

## Insurance Coverage: How Much is Enough?

*Comments provided by BancInsure, a business partner of the Oregon Bankers Association and BancSource*

How much is enough is a question you face most every time you decide how much insurance coverage you need for a particular risk. Excessive coverage limits are obviously wasteful in that they lead to higher premiums; however, too little coverage can be even more expensive. BancInsure recently paid a claim that points this fact very clearly. The bank in question had total assets of approximately \$125 million and purchased a Directors' and Officers' Liability Insurance Policy from BancInsure in the amount of \$1,000,000 with a retention (deductible) of \$25,000.

A bank decided to go through a Subchapter S conversion. The result would be that the number of shares of stock and shareholders would be reduced. Individuals that were no longer to be shareholders were to be paid fair market for their shares of stock. The conversion went through, but three of the former shareholders sued the directors of the bank alleging that the price they received for the stock surrendered was not fair. The bank and its directors initially believed that there was little merit to their claim.

As the case progressed it became apparent that the former shareholders were raising questions and issues that while defensible, presented substantial exposure to the directors. The court ordered a settlement conference. At the time of the settlement conference, BancInsure had indemnified the

directors approximately \$435,000 for defense costs. With BancInsure's approval, the matter was settled for \$1,490,000. Since BancInsure had already paid out approximately \$435,000, BancInsure contributed approximately \$565,000 toward the settlement of the matter. The bank on behalf of the directors contributed the remaining \$925,000.

While it is easy to second-guess decisions, it appears that this may well be a case of being under insured. Given today's legal climate, the litigious nature of many segments of the population and the propensity of juries to be generous in their awards, proper coverage is essential to protect your bank's capital base.

The second lesson from this story is for decisions that affect the value of the bank's stock, the bank and its board of directors should be very careful that all decisions are not only fair, but are perceived in that manner. All decisions should be supported by appropriate documentation.

*BancInsure has become a leading writer of Directors' and Officers' Liability Insurance Policies in the United States by providing a sound stable market, excellent service and fair claims treatment. If you would like to learn more about BancInsure's Directors' and Officers' Liability Insurance Policies, Financial Institution Bonds or other coverages, please contact your BancInsure marketing representative. ■*

# "What's so different about BancInsure?"



BancInsure continues to be the only full-line independent insurer specializing in banks.

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## WSBA Now Western States Card Services

*New name took effect June 30 upon sale of WSBA to The Independent BankersBank*

On July 1, 2006, BancSource business partner Western States Bankcard became Western States Card Services, a key business unit for The Independent BankersBank (TIB). The merger was designed to benefit both organizations, as well as their customers, members and stakeholders.

The combined volumes of the two entities create advantages of scale. In addition, a full slate of "no-liability" products will now be available for those member banks looking to improve their product offering and reduce the risks associated with offering a card program.

Western States Card Services employees and the current office location will remain in place and member banks will continue to work with the contact personnel with whom they are familiar and with no service interruption.

"While we already serve approximately 30% of the banks on the West Coast, we believe this underscores our commitment to expand our service to bankers throughout all of the Western states - what we view as a great market for TIB for many years to come," noted President and CEO **Michael O'Rourke**. "With this acquisition, we will now have more than 50 employees on the ground in California. In other words, community bankers on the Pacific Coast can rest assured that TIB is entrenched and will be here to serve them for the long haul."

TIB is the nation's second largest bankers bank, with \$1.5 billion in assets and a broad spectrum of services for community and regional banks. Questions regarding this business merger can be directed to **Keith Thompson** in Business Development at Western States Card Services at [ktompson@wscsonline.com](mailto:ktompson@wscsonline.com) or (503) 587-9600. ■

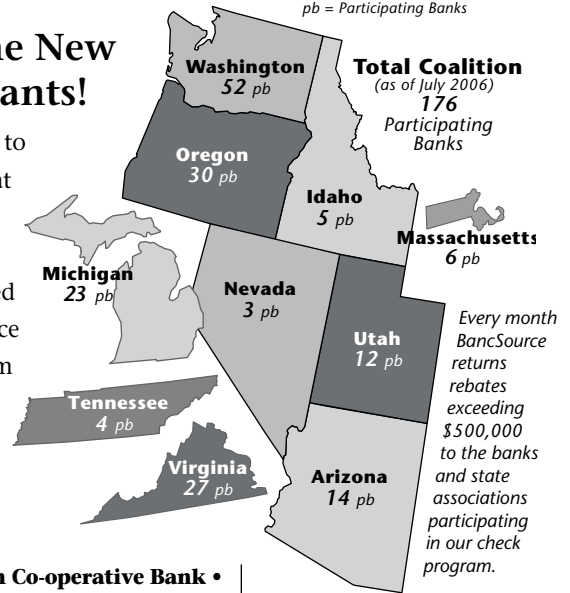
## Check Program Highlights

### BANCOURCE CHECK PROGRAM

*pb = Participating Banks*

### Welcome New Participants!

We are proud to announce that the following banks have recently joined our BancSource check program coalition:



