

ADDITIONAL BOND RIDERS

ATM RIDER

The **Financial Institution Bond** covers both automated teller machines (ATMs) and integrated teller machines (ITMs) located on the bank's premises through the **On Premises Insuring Agreement**. The **ATM Rider** extends coverage to off-site ATMs and ITMs and allows the insured to schedule a lower deductible to all ATM loss. The rider covers cash losses arising out of:

- robbery, burglary, and theft
- malware attacks which cause the ATM/ITM to disburse cash
- malicious device attachments which cause the ATM/ITM to disburse cash (jackpotting)

The rider does not cover damage to the machine, loss due to the failure of the machine to function properly, or loss due to the fraudulent use of plastic cards.

CLAIMS EXAMPLES

- A bank-owned ATM in a grocery store is burglarized resulting in missing ATM cash.
- An ITM on the bank's premises is burglarized. The bank's loss is covered at a lower deductible via the **ATM Rider** than provided by the **On Premises Insuring Agreement** found under the **Financial Institution Bond**.

CHECK KITING FRAUD RIDER

The **Check Kiting Fraud Rider** provides protection for losses resulting from the items of deposit from a depositor's account which are not "finally paid" for any reason.

CLAIMS EXAMPLE

- A customer maintains a business checking account at Bank A and a personal checking account at Bank B. Over a period of several months, the customer frequently deposits large checks into his personal account, drawn against his business checking account. Immediately following a deposit, the customer returns to Bank A and deposits checks drawn from Bank B. These deposits are performed on a constant, systematic basis. The customer then periodically withdraws cash from these overlapped accounts as the balances became large.

COMPUTER FRAUD RIDER

The **Computer Fraud Rider** covers losses incurred by the bank due to computer-based fraudulent activity.

INSURING AGREEMENT	DESCRIPTION	CLAIMS EXAMPLE
Computer Hacker	Covers loss resulting directly from an unauthorized user altering data or code within the insured's computer systems. Coverage extends to data housed within certain third-party service provider systems.	A computer hacker gains access to the bank's system and initiates ACH debits to transfer funds into his personal account.
Computer Virus and Employee Sabotage	Covers the costs to restore the bank's data or software when maliciously damaged through a computer virus or employee sabotage.	The bank's data files are encrypted by a virus. The bank hires a technical specialist to restore the encrypted files.
Funds Transfer Fraud	Covers loss resulting directly from the insured transferring funds from a customer's account through its computer system/network based upon a fraudulent instruction. Coverage is contingent upon the bank meeting certain control triggers including: <ul style="list-style-type: none">• having a previously executed Written Agreement in place with such customer; and• verifying such instruction with such customer through an agreed-upon authentication procedure Coverage extends to the insured transferring customer funds through third-party service providers, such as its internet banking service provider and CHIPS/SWIFT.	An imposter sends an email request to the bank instructing it to wire \$80,000 out of the actual customer's account. The bank ensures a Written Agreement is on file with the customer and executes the agreed-upon verification procedure. As the imposter electronically redirected all of the customer's phone calls to his own phone number, the bank completed the transaction.
Toll Fraud	Covers long distance phone charges resulting from the fraudulent use of the insured's phone system.	A hacker accessed the bank's phone system and incurred over \$200,000 in long distance charges.

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EXTORTION—PHYSICAL THREATS TO PERSONS AND PROPERTY RIDER

The **Extortion Rider** provides protection in the event that an extortionist physically threatens the insured's employees or property. The rider covers the money surrendered as a result of:

- threats to cause bodily harm to an employee, director or relative thereof;
- threats to kidnap an employee, director or relative thereof; and
- threats to physically damage insured property.

Coverage is provided on a worldwide basis. The person receiving the threat must make a reasonable effort to report the extortionist's demands to an associate, the FBI, and the local law enforcement authorities.

CLAIMS EXAMPLE

An extortionist arrives at the home of the bank president and holds the president and her family captive. The extortionist places a demand to the executive vice president for \$1,000,000 for the release of the captives without harm. The executive vice president notifies the chairman of the board, the FBI, and the local police department. The demand amount is covered under the Extortion Rider, up to the limit of liability.

FORGERY EXTENSION RIDER

The Forgery or Alteration Insuring Agreement (Insuring Agreement D) of the Financial Institution Bond generally requires actual physical possession of the written, original document upon which the forgery is made. The **Forgery Extension Rider** extends coverage to fraudulent electronic signatures recorded utilizing DocuSign like software on certain documents otherwise covered under Insuring Agreement D.

CLAIMS EXAMPLE

The bank issued a letter of credit on behalf of a small manufacturing customer for the purchase of materials. An overseas materials manufacturer subsequently presented a letter of credit to the bank utilizing DocuSign in expectation of settlement on behalf of the customer. The bank honored the letter of credit. It was later determined that the letter of credit was fraudulent and contained a forged signature.

MONEY ORDER ISSUERS RIDER

The **Money Order Issuers Rider** expands Fidelity (Insuring Agreement A) coverage to include third-party authorized persons, partnerships, or corporations who issue Registered Checks or Personal Money Orders drawn on the financial institution, while acting on behalf of the financial institution.

