

How Much Insurance Should Your Bank Buy?

Community Bank Recommended Insurance Minimum Limits – Tenth Edition - 2018

This is the tenth edition of this white paper. As with my last several updates, it contains only minor updates.

The bank insurance market continues to be competitive with many insurers participating. Well performing banks will have no problems obtaining renewal proposals that are broader than past policies with premiums at about the same level as three years ago.

The following are my recommendations for the minimum limits of insurance your bank should consider. Think about buying higher limits than what I outline here. Consider your regulatory environment, ownership structure, loss history, and the cost of additional insurance.

Executive Risk	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B	\$3B to \$5B
Directors' and Officers' Liability	\$3,000,000	\$4,000,000	\$5,000,000	\$7,000,000	\$10,000,000	\$12,000,000
Bankers' Professional Liability	\$2,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000	\$8,000,000
Lender Liability	\$2,000,000	\$2,000,000	\$3,000,000	\$4,000,000	\$5,000,000	\$8,000,000
Employment Practices Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000	\$6,000,000
Internet / Cyber Banking Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000	\$4,000,000
Privacy Mitigation	\$500,000	\$500,000	\$500,000	\$1,000,000	\$1,000,000	\$2,000,000
Fiduciary Liability	\$2,000,000	\$2,000,000	\$2,000,000	\$3,000,000	\$3,000,000	\$5,000,000
Buckets of Coverage	Aggregate Should Be At Least Enough To Pay For Full Claims In Three Of The Sections Of Coverage					

Financial Inst. Fraud-Bond	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B	\$3B to \$5B
Fidelity / Employee Dishonesty	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000	\$12,000,000
Computer Systems Fraud	\$3,000,000	\$3,000,000	\$5,000,000	\$8,000,000	\$10,000,000	\$12,000,000
Check Kiting Fraud	\$250,000	\$250,000	\$250,000	\$500,000	\$500,000	\$500,000
Loss To Safe Depository	\$1,000,000	\$1,000,000	\$1,500,000	\$2,500,000	\$3,000,000	\$3,000,000

Standard Lines	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B	\$3B to \$5B
Automobile Liability	\$1,000,000 With Hired/Non-Owned Vehicles Included					
Umbrella Liability	\$5,000,000	\$8,000,000	\$10,000,000	\$15,000,000	\$20,000,000	\$25,000,000
Property Coverage Structure	Blanket Coverage – All Locations In A Single Limit of Insurance					
Coinsurance	Remove All Coinsurance Penalties Using The Agreed Amount Endorsement					
Additional Property Perils	Earthquake, Flood, Mechanical Breakdown					

Lender Asset Protection	<\$150M	\$151M to \$300M	\$301M to \$500M	\$501M to \$1B	\$1B to \$3B	\$3B to \$5B
Forced Placed / REO Property & Flood	Reporting Form With Automatic Coverage Endorsement					
Mortgage Errors and Omissions	At Least \$1m – Include Coverage For Other Perils With Flood					
Lenders' Single Interest - As Needed	\$50,000 Each Loan – Consider Higher For Commercial Truck Loans					
Commercial Chattel	Included Coverage For Both Forced-Placed Exposure And Loan Impairment					
Outsourced Insurance Tracking	Consider Moving Insurance Tracking to An Outsource Provider – Or Blanket Coverage That Removes Tracking (Note: Exception: Federal Law Requires All Flood Policies Be Tracked)					

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 to your policy? Can your insurer cancel the policy mid-term? You will only be able to answer these questions by having 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

My bank insurance review takes about two weeks from the time I get all your policy information to the time we talk about my concerns. The sessions are pragmatic and address issues faced by your bank. I offer practical, actionable advice. 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 your future renewals.

I'm Your Bank Insurance Ally

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?

Typical Client Results:

- Unbiased Insurance AssuranceSM – I don't sell insurance. No commission confusion.
- Better Coverage – Uncover insurance gaps and overlaps.
- Lower Premiums – Wiser use of your premium dollars means lower costs.
- Easier Administration – Less time messing with your insurance.
- Claims Assistance – Expert guidance.
- Inside Information – You'll know what you need to know.

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

Scott Simmonds, CPCU, ARM

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