

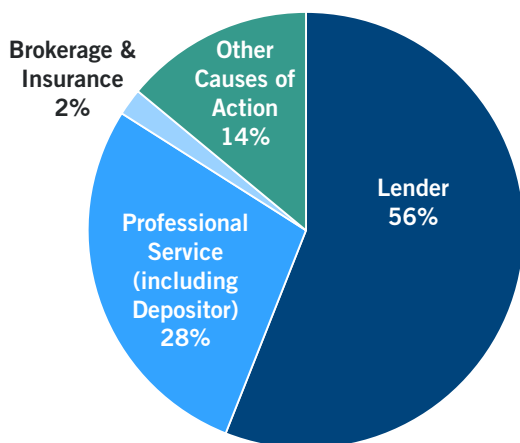
BROAD FORM COMPANY LIABILITY

While individuals have coverage under the D&O policy, **Broad Form Company Liability (BFCL)** is an endorsement to cover claims against the financial institution resulting from a variety of sources. The bank will be protected from loss for such claims whether they are brought by a customer or a third party.

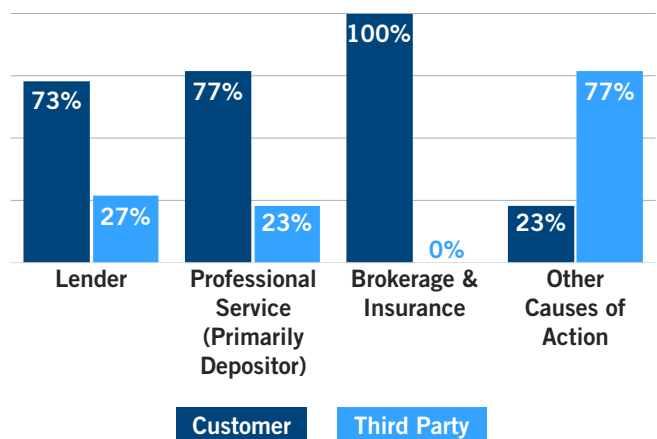
COVERAGE AREAS

- **LENDING SERVICES** | Coverage applies to services involving or relating to an extension of credit, an agreement or refusal to extend credit, Loan Servicing, or the collection, restructuring, repossession, or foreclosure of any extension of credit by the Company.
- **PROFESSIONAL SERVICES** | Coverage applies to any services performed by an Insured where a fee is or could be assessed. This includes, but is not limited to, depositor services, real estate appraisals, real estate agency services, property management services, accounting, payroll and tax services, and architectural services.
- **BROKERAGE/ADVISORY SERVICES** | Coverage applies to brokerage, investment advisory, and financial planning services performed by an employee or third-party service provider contracted with the bank to provide such services.
- **INSURANCE SERVICES** | Coverage applies to the sale and placement of insurance, insurance review, consultation, and claims adjusting services performed by an Insured.
- **IRA/KEOGH SERVICES** | Coverage applies to administrator, custodial and trustee services performed by the Insured under any Insured-owned or other IRA or Keogh Plan, when performed outside the scope of a trust department.
- **OTHER CAUSES OF ACTION** | In addition to the items enumerated above, coverage will also be afforded to the bank for any claim arising out of any actual or alleged Wrongful Act unless such act is excluded elsewhere in the Policy.

ENTITY CLAIMS BY COVERAGE AREA



ENTITY CLAIMS BY COVERAGE AREA AND PLAINTIFF



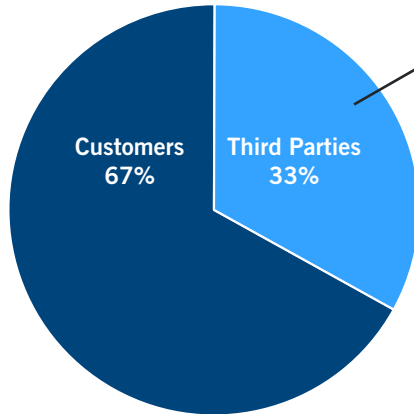
continued »

BROAD FORM COMPANY LIABILITY (BFCL), continued

PLAINTIFFS

Customer suits are the primary source of claims against banks followed by suits brought by third parties. The Broad Form Company Endorsement covers both types of exposures.

ENTITY CLAIMS BY PLAINTIFF



EXAMPLES OF THIRD PARTY PLAINTIFFS

- Customer's customers
- Custodians
- Beneficiaries and spouses
- Contractors (construction loans)
- Other banks
- Vendors & suppliers

