

The Questions Credit Unions Should Ask Their Insurance Agents

**Scott Simmonds, CPCU, ARM, CMC
The Unbiased Insurance Guy**

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Introduction

Every insurance program I review has at least 15 problems.

Some are little problems. Some, not so little.

In any event, the consequences of a bad insurance program can be catastrophic.

*What's the impact on your income
statement of a \$200,000 uninsured loss?*

As an insurance consultant, I provide insurance assurance. I work with insurance buyers, helping them buy and manage their insurance programs. I don't sell insurance and I never accept fees, commissions, or gifts from the insurance agents I work with for my clients.

Over the years, I have built a specialty practice in helping banks and credit unions understand and manage their insurance. I have worked with financial institutions all over the US.

The most frequent comment I hear is, "I don't know anything about insurance. I don't even know what questions to ask."

This paper will help you with the questions to ask your insurance agent. These questions will get you into a conversation with your agent. The result of that conversation will be better insurance coverage.

I hope this white paper is valuable to you

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Some General Insurance Questions

Ask your insurance agent...

If we were a prospect and not a client, which insurance company would you recommend we consider for our specialty insurance policies (bond, directors' & officers', e-commerce, etc.)?

If we were a prospect and not a client, which insurance company would you recommend we consider for our property, auto, liability, and umbrella liability coverage?

If we were a prospect and not a client, which insurance company would you recommend we consider for our workers' compensation insurance?

What is your plan for the coming year's renewal?

What coverage improvements should we consider?

How can we make our credit union more attractive to insurers?

What are your concerns with our current insurance program?

Are the correct entities listed as insureds on all our policies?

Key Directors' and Officers' Insurance Questions

Ask your insurance agent...

Are the defense costs for a claim outside the limit of liability, or inside?

What coverage limit do we have in the aggregate?

What types of claims reduce the aggregate limit available?

What types of claims reduce the amount of insurance available to defend future claims against directors?

Does the policy include entity coverage?

Do we have coverage for our exposures to personal liability under ERISA?

Do employment practices claims reduce the limit of coverage available for other D&O claims?

Does the policy include coverage for lender liability claims?

Do lender liability claims reduce the amount of insurance available for other losses?

Have you reviewed the exclusions on our D&O insurance, checking for issues of concern?

Is there separate coverage for professional liability?

Do professional liability claims reduce the coverage available in other coverage sections?

Key Financial Institution Bond Questions

Ask your insurance agent...

What is the policy's aggregate limit of coverage?

How much coverage is there for employee dishonesty?

How much coverage is there for computer fraud?

How much coverage is there for destruction of computers and data by employee sabotage?

How does the policy provide coverage for loss involving fraudulent debit or credit cards?

Does the bond provide protection for cyber extortion events?

Key E-Commerce Insurance Questions

Ask your insurance agent...

What is the policy's aggregate limit of coverage?

What events are covered by the policy?

Does the policy pay for allegations of violation of privacy?

Does the policy provide coverage for the expenses of customer notification in the event of a data breach?

Key Property Insurance Questions

Ask your insurance agent...

Are our limits of property coverage adequate?

Are all locations and buildings owned/leased listed?

Are there coinsurance penalties in our policies?

Have you considered higher property deductibles?

Are we covered for flood, windstorms, and earthquake?

How does our policy protect us from power failure and from loss of communications – phone, Internet?

Key General Liability Insurance Issues

Ask your insurance agent...

Do we have adequate general liability coverage?

Does our general liability insurance include a per-location aggregate?

Are foreclosed properties included in our liability protection?

Does our liability policy insure us for emotional distress and mental anguish we are alleged to have caused?

Key Auto Insurance Questions

Ask your insurance agent...

Do we have coverage for our liabilities when our employees drive their personal vehicles on credit union business?

Are our employees covered if they are responsible for injuries to fellow employees?

Do we have liability coverage for vehicles we have repossessed?

Do we have physical damage coverage for vehicles we have repossessed?

Key Workers' Compensation Insurance Issues

Ask your insurance agent...

