

HOW MUCH INSURANCE SHOULD MY BANK BUY?

By Scott Simmonds, CPCU, ARM

This is the eleventh edition of my bank insurance recommended minimum limits of coverage. My attempt here is to answer the most common question I get as a bank insurance consultant, “How much insurance should I buy?” This year I have made some changes to my directors’ and officers’ limits. I have also codified my thinking for minimum limits for publicly traded banks.

The bank insurance market continues to be competitive with many insurers eager to attract and retain strong banks with good claims histories. Well-performing banks will have no problem obtaining renewal proposals that are broader than past policies with premiums at

about the same level as three years ago. For the future I see insurers coming down hard at renewal on banks with multiple claims in a three-year period. Higher deductibles will be the rule for banks with claims. If you have claims, expect to see premium increases unless you fight.

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

Executive Risk	<\$150M	\$300M	\$500M	\$1B	\$3B	\$5B
Directors’ and Officers’ Liability	\$4m*	\$5m*	\$6m*	\$8m*	\$12m*	\$13m*
Lender Liability Insurance	\$2m	\$2m	\$3m	\$4m	\$5m	\$8m
Employment Practices Liability	\$2m	\$2m	\$2m	\$3m	\$3m	\$6m
Cyber Banking Liability	\$2m	\$2m	\$2m	\$3m	\$3m	\$4m
Privacy Breach Mitigation	\$500k	\$500k	\$500k	\$1m	\$1m	\$2m

NOTE: Your aggregate should be at least enough for full limit claims in three sections of coverage.

*Publicly traded banks should consider limits of 1.5 times higher than the above D&O limits.

Financial Inst. Fraud-Bond	<\$150M	\$300M	\$500M	\$1B	\$3B	\$5B
Fidelity & Basic Coverages	\$3m	\$3m	\$5m	\$8m	\$10m	\$12m
Computer Systems Fraud	\$3m	\$3m	\$5m	\$8m	\$10m	\$12m

NOTE: Never accept an aggregate of less than twice your policy basic limit.

Standard Lines	<\$150M	\$300M	\$500M	\$1B	\$3B	\$5B
Umbrella Liability	\$5m	\$8m	\$10m	\$15m	\$20m	\$25m
Property Coverage Structure	Remove all coinsurance penalties and use blanket coverage.					

Lender Asset Protection	All Banks
Forced Placed / REO Property	Reporting Form with “Automatic Coverage Endorsement.”
Mortgage Impairment	At Least \$1m – Include Coverage For Other Perils With Flood
Outsourced Insurance Tracking	Use an outsourced provider. Blanket coverage is also an option. 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 the concerns I have identified. 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.

FIND A 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 – Information nobody else talks about.

The process of an insurance review starts with a conversation. Call or email me.

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