

Property and Business Liability

Protection beyond the policy



Your credit union is often responsible for covering damages to property, data, and people. Don't sell your credit union short.



In 2016 there were 971 tornadoes in the US.¹



At least 25% of businesses that close after destructive events never reopen.²



Fire departments respond to a fire every 23 seconds in the U.S.³

YOUR CREDIT UNION IS TOO IMPORTANT TO SETTLE FOR LESS.

With our Property and Business Liability (PBL) policy, you get flexible, innovative coverage solutions—including an optional endorsement for drones—that are essential to protecting your credit union from the unexpected—and sometimes devastating—property and casualty exposures. You also get direct, multi-channel access to our team of Risk & Compliance consultants and to valuable resources—including enhanced interactive online forms and applications—so you can focus on what matters most.

RECENT POLICY CHANGES

The recent policy changes highlighted below reflect our ongoing commitment to add value and to protect our policyholders from hidden risks.

Business Liability Coverage: New coverage is available for drones (unmanned aircraft) used for business purposes. Optional endorsement addresses liability exposures associated with this expanding risk, including liability coverage for Bodily Injury, Property Damage, Personal Injury, and Advertising Injury.

Real Estate Mortgage Operations (REMO) Coverage: New change allows for the option of splitting coverage for residential and commercial loans; each with their own separate limit and deductible.

Building Coverage / Business Personal Property Coverage / Builder's Risk Coverage: New Named Storm Deductible / Calendar Year Deductible endorsement (replaces Windstorm or Hail Deductible endorsement) in coastal areas.

TO LEARN MORE ABOUT OUR COMPREHENSIVE PROPERTY AND BUSINESS LIABILITY POLICY, contact your Sales Executive at [800.356.2644](tel:800.356.2644) or email cuprotection@cunamutual.com



The descriptions and loss scenarios below and on the following pages help to illustrate common exposures your credit union may face. They also demonstrate the multitude of ways CUNA Mutual Group's Property and Business Liability helps to protect and mitigate your unique risks. Coverage is dependent upon your policy and the actual facts of the claim(s).

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
BUILDING – SPECIAL	Covers credit union buildings, including signs, fences, and light fixtures, against all causes of direct physical loss except those excluded, such as flood and earthquake. Coverage for accidental breakdown of air conditioning units and electrical distribution equipment is also provided. Glass coverage is provided for all covered causes of loss in the building coverage, including coverage for vandalism and building settling. Covers a 15% Increase in Rebuilding Expenses following a declared state of disaster by federal or state authorities. Damage caused by interruption of service by off-premise utilities is covered.	<ul style="list-style-type: none"> • A coffee pot is left on over the weekend in the credit union's owned building, causing extensive smoke and fire damage throughout the credit union (covered up to the limit of insurance; the Coinsurance Condition does not apply to a covered loss of \$100,000 or less.) The furniture is covered under Business Personal Property-Special. • A violent thunderstorm shatters many windows in the credit union building. Water stains the walls and the wood flooring (windows, wood flooring and walls are all covered up to the limit of insurance).
BUSINESS PERSONAL PROPERTY – SPECIAL	Covers credit union business personal property, including furniture, equipment and supplies, against direct physical loss by all perils except those excluded, such as flood and earthquake. Damaged property is replaced or repaired without deduction for depreciation.	<ul style="list-style-type: none"> • The pipes break in the credit union and water damages the credit union's furniture. • The credit union has an exhibit to promote membership at the local college fair. The exhibit is totally destroyed by a tornado (covered under the Flexible \$ 1 Million Blanket Extensions of Coverage).
DATA PROCESSING EQUIPMENT	Pays up to the limit for the cost of repair or replacement of Data Processing Equipment (hardware only). Data Processing Equipment includes computers, printers, monitors, telephone systems, copy machines, fax machines, mobile communication equipment, checking and share draft processing equipment. The coverage insures against direct physical loss by all perils except those excluded. Includes coverage for flood, earthquake and power surge damage that originates outside the equipment. Extensions of coverage include up to \$100,000 for your data processing equipment while located at the homes of your directors, volunteers or employees. Also provides up to \$100,000 coverage for your covered Data Processing Equipment (you own, lease or operate) while in transit or temporarily at a location anywhere in the world.	<ul style="list-style-type: none"> • A power surge damages the credit union's home banking server. • Following a heavy rainstorm, a credit union's data processing and telephone equipment located in the credit union's lower level, are damaged by flood.
OPTIONAL GREEN BUILDING AND /OR BUSINESS PERSONAL PROPERTY UPGRADE	Covers credit union buildings and/or business personal property that is currently not "green" but that the credit union intends to upgrade to green against direct physical loss by perils except those excluded.	<ul style="list-style-type: none"> • A credit union owned building and/or Business Personal Property that is not currently "green" and has the Green Upgrade Endorsement is damaged by lightning and fire following the lightning strike. The Building Coverage - Special covers the building replacement up to the limit of insurance and the Business Personal Property Coverage - Special covers the Business Personal property up to the limit of insurance. The Green Upgrade covers the cost to repair and/or the replacement cost of the Building and Business Personal Property upgrading that damaged portion of the Building and/or Business Personal Property to "green", subject to the lowest of either the dollar amount shown for Green Upgrade on the schedule in the endorsement, the amount equal to loss times the Increased Cost of Loss % on the schedule in the endorsement or the actual cost of the green upgrade.