Has our workers' compensation insurer provided maximum credits on our policy?

Are we in our insurer's preferred rating plan / company?

Have you reviewed the open claims to spot over-reserved claims?

Have you reviewed our experience modification for errors or opportunities for savings?

Key Umbrella Liability Insurance Issues

Ask your insurance agent...

What is our limit of umbrella liability coverage?

For what policies does the umbrella provide excess coverage?

Are foreclosed properties included in our umbrella liability protection?

Miscellaneous Insurance Issues

Ask your insurance agent...

How are we protected for allegations that we have polluted property owned by others?

How are we protected for damage to our property caused by pollution?

How are repossessed vehicles, snowmobiles, motorcycles, boats, ATVs, and other such equipment insured?

How are we protected if a mortgage customer fails to insure their property?

How are our foreclosed properties covered?

What perils are covered for foreclosed and forced placed property?

Are frozen pipes covered at foreclosed and forced placed property?

The Closing Questions...

First, ask yourself why your agent had not taken care of the issues raised in this process.

Then, ask yourself what else has been missed.

Then, ask yourself if it's time for an unbiased review of your entire insurance program.

Consider An Unbiased Insurance Audit

My audit of your credit union's insurance will include the following:

- A review of all your property and casualty insurance - directors' and officers', bond, property, workers' compensation, mortgage impairment, general liability, auto, and umbrella.
- Identification of coverage gaps and overlaps.
- Recommendations on coverage improvements.
- Assistance working with your insurer to remediate the issues identified.
- Assistance setting a strategy for your next renewal.

An audit of your credit union's insurance will result in the following:

- A better understanding of the insurance you have.
- A better understanding of your exposures that are not insured.
- Easier administration of your insurance program.
- Confidence in an ongoing strategy to help you manage risk.
- Most importantly, you will know you have the right insurance coverage.

Contact Scott now to discuss how an unbiased audit of your insurance can help your credit union.

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About Scott Simmonds, CPCU, ARM, CMC

Scott Simmonds, CPCU, ARM, CMC is The Unbiased Insurance Guy™. He started his insurance career in 1979. He has provided insurance advice and counsel to hundreds of companies throughout the U.S.

After graduating from Babson College, in Wellesley, Massachusetts, Simmonds entered the insurance business. In 1987, he received the Certified Insurance Counselor designation from the Society of CIC. In 1995, Simmonds completed his studies to qualify for the Chartered Property and Casualty Underwriter designation conferred by the American Institute for CPCU. He completed the requirements for the Insurance Institute of America's Associate in Risk Management designation in 2005.

Scott's insurance work has involved companies of all sizes, in a wide range of industries. He has handled insurance and risk management issues for public and private corporations, including many with international operations. Simmonds is licensed in property, casualty, life, and health insurance consulting.

Scott is a member of the Society for Advancement of Consulting, an organization accepting only the top 1% of consultants nationwide. He is the first and only insurance consultant granted membership in this prestigious organization. He was recently granted "Board Approved" status, an honor afforded to fewer than twenty consultants worldwide.

Scott has been inducted into the Million Dollar Consultant Hall of Fame, which was founded in 2006 by Dr. Alan Weiss to recognize world class consulting achievement. Dr. Weiss is a consultant and prolific author. He is recognized world wide as the Dean of Consultants. Scott is one of only 24 inductees into the hall of fame. He is the only insurance consultant so honored.

Scott's writing and comments have appeared in the Wall Street Journal, Forbes, Portland Press Herald, MaineBiz, Fortune, Money, Inc. Magazine, the New York Times, Boston Globe, Investors Business Daily, Kiplinger's, the Los Angeles Times, and countless trade publications.

Simmonds lives in Saco, Maine, with his family. He enjoys reading, hiking, snowshoeing, and bird watching. He is also a New England Patriots season ticket holder. He is a past president of the trade association, Maine Association of Professional Consultants, and of the Biddeford Saco Rotary Club. He is also active in many trade associations and serves on the adjunct faculty at the York County Community College in Wells, Maine.

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