

NORTHWESTERN Banker Newsletter

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Views on Directors - Officers Liability

"There is vast confusion in the area of directors and officers liability insurance, and clarification is needed."

This was the comment made by Robert A. Carney, vice president, attorney, and underwriter for the Interstate National Companies, Chicago, before an insurance seminar sponsored by the Iowa Bankers Association.

Mr. Carney indicated that many banks cannot get the proper facts to make a decision because they are receiving poor advice or none at all. Dominant areas of confusion center around the fact that other types of coverage overlap with directors and officers liability insurance. Some of these coverages include:

1. **Personal Umbrella Policy:** This type of policy protects individuals over and above the limits in a person's primary policies. Even though the "umbrella" is written for a million dollars, it does not cover business pursuits.
2. **Corporate Umbrella Policy:** This policy is also written to provide a million dollar coverage over basic limits, but again it does exclude coverage in the area of directors and officers liability.
3. **Personal Injury Endorsement in Standard Liability Policy:** This endorsement also excludes directors and liability coverage. For example, it does cover libel and slander which is excluded from the directors and officers policy.
4. **Coverage Under Blanket Bond:** Directors and liability insurance is limited here to legal expense — if proven not guilty in a civil suit. A recent survey

conducted among banks in three mid-western states revealed that 25 per cent of the banks responding to the survey thought they were covered under the bankers blanket bond!



At present, there are five major markets for directors and officers liability insurance for financial institutions. With this in mind, the insurance buyer should consider the following items, according to Mr. Carney:

1. **What Limits?** The average coverage averages from one-half million to one million. A major New York bank has \$10 million coverage, and a one million dollar bank might have as low as \$100,000 coverage.
2. **What Deductible?** A typical deductible might be \$5,000, although the deductible can be as high as \$50,000. The credit received for a higher deductible is not worthwhile, according to Mr. Carney.
3. **Check the participation above the deductible.** For example, you might have a \$5,000 deductible and be required to participate on the basis of 5 per cent of the amount above \$5,000.

4. **Do the policy limits fully cover legal expense?** Some directors and officers liability policies cover legal fees, in addition to the policy limits, and others do not. For example, a bank might have \$500,000 policy. If a claim was paid for this full amount, the bank might be obligated to pay legal fees above this figure.

5. **Does the policy eliminate any officer positions?** Make sure the policy covers the officer positions to meet your requirements.

6. **Check the discovery clause.** By paying an additional premium, your bank can be covered during the discovery period in the event the policy is cancelled by the insurer.

Exclusions found in directors and liability policies include:

1. liability and slander.
2. conflict of interest.
3. violations of SEC Act of 1934.
4. remuneration without approval.
5. dishonesty
6. failure to effect and maintain proper basic policy limits. (Insured should seek to eliminate this clause).

In checking the exclusions, it is important to remember that they do not necessarily exclude all directors. For example, one director might be excluded under the terms of the policy for dishonesty. The other directors would be covered if enjoined in the suit.

Bankers should check the insuring clause to see that it defines losses and wrongful acts. Also, bankers should take special care in filing the application since

(Continued on back page)

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IOWA NEWS

CHARLES CITY: Funeral services were held recently for Horace Olds, 69, president of the Citizens National Bank. He joined the bank in 1923 and had served as president since 1933. He is survived by two daughters and a son, Jim Olds, representative in the correspondent banking department of Marquette National Bank, Minneapolis.

DANBURY: Paul J. Gahan has been elected president of the Farmers Savings Bank.

This appointment was made to fill the vacancy in the office following the formal resignation of James R. Lodwick of Denison. Herman A. Sohm was elected vice president to fill that vacancy.

Elected to the board of directors at the same meeting were Wayne Ortner and James G. Whiting. Continuing on the board are Herman A. Sohm, John J. Ortner, Russell L. Uhl, H. E. McCord and Paul J. Gahan.

The bank stock formerly held by **STUART:** Walter L. Hawley, president

James R. Lodwick and Byron W. Lodwick has been acquired by local interests.

DES MOINES: A total of 174 Iowa bankers attended the Insurance Seminar sponsored by the Iowa Bankers Association in Des Moines last week.

