



DBF GUIDANCE FOR GEORGIA STATE-CHARTERED BANKS, BANK HOLDING COMPANIES, CREDIT UNIONS, AND TRUST COMPANIES

TO: Supervision Staff

CC: Georgia State-Chartered Banks and Credit Unions

FROM: Melissa Sneed
Deputy Commissioner for Bank Supervision

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

DATE: May 25, 2018

It shall be the policy of this Department that all financial institutions conduct a comprehensive review of the adequacy of fidelity coverage for the bank by the Board of Directors or a committee thereof constituting at least two outside directors. These reviews may be performed by experienced legal counsel, or competent consultants, but should be independent of the insurance agent. Financial institutions that have not conducted such a review and made a written report to the Board of Directors within the past 3 years should be reminded on the Examination Conclusions and Comments page or appropriate risk management question if Risk Management pages are included in the examination report of this supervisory policy or of material inadequacies of insurance coverage observed. The reviews should be repeated at least every three years and/or if the bank'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 bank's risk and insurance management program in its risk management process.

The decision to carry directors' and officers' liability insurance coverage is an option of the bank 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 bank but rather protects the individual directors.