Financial Institutions Crime & Directors & Officers Insurance Covers

Bank of Uganda

The Covers…

1. Financial Institutions' Crime – also called Bankers Blanket Bond

2. Directors & Officers' Liability – a.k.a., Management Liability

Financial Institutions' Crime

Scope of Cover

1. Dishonesty of employees
2. Premises risks
3. Transit Forged cheques
4. Forged securities
5. Counterfeit currency
6. Damage to offices and content (not by fire)
7. Legal costs
8. Computer Crime/Cyber Liability - **Computer Systems; Bank's Service Bureau Operation; Electronic Computer Instructions; Electronic Data & Media; Computer Virus; Electronic Communication; Electronic Transmission; Electronic Securities; Forged Telefacsimile; Voice; Clean Up Costs Expenses**

Financial Institutions' Crime

What is NOT Covered

- Loss or damage to property contained in customer’s safe deposit boxes
- Loans & trading losses, unless sustained by employee fraud or forgery
- Loss relating to credit or charge card misuse, unless sustained by employee fraud or forgery.
- Any loss not discovered during policy period
- Extortion
- Indirect or consequential losses

Why D&O Insurance?

- Principle of separate or joint responsibility between directors & officers; and the organisation itself
- Personal responsibility of directors & officers for any decisions made and/or actions (or lack of) taken on behalf of the company
- Risk to directors & officers personal assets
- Prohibitive defence costs even where a claim fails

D&O - Scope of Cover

1. Reimbursement to any director / officer / employee for liability for any Wrongful Act

2. Reimbursement to the company itself where it has reimbursed a director, officer or employee for the liability

Wrongful Act

- Actual or alleged breach of
- care & skill, statutory and fiduciary duty, trust, neglect, error, misstatement, omission or breach of authority
- committed by a director, officer or employee.

Loss – What Insurance Will Pay!

- Damages, judgements, awards or settlements

- Defence costs

What Insurance Will NOT Pay

- Professional Liability
- Staff Retirement Schemes Trustees' Liability

Financial Institutions Crime

- Banks have a higher exposure to financial loss from criminal activity than most other businesses

- Traditional Fidelity and Money policies do not take into account the additional exposures presented by banks

- BBB is much wider than the traditional Money and Fidelity policies combined
  - Covers losses perpetrated by 1st and 3rd parties (Employees and Outsiders)
  - Covers losses even where the insured is not liable
  - Computer crime
  - Professional Liability

Covers

- Infidelity of Employees
- On Premises
- In Transit
- Forgery or Alterations
- Offices & Contents
- Counterfeited currency
- Securities
- Legal fees
- Computer Crime

Claims Scenario

- Bank A: Fraudulent transfer of funds by employee to different banks in the US. UGX. 30M
- Security guards deployed on a bullion van disappear with UGX. 800M- Local media
- Bankers Held over loss of UGX. 880M –Local media, New Vision February 4,2011
- Last year fidelity claims grossed UGX 400M.
- Former Armored Car services employee stole $20,000 from the central bank of Bahamas. According to police report, two bundles of $5 notes($10,000) and one bundle of $10($10,000) was stolen from a truck collected from central Bank of the Bahamas.

12 Reasons to Buy Management (D&O) Insurance

- **Personal responsibility for directors & officers**
- **Unlimited personal liability**
- **Risk of personal assets**
- **Defence costs are expensive**
- **Protection of company assets**
- **Operating environment is more litigious**
- **No protection in bankruptcy/insolvency**
- **The organisation may refuse to protect you**
- **Attraction of <u>The Right</u> directors & officers**
- **Multitude geographical jurisdictions**
- **Regulatory requirements**
- **Listing on securities exchanges**

Questions & Answers…