

# HOW MUCH INSURANCE SHOULD MY BANK BUY?

By Scott Simmonds, CPCU, ARM

## The 2020 Bank Insurance Marketplace

The insurance market changed in mid-2019. Most banks had been paying less for their insurance than they were ten years ago (adjusted for asset growth). That ended in July.

In 2020 expect a ten-percent increase in property, auto, general liability, and umbrella premiums. More if you are in coastal areas and regions impacted by frequent hailstorms or tornados.

Bankers renewing management liability and fraud-bond coverages can expect premium increases of 75% to 120% of your bank's asset growth. Cyber liability premiums are often decreasing (especially one-year policies) as are worker's compensation rates, depending on loss experience.

Well-performing banks will continue to have no problem obtaining competitive renewal proposals from multiple insurers. The costs will be higher, though. There will, however, be competition for your account.

## Your Limits of Insurance

"How much insurance should I buy?" That is the most common question I get. The charts below provide my recommended minimum limits for banks up to \$5 billion in assets. Consider this a starting point. There are reasons to buy more and reasons to buy less. 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 tracking of all flood policies.

## WHAT'S NEXT?

Of course, no simple chart can tell you the coverage concerns and problems that lurk within your insurance. What exclusions and definitions are problematic? Are there additional endorsements to add 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. Can your agent or insurer be objective? Can you expect impartial advice from the person who designed your insurance program?

## 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 uniquely 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 issues. I work with you to plan for your future renewals. All without the complications of commissions and sales incentives from insurers.

## 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. Is your current advisor unbiased? Does their commission go up when your premium goes up? Is your agent's best interest the same as your best interest?

## TYPICAL CLIENT RESULTS:

**Unbiased Insurance Assurance<sup>SM</sup>** – 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** – You spend less time messing with your insurance.

**Claims Assistance** – Expert guidance.

**Inside Information** – You get information nobody else provides.

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

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