- **Athol-Clinton Co-operative Bank** •  
Athol, Massachusetts
- **Bank of Cape Cod** •  
Hyannis, Massachusetts
- **Butler Bank** •  
Butler, Massachusetts
- **Wrentham Co-operative Bank** •  
Wrentham, Massachusetts
- **The Dart Bank** •  
Mason, Michigan
- **Superior National Bank** •  
Hancock, Michigan

- **First Alliance Bank** •  
Cordova, Tennessee
- **Security Bank** •  
Paris, Tennessee
- **First Federal S & L** •  
Martinsville, Virginia
- **Mountain Pacific Bank** •  
Everett, Washington
- **State National Bank** •  
Spokane, Washington

IN PARTNERSHIP WITH  
**HARLAND**

## New Program Assistant Joins BancSource Team



BancSource and the Oregon Bankers Association are pleased to welcome **Andee Rose** to the BancSource professional team. With six years experience in fields ranging from customer service to marketing and web development, Rose will be working to continually improve and expand BancSource programs and services.

As program assistant, Rose's responsibilities include administration of the new BancSource website at [www.bancsource.com](http://www.bancsource.com). She will also take responsibility for two fraud fighting solutions – the Fraud-Net online database and the ThumbPrint Signature program.

Rose will be an important customer contact point at BancSource, providing quality support and service to a diverse constituency that includes business partners, OBA members, and the state banking association staff and bankers in the BancSource marketplace that now includes ten states.

A native Oregonian, Rose currently resides in Salem, a short distance from the town of Dallas where she grew up. She graduated from Portland State University with a Bachelors of Science Degree.

**Contact Information: Andee Rose**, Program Assistant • BancSource • P.O. Box 13429 • Salem, OR 97309 • [arose@bancsource.com](mailto:arose@bancsource.com) • (503) 581-3512 • (503) 581-8714 fax ■

## OBA Joins AARP Oregon to Release Survey that Highlights Financial Assistance Needs of Older and Disabled Adults

Older Oregonians and adults with cognitive disabilities need help managing finances, according to a new survey commissioned by AARP Oregon.

The statewide survey results were released at an event in July with Oregon Attorney General **Hardy Myers**, the Oregon Bankers Association and AARP Oregon. The events highlighted a local program – the Clackamas County Volunteer Connection – that’s been lauded as a national model in addressing these needs and helping at-risk Oregonians manage and protect their finances.

“The survey of nearly 700 bank managers and social service providers demonstrates a tremendous need in Oregon to assist vulnerable adults with money management,” said **Jerry Cohen**, AARP Oregon state director.

Both groups reported that their clients sometimes face issues such as financial abuse, unpaid bills or bills being paid late, buying unneeded items or services, and difficulties understanding financial materials.



“The survey verifies what we’ve been hearing anecdotally for years – that many older adults and adults with cognitive disabilities face great challenges managing their money,” Cohen said. “This creates a tremendous barrier to independent living and opens the doors to fraud and abuse.”

Cohen explained that the AARP Foundation helps support three efforts – dubbed the Money Management Program or MMP – to date in three counties in Oregon (Clackamas, Jackson and Lane) that work to overcome these barriers and help older and disabled adults in

need. These programs utilize volunteers, including many AARP members, to serve as representative payee and/or bill payer for lower-income, at-risk adults.

“Oregon’s elder population is one of the fastest growing in our state making it a prime target for financial abuse,” Oregon Attorney General Hardy Myers said. “We must all work to safeguard our older and disabled residents from the unscrupulous actions of strangers and family members by supporting programs such as Oregon’s Money Management Program. Not only has this program proven to be an effective help mate for lower-income, at-risk adults in paying bills, but volunteers also have been the first to discover abuses while assisting participants.”

“Oregon bankers have a nationally-recognized track record and longstanding commitment in helping prevent, educate, detect and report elder financial abuse,” said **Linda Navarro**, president and CEO of the Oregon Bankers Association. “The survey reinforces the need for our continued and expanded efforts in providing assistance to our older and at-risk customers through partnerships and programs like Money Management.”

Participation in the survey represents another effort by the OBA to insure financial security of elderly clients. The OBA is noted nationwide for its “Banker’s Kit” which teaches front line staff about spotting elder abuse. The OBA and AARP Oregon participated together in **Governor Ted Kulongoski’s** Elder Abuse Task Force in 2004. This past June, the OBA helped finance a series of public service announcements, along with AARP Oregon and the Department of Justice, on reporting suspected elder abuse.

“We applaud the efforts of bankers in Oregon for their vision and leadership to stop elder abuse in its tracks,” said Cohen. “We hope our partnership on this issue continues for many years.” ■

### New Directors Join the BancSource Board

Several Oregon bank executives recently joined the BancSource Board of Directors:

- **Rick Roby**, President & CEO, Columbia Community Bank, Hillsboro
- **Ron Shoemake**, Executive Vice President & COO, MBank, Gresham
- **Robert Ward**, President & CEO, Home Valley Bank, Grants Pass
- **Lark Wysham**, Executive Vice President & CFO, Citizens Bank, Corvallis

These directors join a talented and committed group of board members led by Chair **Cindy Purcell**, executive vice president and chief operations officer of Banner Bank in Walla Walla. ■