



Financial Guaranty Insurance Brokers, Inc.

NOW is the best time to review your insurance coverages before regulatory or financial problems happen.

As times become more unsettled in banking due to declining interest rate margins, the reduction in loan demand, and increase in non-performing loans present real problems for bankers. Bank regulators are scrutinizing many parts of the bank's operation and loan portfolios potentially resulting in regulatory orders.

We at FGIB, specializing in insurance for financial institutions are recommending that now is an important time to review your insurance policies, to get a clear picture of what exactly you are insured for. Items of particular concern are as follows:

Directors & Officers Liability (D&O) may or may not provide all the coverage you may think it does. Not all D&O policies are the same. Some exclude defense cost for lawsuits as a result of contractual disputes, privacy liability, loans to insiders, regulatory litigations against directors, customer litigation, litigation as a result of mechanical breakdown of your equipment, defense costs for allegations of illegal profit-taking, and discriminatory lending practices. Some D&O policies may require Repayment of Defense Cost if the bank is unsuccessful in defending the lawsuit.

In many cases based on individual bank circumstances, some of these exclusions can be added back to the policy, by simply asking, and oftentimes, there will be little or no additional premium.

Internet Banking Liability Insurance: Does your bank have this coverage? Does it include business interruption? *This would insure the loss of revenue incurred during a period of interruption.* Does it cover extra expense? *This would pay extra expense incurred to continue business operations.*

OREO Properties – To facilitate insuring repossessed real estate, we recommend a monthly reporting program which provides Property & Liability Insurance. By having a monthly reporting program, a gap in coverage is automatically eliminated.

If the OREO properties are construction loans that are not completed, and the bank chooses to finish or improve the property, you most likely **do not have construction defect coverage**. This coverage can be purchased or we recommend that your contractor provide this in their liability insurance. The bank should be named as an additional insured. A certificate of insurance should be presented to the bank, evidencing its name, with adequate limits of insurance, and a 30-day notice of intent to cancel. Work done by the bank on property held for sale may have as long as a 10-year Construction Defect Tail.

If you are concerned that any of your insurance policies may be non-renewed due to regulatory or financial issues, or claims, don't get caught at the last minute with no insurance.

All calls will be answered personally, please contact:

Joe Scully, President

Bud Scully, Chairman

Financial Guaranty Insurance Brokers, Inc.

709 E. Colorado Blvd., Suite 230, Pasadena, CA 91101

Agency License #0658767

Phone (626) 793-3330 or Fax (626) 793-1886

E-mail: Joes@fgib.com; Website: www.FGIB.com