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
LOSS OF RENTAL INCOME	Protects the credit union's interest in rental income from others it may lease space to, in the event leased space becomes unusable because of damage or destruction by a covered cause of loss. The coverage limit selected should be equal to at least 12 months of rental income.	<ul style="list-style-type: none"> A fire damages office space occupied by a tenant. While repairs are being made, the credit union loses several months of rental income.
EXTRA EXPENSE	Covers extra expenses, over and above your normal operating expenses, that are incurred due to a covered loss to the building and/or business personal property – to avoid or minimize the suspension of the credit union business. For an off-premise service interruption, the extra expense you incur after the service has been interrupted for 12 hours will be covered as well as loss that results from a dependent business premises including premises operated by others where debit, credit or other card processing services are performed.	<ul style="list-style-type: none"> A fire damages the credit union's office, and the credit union incurs extra expense to continue operations in a temporary office location for three months. A tornado knocks out power lines two miles from the credit union, resulting in an interruption in electrical current to the credit union for five days. There is no physical damage to the credit union office. The credit union incurs extra expense to continue operations until the electrical service is restored.
DATA PROCESSING – EXTRA EXPENSE	This coverage pays for the actual and necessary “extra expense” you incur to continue your business activities after a “loss to your data processing equipment/operations.” This includes extra expenses after a direct physical loss to the facility housing the data processing equipment which prevents its use, interruption of services to the premises, or damage to the property coverage under Data Processing – Equipment Coverage. Covered costs may include third-party data processing fees, data processing equipment rental costs, manual recordkeeping costs, etc. Covers loss that results from a dependent business premises, including premises operated by others where debit, credit or other card processing services are performed.	<ul style="list-style-type: none"> The water supply to a credit union's data processing center is cut off as the result of a storm, and cannot be occupied until the water is reconnected. The credit union must establish a temporary data processing center including renting and installing computers and other data processing equipment, which is covered.
BUILDER'S RISK/ COMPLETED VALUE	Provides coverage on buildings, while under construction or undergoing major alteration, against all causes of direct physical loss or damage, subject to specified exclusions and limitations. Theft of building materials or supplies not attached to the building are covered, subject to a separate theft deductible.	<ul style="list-style-type: none"> During construction, a credit union is hit by a devastating windstorm, collapsing its partially constructed addition to its main building. Before it is fully constructed, a credit union's new branch location building is damaged by vandals. Hammers and shovels were used to punch holes in the walls and smash the bathroom facilities.
ATM	Provides Blanket Physical Damage coverage worldwide on automated teller machines, including kiosks housing the machines – money is not covered. The definition of ATM includes a loan application device and Personal Teller Machines. Coverage is provided against all causes of loss except those excluded. Flood, earthquake and broad electrical injury damage from a power surge are covered. Coverage is provided on a replacement cost basis (i.e., limit of coverage is replacement cost). Robbery Reward is an extension of coverage under ATM coverage. A reward of up to \$5,000 for any one occurrence is available for information that leads to the conviction of a person causing bodily injury during a robbery at an ATM.	<ul style="list-style-type: none"> A credit union with 1 off-premises ATM has that ATM severely damaged by people trying to steal the money located inside. ATM coverage would provide coverage for the damaged ATM. A credit union with ATMs on- and off-premises has one damaged by lightning, another damaged by thieves a third damaged by an auto and a fourth damaged by a flood. ATM coverage would provide coverage for the damaged ATMs, subject to full reporting at the beginning of the policy period.
VALUABLE INFORMATION	Pays expenses to reconstruct share records, loan records, and other accounts receivable contained on ledgers or data processing media, software and the media on which the data is recorded. In addition, it pays expenses to replace or reconstruct valuable documents, such as mortgages, loans, and abstracts. Coverage is also provided for losses due to flood, earthquake, and computer virus.	<ul style="list-style-type: none"> A computer virus or a malicious attack by a hacker through the home banking system destroys electronic loan files. The credit union is unable to collect loans and interest charges on these loans because of the damage to the electronic files. The credit union incurs expenses to hire programmers, consultants or other technical specialists to re-establish and restore the data, plus expenses for necessary research.