DES MOINES: Eloise McClure has been elected assistant cashier of the Northwest Des Moines National Bank with primary responsibilities in the mortgage loan department. She was formerly cashier of the Valley National Bank of Eagen Township in St. Paul, Minnesota.

MEDIAPOLIS: Open house will be held by the Mediapolis Savings Bank on Saturday, October 2 between the hours of 9:00 A.M. and 12 noon to honor T. R. Richardson for his 64 years of service to the community. Mr. Richardson is assistant cashier of the bank.

SHENANDOAH: Funeral services were held last week for Robert Fishbaugh, 57, president of the Security Trust and Savings Bank. He died of a heart attack following surgery at University Hospital in Iowa City. His son, John, 28, will succeed him as president of the bank.

STANTON: W. J. Grotenhuis, president of the Security State Bank, Stanton, announced a major remodeling of the bank facility. The program calls for the complete renovation of the present building to provide greater service to customers. The Kirk Gross Company of Waterloo, has the single source responsibility for the entire remodeling program.

of the First State Bank, announced that Leland Goodrich will be associated with the First State Bank as vice president and director. He was formerly employed by the Dallas County State Bank of Adel.

WATERLOO: National Bank of Waterloo will hold its annual correspondent bank party on Tuesday, September 21.

NEBRASKA NEWS

PLATTSMOUTH: David J. Duey, president and cashier of the Cass County Bank, has purchased controlling interest in the bank by buying the interests of John E. Van Horne, former bank chairman and president of Van Horne Investments, Inc., Omaha. Albert M. Hansen, a director of the bank, has been elected chairman.

SUTTON: Funeral services were held recently for Nelle A. Hoerder, 86, president of the Sutton State Bank. She had served as president since the death of her husband some 20 years ago.

TEKAMAH: R. K. Hancock, executive vice president of the Burt County State Bank, has retired from active service with the bank after 60 years in the business of finance. He recently observed his 87th birthday.

Group Meetings start in Nebraska this week, and dates and locations are as follows:

- Group 6 – Sept. 20
Elks Club, Scottsbluff
- Group 4 – Sept. 21
Dale Hotel, Holdrege
- Group 5 – Sept. 22
Yancey Hotel,
Grand Island
- Group 3 – Sept. 23
Elks Club, Norfolk

NORTH DAKOTA NEWS

WILLISTON: John M. McGinley, one-time assistant vice president of the Union State Bank, Thief River Falls, Minn., has been named president of the American State Bank. Most recently Mr. McGinley has been vice president of the First National Bank, Hastings, Nebr.

SOUTH DAKOTA NEWS

PIERRE: Open house will be held by the Pierre National Bank on Friday, September 24, according to Curtis B. Mateer, president. The bank recently completed an extensive remodeling project. Area bankers and special guests will attend a

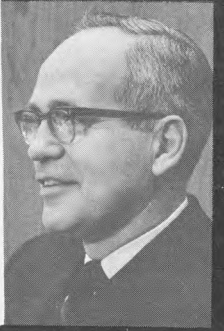
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party in the community room starting at 5:00 P.M.

MINNESOTA NEWS

District Meetings will be held this week by Minnesota bankers. Dates and locations are as follows:

- Group 1 – Sept. 20
Holiday Inn, Rochester
- Group 2 – Sept. 21
Orchid Inn, Sleepy Eye
- Groups 3-4-5 – Sept. 23
Paul Bunyon Motel,
Roseville
- Group 8 – Sept. 27
Rainbow Inn,
Cedar Rapids
- Group 9 – Sept. 28
American Legion
Thief River Falls
- Group 6 – Sept. 29
Germain Hotel, St. Cloud

CLOQUET: The City National Bank announced that Fran Lee has been promoted to installment loan officer.

DULUTH: Larry L. Gilb was named vice president of Northern City National. He has been assistant vice president, Union Bank, Los Angeles.

LAKE BENTON: Mike Carpenter has recently joined the Farmers State Bank where his duties will include banking and insurance. He was formerly affiliated with the First National Bank, Montevideo.

