

Survey shows banks' premiums on the rise

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WASHINGTON — On average, banks' internal insurance costs are expected to climb up to 33 percent from 2002 rates, according to the American Bankers Association Bank Insurance Survey Report.

While previous surveys have shown rising insurance costs, the most common reason cited by bank risk managers was "bank growth."

This year, the leading reason was higher premium prices, particularly for large institutions.

Actual 2002 premium costs for banks' most common type of insurance coverage, financial institution bond, averaged \$10,208 for community banks (up to \$250 million in assets), \$23,376 for mid-sized banks (\$250 million to \$1 billion in assets) and \$150,656 for large banks (\$1 billion and more in assets). FIB or "blanket bond" covers an institution for dishonest or fraudulent acts by employees, theft and losses due to counterfeit documents.

The typical aggregate limit of liability for the FIB was \$450,000 for community banks, \$2 million for mid-sized banks and \$5 million for large banks.

Banks of all sizes experienced significant directors' and officers' liability premium increases for 2002, ranging from a 22 percent increase for banks less than \$100 million to a 176 percent increase for banks larger than \$20 billion. Premiums for D&O coverage averaged \$11,462 for community banks, \$36,953 for mid-sized banks and \$329,389 for large banks. In addition, large banks spent on average \$554,471 for excess directors' and officers' liability coverage.

According to the survey, total insurance premium expenses for 2003 are expected to rise 5 to 12 percent for community banks, 12.6 percent for mid-sized banks and 17.6 to 32.7 percent for large banks.

The 96-page report also details other insurance needs such as clauses and riders maintained under the FIB, workers compensation, professional liability, building and contents, and computer crime coverage. All findings are broken down into six asset categories so bankers may easily compare themselves with their peers when planning their insurance budgets.

Survey results summarize data obtained from 262 banking institutions as part of a sample of 5,027 independent banks stratified by asset size. □