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
REAL ESTATE MORTGAGE OPERATIONS	<p>This coverage was developed to insure against loss exposures associated with the credit union's mortgage lending operations and to meet the insurance requirements of the Secondary Market (Fannie Mae, Freddie Mac, etc.) and the Flood Disaster Protection Act (FDPA) (flood zone determination). The policy offers both property protection and liability protection including lack of or inadequate insurance, Real Estate Tax Liability, and errors in placing foreclosed property coverage. The credit union may have different limits of coverage and different deductibles for residential and commercial mortgages.</p>	<ul style="list-style-type: none"> • A credit union has an established and enforced procedure that requires members to provide written confirmation of property insurance coverage at closing, listing the credit union as mortgagee. Due to an error, the credit union is not listed as mortgagee on the member's property insurance policy, and when the member allows the insurance policy to lapse, no notice is sent to the credit union. Several months later the member's house is destroyed by fire and the member defaults on the mortgage loan. The credit union forecloses and sells the land. After the proceeds of the sale are used to reduce the loan balance, the remaining unpaid loan balance is presented as a claim. • A credit union forecloses on a dwelling but a credit union employee forgets to obtain foreclosed dwelling insurance. The dwelling's roof and siding is later damaged by wind. Payment is based on the amount of coverage the foreclosed dwelling insurance would have been placed for (minus the deductible and depreciation, and limited by the amount in the declarations) had foreclosed property insurance been in place. • A credit union escrows property insurance premiums on mortgaged real estate and has a procedure to pay the member's property insurance premiums directly to the member's insurance company. Due to a credit union employee's error, the homeowner's insurance premium is not paid and the policy is canceled. Lightning damages the member's dwelling and the resulting fire also damages the member's household personal property. The member moves into a rental property while the home is being repaired. The member sues the credit union for not paying the homeowner's premium. CUNA Mutual Group retains an attorney to defend the lawsuit. A settlement is reached with the member for the damages and expenses. The attorney's fees, settlement and settlement costs are covered up to the policy limit. • A credit union fails to place flood insurance as required by the FDPA and the home is flooded. The flood damages are covered up to the policy limits. • A credit union escrows real estate taxes on mortgaged real estate and has a procedure to pay the member's real estate taxes directly to the city tax office. Due to a credit union employee's error, the member's real estate taxes are paid several months late. The city assesses interest, fines and penalties for the late payment on the taxes. • A credit union grants a loan guaranteed by the Federal Housing Administration (FHA). The loan goes into default, but in error an improper and late notice is given by the credit union to FHA of the default. FHA denies the credit union's claim under the mortgage guarantee insurance due to the improper and late notice. The amount of covered loss is based on what FHA would have paid had there been no employee error.
MORTGAGE RECORDING	<p>Provides coverage for a credit union's direct loss due to an employee's error or accidental omission that violates credit union operating procedures in preparing, recording or releasing the credit union's security interest on real estate-secured loans. Mortgage Recording coverage does not cover the failure to obtain or maintain any type of insurance.</p>	<ul style="list-style-type: none"> • A credit union grants a mortgage loan to a member, but in error a credit union employee misplaces papers and forgets to record the mortgage. The member later obtains a loan from a bank that properly records the bank's mortgage interest giving the bank a superior lien over the credit union. After the member defaults on the credit union loan, the credit union is unable to assert its lien due to the bank's superior lien. A claim is made under the credit union's Mortgage Recording coverage. The date of loss is the date on which there has been no payment to principal and or interest for 90 days.