MINNEAPOLIS: John V. Wallace, with First National Bank of Minneapolis for 20 years and later with Bank of Minneapolis & Trust, has been named treasurer of Arrow Manufacturing Company, a hydraulic hammer firm in Denver, Colorado.

MINNEAPOLIS: Ronald D. McLellan was named controller and James T. Treanor was advanced to personnel officer by Northwest Bancorporation.

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Experienced Trust Officer, age 30 to 35 for \$18 million bank in northwestern Illinois. Salary open. Write File NBI, c/o NORTHWESTERN BANKER, 306 Fifteenth Street, Des Moines, Iowa 50309.

MORRIS: Gerald Schlueter has recently joined The Citizens Bank and will be engaged in an officer's training program at the bank. He is a graduate of Wayne State College in Wayne, Nebraska.

NEW HOPE: The fight to acquire a New Hope State Bank was returned to the State Commerce Commission as the New Hope bank applicants filed a petition for mandate.

The applicants, Milton C. Honsey, William J. Egan and Willard H. Honsey, in effect, have asked the Commerce Commission to allow a re-hearing of their bank application.

On June 16 of this year the chairman of the Commerce Commission, Edward J. Driscoll ruled that the applicants failed to prove that there is a reasonable public demand for the proposed New Hope State Bank and that the volume of business at the location was sufficient to assure and maintain the solvency of the new bank.

ROCHESTER: Northwestern National Bank has recently named Richard Swanberg as assistant vice president for computer sales and service. He will head the marketing of computer services as well as the bank's computer center, which presently services accounts for 15 other banks.



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ST. PAUL: Paul B. Bremicker, Jr., executive vice-president of the Commonwealth Detroit, will become president of Commercial State Bank on November 1. He was formerly with American National Bank and Trust Company, St. Paul. He will also serve as a director of the Commercial State.

WYOMING NEWS

LARAMIE: W. T. "Tom" Davey has been appointed vice president and trust officer of the Central Bank and Trust.

NEW PERSONALIZED PUBLICATION FOR YOUR BANK CUSTOMERS

NORTHWESTERN BANKER is now offering a new four-page quarterly publication designed to help individuals and families in your trade to better manage their personal finances.

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ROCKFORD: A permit to organize the Rockton Centre Bank of The Northwest, 3130 North Rockton Avenue, has been issued by H. Robert Bartell, Jr., commissioner of Banks and trusts for Illinois. Organizers are William H. Earnest, William J. McKeever, Theodore S. Ingrassia, Jr., and John P. Graves, all of Rockford, and Louis R. Gilbert, Loves Park. Capital is listed as \$375,000, surplus \$375,000 and reserve \$150,000.

LIABILITY...

(Continued from front page)

it becomes part of the policy. Questions regarding directors and liability policies should be obtained in writing from the insurer.

With concern for the consumer becoming more popular and liability suits more prevalent than ever before, directors and officers liability insurance is a must for many financial institutions. One underwriter reports 52 claims in the past 30 months with one-half of the suits being settled out of court.

ILLINOIS NEWS

EUREKA: First National Bank has received approval to establish a branch at 202 W. Center St.

FREEPORT: The State Bank of Freeport has announced completion of the State Bank Center. To commemorate the occasion a businessmen's open house on September 15 is planned. In addition the

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bank will also conduct a special "bank-warming" for the press on that same day.

GLENDAL HEIGHTS: First Security Bank, a new institution, has been approved for FDIC coverage. Capital accounts are \$750,000. President is Donald H. Fischer.

MENDOTA: First State Bank has received limited trust powers.

OAK BROOK: Alma Mersch has been named to head the teller department of the Oak Brook Bank. She has been assistant teller manager at Beverly Bank, Chicago.

OTTAWA: Joseph D. Dwyer, chairman of First National Bank, was honored at a dinner party September 2 for his 50 years of service to the bank. He was president from 1966 until his election as chairman in 1970.

PEKIN: First National Bank & Trust Company has received approval to establish a branch at 501 Ann Eliza Street.

PEORIA: Robert T. Stevenson has been appointed vice president in charge of the

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Larry Welch

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