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Is Your Bank's Insurance Exam-Ready?

10 questions to check whether your community bank's insurance program is ready for your next exam

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Examiners are asking community banks harder questions about their cyber insurance. They don't want to know whether you have insurance, but whether the board understands what this insurance covers. Whether the limits are aligned to your risk assessment. Whether the policies (cyber, fidelity bond, D&O) work together when a wire fraud or a vendor outage hit. Most community banks cannot confidently answer these questions, as the answers are hidden in the policy language, 50+ pages of definitions, exclusions and endorsements.

These ten questions are a quick checklist, drawn from the analysis I do in the Risk Intelligence Report. If you can answer all of them with confidence, good for you. If you can't, you know where the gaps are and what to fix.

Review each question and see whether you can answer it from your actual policy language, not from a renewal summary or coverage overview, which typically only describe what was purchased, not what is excluded.

1 BOARD GOVERNANCE

QUESTION 01

Has your board reviewed what the cyber policy covers and excludes - not just approved the premium?

Cyber insurance is the area examiners are scrutinizing most. They want evidence of board-level coverage review, not broker reliance.

- ☐ **Yes**
- ☐ **No**
- ☐ **Not Sure**

QUESTION 02

Have you documented a rationale connecting your coverage limits to your risk assessment?

A $1M cyber policy on a $500M bank will draw examiner questions.

- ☐ **Yes**
- ☐ **No**
- ☐ **Not Sure**

2 POLICY COVERAGE

QUESTION 03

Does your fidelity bond's social engineering sublimit reflect your wire transfer volume?

Wire fraud is the #1 loss for community banks. Many bonds carry sublimits that haven't been adjusted for current transaction volumes.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 04

After a data breach, which policy covers your directors' personal liability? Are you sure?

If D&O excludes cyber-related claims, and the cyber policy doesn't include board liability coverage, no policy responds. This is a common gap I find.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 05

If your core banking vendor went down for a week, would your cyber policy cover your lost income?

Most banks depend on a single core platform. Check whether your dependent business interruption coverage applies to vendor outages, and whether the sublimit covers a realistic scenario.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 06

Does your cyber business interruption include interest income?

Community banks earn 70–85% of their revenue from net interest income. Most cyber BI definitions exclude it.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 07

If a wire fraud triggered all three policies simultaneously, do you know what your total recovery would be?

Defense costs inside the limit, cross-policy exclusions, and deductible stacking can reduce your recovery to a fraction of what the declarations pages show.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 08

Have you compared your carrier's security warranty requirements to your most recent IT audit?

If your IT environment doesn't match what you warranted on the insurance application, the carrier can deny the claim.

- ☐ Yes
- ☐ No
- ☐ Not Sure

3 POLICY INTERACTIONS

QUESTION 09

Does your cyber policy cover the cost of responding to a regulatory inquiry after an incident?

Regulatory response coverage is often sublimited or excluded. If it's not in the cyber policy, check whether D&O picks it up, or whether its exclusion blocks it.

- ☐ Yes
- ☐ No
- ☐ Not Sure

QUESTION 10

Has anyone mapped the exclusions across your cyber, bond, and D&O policies to find where each carrier points at the others?

Each policy's exclusions create gaps the other two policies won't fill. Without reading them together, you won't see the seams.

- ☐ **Yes**
- ☐ **No**
- ☐ **Not Sure**

If some of these questions were hard to answer with certainty, you are not alone – that is common. I find similar coverage gaps across many carriers. None of these questions can be answered from reading just the declarations page. They require a thorough analysis of the policy language.

A **Risk Intelligence Report** answers all ten of these questions, and more, for your specific policies. The report analyzes your cyber, bond, and D&O policies together, maps which policy responds to common incident scenarios, and identifies coverage gaps with specific dollar amounts, and recommend steps to fix them. And you get board-ready documentation before your next examination.