















FRATES
INSURANCE
& RISK MANAGEMENT

ACRISURE
AGENCY PARTNER

Bank Card Protector Policy



Coverage Highlights

-  Per Card Deductible \$1,500 (minimum)
-  Per Occurrence Maximum Deductible \$10,000 (minimum)
-  Limits up to \$500,000 can be purchased.
-  Broad definition of Damages - Includes unauthorized use of a debit card number without authority of cardholder.
-  Coverage includes use of a debit card in an Internet transaction.
-  60-day notice of discovery of loss.
-  Covers loss caused by a Data Breach.
-  Worldwide coverage (fraud can occur anywhere).
-  Covers loss when card number is used as a result of Identity Theft.
-  Broad definition of Bank Card - any plastic card issued, not restricted to debit card only.
-  Covers loss from skimming.
-  Underwritten by A+ Rated Carrier

Differences between AIG Insurance's Bank Card Protector Policy and Other Policies

1. Other Policies offer coverage for a counterfeit card, but the definition requires that the card must be encoded, embossed or printed with the cardholders account information. This would cover an actual card that is duplicated but may not cover a 'white card' or an Internet transaction that does not include a physical card.
 2. Other Policies include a requirement that the Insured must have a signed application for coverage. This requirement eliminates a bin hit/card generator scheme. In these type losses a fraud gang actually generates cards and card numbers from software that uses a bank's Bin number to generate random numbers assigned to the bank from the card association. Sometimes they use Bin numbers from banks that are no longer in existence but have been merged into the Insured. They then use the cards internationally, in places like Madrid, Hong Kong or London.
 3. Another condition to some other policies is the funds must be verified. This will eliminate any off-line transaction. Every on-line system goes down each day for updates when they go down transactions are processed off-line. Fraudsters use this time to process transactions from International systems hoping to avoid declined transactions.
 4. Another condition is the transaction must not exceed the cardholders balance for coverage. This will or may exclude coverage if the bank has either an overdraft privilege or the account is tied into a line of credit such as a second mortgage line of credit.
 5. Most policies have an Exclusion that voids coverage if the Insured can legally chargeback the transaction to the cardholder. This may create a grey area with respect to Regulation E. If the cardholders' card is skimmed and the cardholder is not aware of the card being compromised the customer cannot comply with Regulation E notification requirements. In this case the bank would cover the loss but would not be covered by most other carrier's insurance.
 6. Most coverage would not cover a loss caused by a transaction through the Internet when approved by either Verified by Visa or MasterSecure. Banks are now liable for Internet transactions when the cardholder has signed up for either system.
- All the above situations would be covered by the AIG Policy. In addition, our deductible is a per card deductible of \$1,500 vs. most competitors \$5,000 or higher deductibles. AIG also offers a separate policy; losses in the Bond will not affect the experience of this policy and vice versa.

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Bank Card Protector Policy

Unique State-of-the Art Protection for Bank Cards

<p>What Is my exposure?</p>	<p>Bank Cards dominate transaction volumes with over 80 Billion transactions in 2013 and growing. Recently (in the first quarter of 2015), U.S. Debit Card purchase volume exceeded Credit Card purchase volume for the first time ever. Fact is Fraud is growing at almost the exact pace as transactions with fraud losses exceeding \$2 Billion in 2013.</p>
<p>What is the impact of Fraud?</p>	<ul style="list-style-type: none"> • Fraudsters know what they are after. • Attacks are highly sophisticated. • Significant increase in counterfeit fraud. • Phishing fraud on the rise. • Key logging fraud. • Skimming fraud • Merchant Data Breach.
<p>What kinds of Fraud losses have been covered?</p>	<ul style="list-style-type: none"> • A group of fraudsters produce card numbers randomly using a financial institution's BIN numbers. Some of the transactions go through the system through a backup line and cause the bank a loss. This would be covered even though no actual card ever existed. • We recently had about 2 dozen banks submit claims to reissue cards that were involved in the Target breach. Costs varied from \$3.50 per card to \$8.75 per card. These claims were paid under the Compromised Cards Extra Expense Insuring Agreement. • We have several cases where financial institutions have experienced many cards fraudulently used as a result of a data breach at a merchant. One bank had over 300 cards fraudulently used because of the Home Depot breach. The total loss to the bank was approximately \$74,000 which was about \$250 per card. No single card had fraud over \$500.00. The financial institution had a maximum loss deductible of \$10,000 therefore we paid \$64,000 on the loss.
<p>What Else?</p>	<ul style="list-style-type: none"> • Approximately 65% of all paid losses were from international transactions. • Risk Management analytics are recommended but Fraud will still occur. • Financial Institutions are 100% liable for fraudulent Debit Card transactions.
<p>Advantages of the Bank Card Protector</p>	<ul style="list-style-type: none"> • Worldwide Coverage. • Low Deductibles. • No Adverse Experience on the Financial Institution Bond. • Best Rated "A+" Carrier.



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Frequently Asked Questions

Q: Does it cover international transactions?

A: Yes, the policy covers fraudulent transactions from anywhere.

Q: Are H.S.A. card transactions covered?

A: Yes, the definition of a bank card is any plastic card used to debit or credit an account.

Q: What if the merchant doesn't use verified by visa or MasterCard secure code?