CLAIMS EXAMPLE

An authorized grocery store issues a bank money order, but instead of sending the collected money to the bank, keeps the money and discards the money order receipts.

SAFE DEPOSIT BOX RIDER

The **Safe Deposit Rider** is comprised of two Insuring Agreements, which may be purchased separately or jointly.

- **Coverage A—Liability of Depository** provides coverage for the sums the bank is legally obligated to pay by reason of liability for loss, damage or destruction of customer property held in customer safe deposit boxes. Coverage extends to related defense costs.
- **Coverage B—Loss of Customers' Property** covers the loss, damage or destruction of customer property held in customer safe deposit boxes by burglary or robbery. Coverage may be purchased "with Money" or "without Money."

CLAIMS EXAMPLES

- A bank employee allows access to a safe deposit box to an unauthorized individual who steals the customer's property. The customer sues the bank to recover the value of the lost items. The bank's legal defense costs are covered, as well as the resulting liability to the customer, up to the limit of liability.
- A bank is burglarized over a weekend. The safe deposit boxes are drilled into and all the contents removed. Coverage B covers the contents of the safe deposit boxes. Currency and coins would not be covered unless Coverage B was purchased "with Money."

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SERVICING CONTRACTORS RIDER

The Servicing Contractors Rider extends the definition of “Employee” under the Fidelity Insuring Agreement (Insuring Agreement A) to include servicing contractors. A servicing contractor is a person, partnership, or corporation (other than an employee) authorized to:

1. Collect and record real estate mortgage or home improvement loan payments,
2. Establish tax and insurance escrow accounts,
3. Manage real property owned, supervised, or controlled by the financial institution, or
4. Perform other acts related to the above activities.

Coverage is provided for losses resulting from dishonest or fraudulent acts committed with intent to cause a loss to the bank and to gain a financial benefit for the servicing contractor or another. Coverage includes loss due to a contractor’s failure to forward funds collected on behalf of the financial institution, provided that the contractor is legally obligated to do so. This Rider does not provide coverage for losses resulting from a contractor’s failing to collect funds; a contractor’s insolvency or bankruptcy; or loans to servicing contractors.

CLAIMS EXAMPLE

A bank hires a servicing contractor to collect and record real estate mortgage payments. The contractor collects payments for a period of time, but fails to forward the funds collected to the bank. The bank is unable to locate the contractor and sustains a loss.

SOCIAL ENGINEERING FRAUD RIDER

The Social Engineering Fraud Rider covers loss incurred due to an employee transferring the insured’s own funds based on a fraudulent instruction received from someone purporting to be another employee or vendor of the insured. Coverage is contingent upon the bank executing an authentication procedure to verify the legitimacy of such instruction.

CLAIMS EXAMPLE

A bank employee received a phone call from someone purporting to be the Chief Financial Officer. The CFO instructed the employee to wire \$50,000 in bank funds to a Hong Kong based account. To verify the instructions, the employee sent a text message to the CFO’s phone number on file to confirm the request. As the CFO’s phone had been stolen by the imposter, the perpetrator was able to send an affirmative reply.

STOP PAYMENT RIDER

The Stop Payment Rider provides coverage for:

- failure to comply with a customer’s request to stop payment on a check, note, or draft (excluding travelers’ checks);
- wrongfully refusing to pay a check; and
- failure to give proper notice of dishonor.

CLAIMS EXAMPLE

A bank receives a stop payment request from a customer; however, the paperwork is not properly executed by an employee and the check is wrongfully paid by the bank.

TRANSIT CASH RIDER

Cash letters are generally covered under the In Transit Insuring Agreement (Insuring Agreement C). **The Transit Cash Letter Rider** broadens this coverage by eliminating the deductible, providing reimbursement for reproduction costs, and extending coverage beyond the final destination of the cash letter to the financial institution upon which an item was drawn. As a condition of coverage, the front and back of each item placed in the cash letter must be photographed.

CLAIMS EXAMPLE

A bank sends a cash letter to the Federal Reserve Bank. The cash letter arrives safely but disappears and the individual items never reach the institutions on which they were drawn. Coverage under the In Transit Insuring Agreement stops once the cash letter is delivered to the Federal Reserve Bank. The Transit Cash Letter Rider extends coverage until the items contained in the cash letter are delivered to the institution upon which they are drawn. Coverage also includes reimbursement for the costs associated with reproducing the items in the cash letter, at no deductible.

ADDITIONAL BOND RIDERS

UNAUTHORIZED SIGNATURE RIDER

The Unauthorized Signature Rider covers loss resulting directly from the bank honoring negotiable instruments or withdrawal orders that bear unauthorized signatures or endorsements. An unauthorized signature or endorsement must be made by a person whose name is not reflected on the appropriate signature card for the account in question. To recover losses under this Rider, the bank must have the signatures of all persons authorized to sign on the account on file.

CLAIMS EXAMPLE

A commercial customer's bookkeeper signs his name as maker on a company check. He then deposits the funds into his personal account. When the bookkeeper disappears with the funds, the bank is held liable for the funds, as the bookkeeper is not an authorized signatory on the account. *Note that the loss would not be covered under Insuring Agreement D's forgery coverage as no forgery was committed.*