Directors and Officers Liability Coverage

AmTrust offers a single-policy solution with a cost-competitive Directors and Officers Liability Coverage that is specifically tailored to meet the needs of community based financial institutions.

Side A

Side A Coverage applies when the financial institution cannot indemnify the board due to a shareholder derivative demand or as a result of bank failure. In such instances, Side A Coverage directly protects the personal assets of the financial institution's directors and officers. Coverage is provided for actual or alleged negligence, errors, omissions, or breaches of fiduciary duty by the Insured Persons in the discharge of their duties. There is no retention (deductible) applicable to Side A.

Side B

Side B Coverage applies when the Company is legally permitted or required to indemnify the Insured Persons. This Insuring Agreement provides the same protection to the Insured Persons as Side A Coverage, subject to corporate retention (deductible). The corporate retention is generally determined based on the size and complexity of the institution.

Side C

For privately-held institutions:

Side C Coverage protects the Company against losses that are not covered under any other Coverage Part. Commonly referred to as "third-party" coverage, Side C covers lawsuits brought by individuals or entities other than a borrower or a customer. AmTrust's Side C Coverage also provides optional Investigative Expense Coverage for any shareholder derivative demand made against the Company.

For publically-traded institutions:

Some insurers use Side C to extend Securities Liability Coverage to the Company. AmTrust provides Securities Liability Coverage by endorsement to the D&O Policy.

Note: Underwriting Guidelines apply to "third-party" coverage.

Coverage Extensions

- AmTrust's D&O Policy provides the Insured Persons with an additional $1 million in excess Side A Coverage at no additional charge. This coverage extension is commonly referred to as an "A-Side Tower".
- If the Insured Persons serve on the Board of Directors of any not-for-profit entity at the direction of the Company, D&O coverage extends to the Insured Persons on an excess basis over any other insurance and indemnification.

Available Enhancements

Standard policy enhancements:

- Choice of defense counsel
- Retention waived if final adjudication establishes no liability in a shareholder claim
- No Consent to Settlement Provision
- Broad Claim definition
- Defined Order of Payments (Side A claims paid first)
- Whistle-blower coverage extension
- Punitive Damages covered, where insurable by law

Available to qualified applicants:

- Non-rescindable A-Side Coverage
- 12 month non-cancellation clause
- Multi-year term at discounted rate
- Guaranteed "Post Failure" regulatory coverage
- Full past acts coverage (no retro date)

AmTrust FI Advantage

- Currently insuring over 700 banks
- Coverage available in all states except NY
- Financial Institution industry expertise
- Underwriting strength
- Innovative product solutions

Claims Examples

Side A

As a result of the bank incurring substantial operating losses, the bank's share value declines significantly. In response, a derivative action is brought by a shareholder against the board of directors. The suit alleges mismanagement and the board's failure to supervise the institution in a safe & sound manner. Note that in a shareholder derivative action, the proceeds benefit the institution, not the shareholder.

Side B

The board of a bank invests in a bond issue of a local municipality. Over time, the city defaults on its loans and the bank has to write down the investment loss, wiping out yearly earnings. A shareholder, who has come to rely on the annual dividend, files suit alleging that the board was negligent in making this investment decision.

Side C

Third-party example:

The bank leases office space to a local restaurant that shares part of the bank's building. The tenant goes out of business and sues the bank alleging that the bank breached its contract as landlord. The breach of contract allegations are excluded, but defense expenses are covered.

Securities Liability example:

A publicly-traded bank, in the process of a merger, is sued by shareholders alleging that the board was negligent because it did not consider other offers. The bank is forced to defend itself and incurs additional costs to get a fairness opinion. The costs for the fairness opinion is not covered as this is considered a normal operating expense, however, defense expenses and a portion of the settlement is covered.

Financial Strength Rating A.M. BEST A Excellent

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