A: The policy covers fraudulent transactions approved by Verified by Visa and Master Card Secure Code therefore if either of those systems approves a transaction which results in the client being liable the policy will cover the loss.

Q: What types of fraudulent transactions are covered?

A: The policy covers the fraudulent use of a Bank Card when it is lost, stolen or counterfeit by a person or persons other than the authorized cardholder without the permission of the authorized cardholder. In addition, stolen means using a bank card's identification number without authority of the cardholder. The use of the bank card number would include skimming and data breaches of an entity other than the Insured.

Q: What if a fraudster finds and uses a pin number?

A: If a fraudster uses a Bank Card and PIN, the Policy would provide coverage as long as the authorized cardholder did not authorize the transactions.

Q: What if I approved a family member to use my card, but their friend uses it with their approval not mine?

A: If the cardholder authorizes a family member to use the Bank Card and they in turn let a friend use the card the policy would cover those fraudulent transactions since the family member had no authority to let someone else use the card.

Q: What if more than one card is used in the same fraudulent event, will I have to pay the per card deductible for every card?

A: Yes, each card has its own per card deductible, but the policy also includes a maximum deductible per the same fraudulent event.

Q: Can I have a larger deductible then \$1,500 per card, and will it save us money?

A: Yes, larger deductibles are available at a reduced premium.

Q: If I receive a Compromised Card Alert will this policy pay any of our out of pocket expenses?

A: The policy can be endorsed to include Compromised Card Extra Expense coverage. This coverage will pay for expenses such as notification expense, cost of the new card and mailing.

Q: What does Annual Aggregate Limit mean?

A: Annual Aggregate Limit means the total amount of loss the policy will pay during the policy period.

Q: Does the Policy cover the fraudulent use of the card at an ATM?

A: Yes, it covers the fraudulent use of a Bank Card at an ATM anywhere in the world.

Q: Does the policy cover non-face-to-face transactions such as fraudulent transactions on the Internet?

A: Most non-face-to-face transactions are the liability of the merchant; however, transactions approved by either Verified by Visa or Master Card Secure Code are the Card Issuing Bank's liability and are covered by the policy.

Q: How long is the policy written for?

A: Each policy is written for one year.

Q: Who handles my Claims?

A: All claims are adjusted by AIG Insurance, but Frates Insurance and Risk Management will assist all Insureds with their claims.

Q: What is an electronic Terminal?

A: An electronic terminal is any device other than a personal computer, telephone or facsimile machine that allows an authorization of a debit or credit to an account.

Q: If a card's magnetic strip is changed by a skimmer is that considered a counterfeit card?

A: The policy interprets that situation as a stolen card identification number rather than a counterfeit card, however, any fraudulent transactions caused by a skimmer is covered under the policy.

Q: Who is the underwriter?

A: The Underwriter is a Subsidiary of AIG Insurance Company. For more information please go to www.AIG.com.

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Bank Card Fraud Claim Scenarios

1. A customer doesn't look at his/her bank statement for about 6 months and only discovered that their debit card was being used by a fraudster when they received an NSF notice. The bank started investigating the loss and determined that the first fraudulent transactions were made about 6 months before the customer notified them, according to Reg E the bank could have told the customer that only the fraudulent transactions within the guidelines would be covered. The Bank made a decision to reverse all the fraudulent charges and we paid the claim subject to the deductible. The Bank Card Protector only requires the financial institution to attempt to use chargeback rights to a merchant not a cardholder.
2. A group of fraudsters produce card numbers randomly using a financial institution's BIN numbers. Some of the transactions go through the system through a backup line and cause the bank a loss. This would be covered even though no actual card ever existed.
3. We recently had about 2 dozen banks submit claims to reissue cards that were involved in the Target breach. Costs varied from \$3.50 per card to \$8.75 per card. These claims were paid under the Compromised Cards Extra Expense Insuring Agreement.
4. The loan loss exclusion was to exclude a Financial Institution who issues credit cards from submitting a claim for non-payment of credit card debt. We had a loss a couple years ago as a result of the cardholder's account having a business line of credit tied to the business' checking account. The business had a number of cards issued one of which was given to an outside salesman. The salesman was fired by the employer, but they forgot to cancel his business debit card. Within a couple days he fraudulently used the card which triggered the line of credit. He was able to take over \$15,000 before it was discovered. We paid the policy limit subject to the deductible.
5. We recently paid a claim that involved ATM withdraws that came from Romania. The fraudster had the PIN and was able to withdraw over \$10,000 over a 10-day period using only the magnetic strip information. The cardholder still had the card and the ATM did not use a CVC/CVV verification. We paid the claim subject to the deductible.
6. We had the card information skimmed by a fraudster at a restaurant in Florida recently. The 'gang' went to 5 Wal-Mart Super Centers throughout Florida on one evening going through self serve lines so no one would see that the card was only a piece of plastic with just a magnetic strip on it. They were able to take about \$12,000 worth of merchandise before the card was cancelled.
7. We have several cases where financial institutions have experienced many cards fraudulently used as a result of a data breach at a merchant. One bank had over 300 cards fraudulently used because of the Home Depot breach. The total loss to the bank was approximately \$74,000 which was about \$250 per card. No single card had fraud over \$500.00. The financial institution had a maximum loss deductible of \$10,000 therefore we paid \$64,000 on the loss.

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