



COMPANIES, CREDIT UNIONS, AND TRUST COMPANIES

TO: Supervision Staff

CC: Georgia State-Chartered Banks and Credit Unions

FROM: Melissa Sneed
Deputy Commissioner for Supervision

SUBJECT: FIDELITY BOND AND D&O COVERAGE FOR FINANCIAL
INSTITUTIONS

DATE: March 8, 2021

It shall be the policy of this Department that all financial institutions conduct a comprehensive review of the adequacy of fidelity coverage for the financial institution by the Board of Directors (Board) or a committee thereof constituting at least two directors that are not members of the management team. These reviews may be performed by legal counsel, competent consultants, or directors or staff with sufficient expertise but should be independent of the insurance agent. The reviews should be repeated at least every three years and/or if the financial institution's level of risk exposure changes or management makes significant fidelity changes including coverage, policy, or carrier. Additionally, the Board should at least perform an annual review of the financial institution's risk and insurance management program in the risk management process. Financial institutions that have not conducted such a review and made a written report to the Board within the past 3 years should be reminded of this supervisory policy or of material inadequacies of insurance coverage within the Report of Examination.

The decision to carry directors' and officers' liability insurance coverage is an option of the financial institution depending on the permissive language contained in its bylaws for indemnification of directors and officers while conducting their official duties. The directors' and officers' liability insurance does not accrue to the financial institution but rather protects the individual directors.