\$151M to \$300M	\$301M to \$5000M	\$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
Analog Privacy Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000
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 Inst. Fraud-Bond	<\$150M	\$151M to \$300M	\$301M to \$5000M	\$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
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 Loss of Customer Property	\$1,000,000 Loss of Customer Property	\$1,500,000 Loss of Customer Property	\$2,500,000 Loss of Customer Property	\$3,000,000 Loss of Customer Property

Standard Lines	<\$150M	\$151M to \$300M	\$301M to \$5000M	\$501M to \$1B	\$1B to \$3B
General Liability	\$1,000,000 With Per Location Aggregate	\$1,000,000 With Per Location Aggregate	\$1,000,000 With Per Location Aggregate	\$1,000,000 With Per Location Aggregate	\$1,000,000 With Per Location Aggregate
Automobile Liability	\$1,000,000 With Hired/ NonOwned	\$1,000,000 With Hired/ NonOwned	\$1,000,000 With Hired/ NonOwned	\$1,000,000 With Hired/ NonOwned	\$1,000,000 With Hired/ NonOwned
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 Agreed Amount	None Agreed Amount	None Agreed Amount	None Agreed Amount	None Agreed Amount
Property Valuation	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost	Replacement Cost
Additional Property Perils	Earthquake, Flood, Mechanical Breakdown	Earthquake, Flood, Mechanical Breakdown	Earthquake, Flood, Mechanical Breakdown	Earthquake, Flood, Mechanical Breakdown	Earthquake, Flood, Mechanical Breakdown

Lender Asset Protection	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B
Forced Placed / REO Property	Reporting Form	Reporting Form	Reporting Form	Reporting Form	Reporting Form
Forced Placed / REO Flood	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 - As Needed	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan	\$50,000 Each Loan
Automatic Coverage Commercial Chattel	Included	Included	Included	Included	Included
Outsourced Insurance Tracking	Consider	Consider	Consider	Consider	Consider

What's Next?

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?

Unbiased Review of Your Bank's Insurance

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.

Why Hire Me?

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. What's their experience with banks? Does their commission go up when your premium goes up?

The process of an insurance renewal starts with a conversation. Call or email me. Let's talk.

Scott Simmonds, CPCU, ARM
 Fee-Only Insurance Assurance Consulting
 Consulting On, But Never Selling, Insurance
 Phone: 207-284-0085 Email: Scott@ScottSimmonds.com
 Web: www.BankInsuranceConsultant.com