COVERAGE	DESCRIPTION	LOSS SCENARIO(S)
BUSINESS LIABILITY	<p>Provides coverage for bodily injury, property damage, personal injury, and advertising injury liability exposures of the credit union arising out of premises and business activities of the credit union and its employees, volunteers, and directors. Defense coverage is provided in addition to the limit of insurance. Business Liability also covers the policyholder for claims for bodily injury or property damage resulting from the negligent acts of an independent contractor. Also includes property damage legal liability up to the limits. This insurance is primary and non-contributable for Additional Insureds. Unintentional Failure to Disclose Hazards does not prejudice the coverage.</p>	<ul style="list-style-type: none"> • A coffee pot in the employees' break room causes a fire, destroys the rented building, and results in smoke damage to neighboring businesses. • A credit union rents a meeting room in a hotel for credit union business. Water damages the hotel from overflowing plumbing due to alleged negligence by the credit union, and a suit is filed for water damages. • A person slips on a torn rug in the credit union and falls, breaking their hip. The person sues the credit union for negligence. • A suit is filed for copyright infringement, alleging that the credit union scanned copyrighted material into digital format for use on its Web site without permission from the owner of the copyright. • The credit union uses a character or figure in a marketing brochure or on the credit union's Web page without proper permission from the party with the copyright. The party holding the copyright sues for the usage of this character or figure. • A teller discloses a member's financial information to a neighbor, breaking the confidentiality and security of this information. The member sues for the violation of their right of privacy. • A credit union employee observes a group of three people congregating in the lobby, becomes suspicious and calls the police. The three people sue the credit union based on alleged discrimination, and false arrest. • A prospective member is denied membership in the credit union and alleges that the denial was discrimination-based. • A member slips on ice in the credit union's parking lot and breaks her leg. • A member is physically injured during a robbery attempt at the credit union's branch. • A member's car is damaged when the credit union's drive-through structure collapses due to weight from ice and snow. • A building contractor leaves an uncovered hole at the credit union construction site and a person falls into the hole.
BUSINESS LIABILITY – MEDICAL PAYMENTS	<p>Pays reasonable expenses, up to \$5,000 (\$10,000 optional) per person in any one occurrence, when a third party is injured by an accident arising out of ownership or use of credit union premises or off-premises operations. Negligence is not a prerequisite for medical payments coverage. Sublimit of \$5,000 for mental anguish with no physical injury.</p>	<ul style="list-style-type: none"> • A member trips on his/her own shoelaces while in the credit union lobby and sustains a bone fracture. There is no legal liability or negligence on the credit union's part. The member seeks reimbursement of \$2,500. • The child of an employee is injured while playing an athletic game at the annual credit union picnic. A claim is made for \$600 in medical expenses.
EXCESS LIABILITY	<p>Provides additional limits over Business Liability, Business Auto Liability, Contingent Auto Leasing Liability, and Employer's Liability (under the Workers Compensation Policy or Employer's Liability Endorsement) coverages.</p> <p>It pays amounts the insured is legally obligated to pay resulting from injury or damage to which the underlying insurance applies, or would have applied if underlying limits hadn't been exhausted.</p>	<ul style="list-style-type: none"> • A person is paralyzed as a result of an automobile accident in which a credit union employee went through a stop sign while driving his automobile on credit union business. The paralyzed person files a lawsuit seeking damages of \$5,000,000. • A person is attacked and severely beaten after withdrawing money from a credit-union-operated ATM. The injured person files a lawsuit seeking damages of \$10,000,000. • A credit union is sued for \$5,000,000 for trademark infringement for its use of a name or service mark that is allegedly similar to another financial services company. • A credit union is a tenant in an office building. The building is destroyed by fire, and the building owner files a lawsuit seeking \$7,000,000 in damages, alleging that the fire was a result of the credit union's negligence. • A credit union member is run over by a reposessor's tow truck during an attempted repossession of the member's car. The member claims that the reposessor is an agent of the credit union, and sues for \$4,000,000 for bodily injuries and mental suffering.

Unmatched risk and compliance resources backed by industry-leading coverage.

You get more than a policy.

One of the unique advantages of working with CUNA Mutual Group is your gaining direct, multi-channel access to a seasoned team of risk and compliance consultants. With their expertise and diversified backgrounds in accounting, claims, fraud/criminal investigation, as well as credit union and other financial institution experience, you can stay ahead of today's ever-evolving risks.

CUNA Mutual Group Risk & Compliance Resources



1:1 Analyses & Consultations

- Thousands of analyses, assessments, and consultations conducted with Bond policyholders annually



Protection Resource Center

- **RISK Alerts** with actionable insights
- **Whitepapers, checklists and guidelines**
- **Online Risk Assessments** with focused recommendations
- **Webinars and Education**



Bondability Verification

- 40+ years of credit union claims data
- 50,000+ annual verifications completed saving Bond policyholders millions of dollars in 2016

SOURCE: 2016 CUNA Mutual Group Risk Management internal data.

Contact your sales executive to discuss the risk management services available from CUNA Mutual Group at **800.356.2644**.



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¹2016 Data from the National Weather Service (NWS) ²https://www.floodsmart.gov/floodsmart/pages/flood_facts.jsp ³National Fire Protection Association, Trends and Patterns of U.S. Fire Loss, 2016

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CUPRM, PBL-1719644.1-0217-0319