

IN THIS ISSUE:

- ≡ **MORTGAGE PROTECTION NOW AVAILABLE!**
- ≡ **22nd consecutive distribution to banks announced**
- ≡ **Bank program celebrates 25th anniversary**

NEW from ABA Insurance Services: Comprehensive Mortgage Protection

As a lingering result of the financial crisis, banks find themselves stuck with a glut of both mortgaged and foreclosed properties lacking adequate insurance. Adding to the burden of accumulating troubled properties, the standard length of time a bank finds itself responsible for covering its interest in these properties has increased from weeks to months and years. As these issues continue to develop, banks are finding that their current insurance policies are not adequately meeting their coverage needs.

After hearing from bankers looking for a solution to address their insurance needs, we now offer comprehensive **Mortgage Protection** to protect your bank and its interests through two separate policies: broad Mortgage E&O and Impairment coverage and Force Placed/Foreclosed Property Insurance with **REcover™** to easily manage your force placed/foreclosed property portfolio.

[Article continued on next page ⇨](#)

Property & Casualty Coming Soon!

We are excited to announce that **Property & Casualty will be added to our product suite in 2012**. Designed specifically to meet the needs of community banks, our package includes property, general liability, business auto, workers compensation and umbrella. In-house underwriting authority allows us to customize coverage to meet your bank's requirements, including options for repossessed auto, blanket off-site ATM coverage, and business interruption.

More will be announced in the coming months.

American Bankers Mutual Insurance, Ltd. announces 22nd consecutive distribution to banks.

In 2012, as the reinsurer of the ABA sponsored insurance program, American Bankers Mutual Insurance, Ltd. will distribute \$1.3 million to ABA member banks insured through ABA Insurance Services. **\$76.8 million has been declared in distributions to eligible member banks since 1991**. Banks that purchase their D&O, Bond and related insurance through the program and are also ABA members are automatically members of this company.

“As our industry continues to be a positive driving force to our nation's economic recovery, it has never been more important that our members receive the peace of mind that comes from having a reliable and stable source of Bond and D&O protection,” commented Frank Keating, ABA President and CEO. “ABA Insurance Services does just that, for 25 years now, and continues to be managed prudently and conservatively so that our members can have confidence that their program will continue to be available to them for many more years to come.”

“This marks the 22nd consecutive year that the reinsurance company has declared a distribution to our member banks,” said John Manor, chairman of American Bankers Mutual Insurance Ltd. “This is a major achievement that is a source of pride for our company and a valuable benefit for ABA members.”

If your bank is receiving a distribution check and you are attending ABA's National Conference of Community Banks in February, stop by ABA Insurance Services' booth to pick up your bank's check.

ABA insurance program celebrates 25th anniversary

A lot has changed over 25 years: In 1986, the U.S. population was 240 Million, a new home cost \$112,000 and a gallon of regular gasoline was just \$.93. Fast forward to today: our population is 312 Million, the average house costs over \$160,000 and gas is predicted to reach \$5.00 per gallon this summer.

However, what has not changed is our commitment to community banks.

The ABA Sponsored Insurance Program was formed 25 years ago to help banks obtain quality D&O and bond insurance

[Article continued on next page ⇨](#)

■ **ABA Insurance Services now offers comprehensive Mortgage Protection**, *continued*

Broad Mortgage E&O and Impairment Coverage

Where a typical Mortgage E&O program includes 5 – 7 basic coverages, our policy provides coverage broadened beyond the market-standard and removes the requirement to track and check borrower-placed coverage beyond loan closing.

Broader coverage for your bank. When a bank purchases Mortgage E&O and Impairment, they may not be aware that the coverage provided is more than likely very narrow in nature, especially if it's part of their P&C package. There may be coverage gaps relative to Flood Determinations, Mortgage Guaranty, Credit Life & Disability, and Real Estate Taxes.

Our standard offering provides stop-gap coverage. We expand the time that a bank has to respond to known lapses of borrower-placed coverage to 90 days rather than the industry standard of 30 - 60 days. This allows the bank to manage customer relationships and encourage borrowers to provide their own property insurance.

In addition, 90 days of coverage is provided to the bank after taking possession of a foreclosed property before individual property insurance becomes necessary.

Balance of Perils coverage is available. Typically, banks are covered only for those perils that they require their borrowers to place. With unprecedented natural disasters such as floods, you should review your P&C to verify that mortgaged properties are covered in cases where loans are impaired due to damage. Balance of Perils covers your bank for losses not typically covered by standard homeowners policies.

Insurance tracking and checking not required. Our policy does not require the bank to continually “track and check” borrower-placed insurance. While it is recommended to observe this best practice to ensure that borrowers have appropriate coverage in force at all times, errors that may occur in monitoring insurance by the bank does not negate coverage and allows expedition of the claims process.

Consider purchasing Mortgage E&O/Impairment as monoline insurance rather than as part of a P&C package because of possible policy restrictions and the high potential for error due to additional insurance monitoring requirements on banks. Claims against your P&C due to mistakes can be financially devastating. As a monoline policy, our Mortgage E&O and Impairment is a cost-effective way to expand coverage while avoiding premium increases or cancellation of primary insurance.

Force Placed/Foreclosed Property coverage benefits

Given the current high number of foreclosures, banks should resist adding high-risk foreclosed properties to their P&C package. It could adversely affect the loss experience on bank branches, which typically carry very low risk. A poor loss ratio may haunt a bank, causing premium increases and even cancellation or nonrenewal. Because of this increased exposure, liability coverage is also available for Foreclosed Property. Our standalone program insulates your P&C package loss experience by providing broad coverage with minimal underwriting information required.

REcover™ helps banks manage their property insurance portfolios. When borrower-placed insurance has lapsed or a bank takes possession of a foreclosed property, it is imperative that the bank has the ability to insure their interest and immediately place coverage, foregoing a long underwriting process. **REcover™** makes that possible with an easy online system, allowing banks to place coverage as needed and provide immediate proof of insurance.

Mortgage Protection* is available to banks countrywide. For information or to receive a premium indication, contact Tim Bennett at 800-274-5222 or REcover@abais.com.

* Due to pre-existing exclusive ABA vendor endorsements, Mortgage Protection from ABA Insurance Services is not an ABA-endorsed coverage program.

ABA insurance program celebrates 25th anniversary *continued*

at affordable rates. Today, ABA Insurance Services continues to fulfill the original mission of the program and we've grown to insure over 20% of the community banks in the country.

None of this would have been possible without the loyal support of our bankers and agents. To commemorate 25 years, a special ABA Insurance Services logo will be used through the year and we will be reaching out to our longtime bankers, agents and program supporters individually to express our appreciation.

For more loss control information or to view this SafeTalk newsletter online, visit abais.com. To subscribe to SafeTalk®, request reprints, or if you have additional questions about this newsletter or its articles, please contact us at marketing@abais.com or 1-800-274-5222.

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