KEY COVERAGE ADVANTAGES with CLAIMS EXAMPLES

- **LENDING LAW VIOLATIONS** | Some carriers broadly exclude claims arising from violations of federal or state laws relating to extensions or denials of credit, including TILA, ECOA, Fair Credit Reporting Act, Fair Debt Collection Practices Act, Fair Debt Collection Practices Act and other. Our policy does not contain a similar exclusion and except for intentional acts, our policy expressly covers defense costs for violations of law.
 - **Claims Example** | A class action lawsuit alleging TILA violations was filed after the bank erroneously sent borrowers an incorrect Notice of Right-to-Cancel forms. Amount paid: \$2,000,000.
 - **Claims Example** | A class action suit was brought against a bank alleging violations of usury laws when the bank miscalculated interest on commercial loans. Amount paid: \$1,800,000.
- **LENDING DISCRIMINATION** | Some carriers exclude coverage for lending discrimination. Our policy does not exclude the defense of allegations of lending discrimination.
 - **Claims Example** | The bank was accused of discriminatory pricing of indirect auto loans in a suit brought by African-Americans. Amount paid: \$2,000,000.
- **INSIDER LOANS** | Most D&O carriers exclude suits arising from insider loans and insider affiliated loans. Be aware that the definition of Insider in these policies can apply to a wide range of individuals and entities. Our policy does not exclude either insider or insider affiliated loans.
 - **Claims Example** | A business partner of an outside bank director sued the bank in connection with a line of credit extended by the bank to the partnership, alleging the bank allowed the director to make improper draws on the line of credit. Amount paid: \$210,000.

continued »

BROAD FORM COMPANY LIABILITY (BFCL), continued

- **LOSS OF MONEY (DEPOSITOR CLAIM)** | Some carriers do not provide coverage for certain types of depositor claims under their Professional Services Endorsement, such as with an exclusion for loss of money in the custody of the bank. Our policy broadly covers depositor liability.
 - **Claims Example** | The bank was sued because its customer's employee embezzled from its customer (his employer). The customer sued the bank in an attempt to recover the loss. Amount paid: \$175,000 in defense costs.
 - **Claims Example** | The bank mistakenly transferred funds from a joint checking account to an estate account; the funds were withdrawn and the surviving co-owner sued the bank. Amount paid: \$125,000.
- **THIRD-PARTY CLAIMS (PROFESSIONAL SERVICES)** | Some policies restrict coverage to "suits brought by or on behalf of a customer", leaving the bank no coverage for suits brought by third parties. The BFCL has no coverage restriction as to who can bring suit against the bank.
 - **Claims Example** | Our bank (Insured) was sued by another bank, alleging that it extended take-out financing to a customer of the Insured based upon misrepresentations by the Insured concerning the current status of that customer's loans. Amount paid: \$400,000.
 - **Claims Example** | The bank was a victim of a large check kiting scheme and forced the business partner of the check kiter (a depositor at the bank) to turn over assets in an attempt to recover its check kiting loss. The bank, however, was countersued by the business partner for failure to prevent the check kiting scheme. Amount paid: \$1,000,000.
 - **Claims Example** | A judgement creditor of a bank customer sued the bank, alleging that the bank's failure to honor a garnishment order against the customer's account allowing the customer to withdraw funds which should have been paid to the creditor under the order. Amount paid: \$47,000.
- **THIRD-PARTY CLAIMS (OTHER CAUSES OF ACTION)** | Some policies exclude professional service claims from third-party coverage, while others only cover professional service related third-party claims. Be sure to understand the scope of coverage you are provided. Our policy provides "broad form" coverage, neither excluding nor limiting coverage to professional service related claims.
 - **Claims Example** | An individual sued the bank alleging he invested in one of the bank's commercial accounts as a result of misrepresentations the bank made concerning the soundness of the company's financial condition. Amount paid: \$72,000.
 - **Claims Example** | A bank was sued by a competitor finance company after several employees of that company came to work for the bank. Amount paid: \$360,000 in defense costs.
- **BREACH OF CONTRACT** | Some policies exclude breach of contract claims entirely. Our policy covers defense costs for alleged breach of contract (until proven to be, in fact, an intentional breach).
 - **Claims Example** | A bank was sued for alleged breach of contract when it refused a loan repurchase demand made by another bank. Amount paid: \$120,000 in defense costs.
 - **Claims Example** | A bank entered into a contract to lease space in an office building that was still in development. When the property was not completed in the agreed-upon-timeframe, the bank located elsewhere. The property owner sued the bank, alleging breach of contract and bad faith. Amount paid: \$163,000 in defense costs.
 - **Claims Example** | A bank was threatened with a lawsuit for alleged breach of contract with its paper shredding vendor, after it attempted to terminate their agreement. Amount paid: \$10,000 in defense costs.

continued »

BROAD FORM COMPANY LIABILITY (BFCL), continued

OTHER CLAIMS EXAMPLES

- **BROKERAGE/ADVISORY SERVICES** | A bank employee provides investment advice to an elderly customer who allows him to purchase securities on her behalf. When the securities do not perform well, family members sue the investment advisor and the bank for negligence in rendering investment advisory services. While depreciation in value of securities due to market fluctuation unrelated to any Wrongful Act is not covered, defense costs incurred to defend the bank and the advisor are covered.
- **INSURANCE SERVICES** | A bank purchases an insurance agency to sell auto and homeowners insurance to its customers. In transitioning to a new computer system, the agency fails to act upon a renewal date, and a customer's homeowner's insurance lapses. When the customer experiences a loss and is unable to collect, he sues the bank and the agency for negligence.
- **IRA/KEOGH LIABILITY** | Stock dividends are received by a bank for a customer's IRA, but are not reinvested in a timely manner as had been requested by the customer. This causes the customer to suffer a lower rate of return on the investment. The customer sues the bank, alleging negligence and breach of fiduciary duty. While depreciation in the value of securities due to market fluctuation unrelated to any Wrongful Act is not covered, defense costs incurred to defend the bank are covered.