

Insurance Requirements Our Third Party Should Be Meeting

Charmi Patel - Head of Vendor Management, Israel Discount Bank of New
York

This presentation expresses my personal view and not that of my employer Israel Discount Bank of New York

Agenda

- ▶ What is an inherent risk?
- ▶ Risk remediation strategies
- ▶ Where does vendor insurance fit in the vendor risk management cycle?
- ▶ Insurance coverage requirements for financial institutions
- ▶ What is an Umbrella Policy?
- ▶ Recognize the Riders
- ▶ How to review Certificate of Insurance (COI)?
- ▶ Insurance monitoring

What Is an Inherent Risk?

- ▶ Inherent risk can be defined as level of risk in place to achieve organization's goals and objectives and prior controls are taken in order to remediate or alter the risk impact.
- ▶ Vendor Risk Management is the process between the assessment of inherent risk and the final evaluation of residual risk.
- ▶ Dimension of inherent risk:
 - ❑ Compliance risk
 - ❑ Reputational risk
 - ❑ Transaction risk
 - ❑ Physical security risk
 - ❑ Credit risk
 - ❑ Information security risk
 - ❑ Data privacy risk
 - ❑ Strategic risk
 - ❑ Operational risk

Risk Remediation Strategies

Risk Acceptance

- ▶ When risk can not be remediated or compensating controls are not effective, risk acceptance will be utilized to close the due diligence process.

Risk Transference

- An agreement where the organization pays to the other party to take responsibility for mitigating potential risk.
- This Strategy covers both inherent and residual risk.

Risk Mitigation

- ▶ Commonly used in today's vendor management framework where by taking appropriate action and controls, organizations can limit exposure.

Where Does Vendor Insurance Fit in Vendor Management Lifecycle?

- During vendor onboarding and inherent risk calculation, an organization will be able to determine insurance requirements.
- Insurance coverage will depend on the organization size and risk appetite statement.
- Vendor Management should ask for certificate of Insurance during initial vendor due diligence process.
- Contract should spell out accurately the insurance coverage, primary and secondary policy holders in order to protect the organization.

Insurance Coverage Requirements for Financial Institutions

Cyber Liability	Automobile Liability	Fidelity Bond	Professional Liability
Vendors who has access to employee/customer PII	Armored car service providers	Vendors providing mortgage services such as residential mortgage service providers, fund transfer	Vendor providing services regarding BSA/AM/OFAC
All software providers (SaaS, PaaS, BaaS), datacenters	Any business services vendors providing transportation services	Vendors hosting/developing technology solutions and hosted externally or on their own servers	Vendor providing staff augmentation services at least related to any compliance or regulatory work
Vendors who has access to the organization's system and networks			

What Is an Umbrella Policy?

- ▶ Umbrella Insurance is an extra insurance providing protection beyond existing limits and coverage.
- ▶ Umbrella policy can be utilized for an extra protection regarding personal injuries, property damage and for certain law suits.
- ▶ Financial institutions request umbrella policy to cover errors and omissions and cyber security liability.
- ▶ Organization should request umbrella policy specifically for critical and high risk vendors who's failure can affect an organization's operational failure.

Recognize the Riders

- ▶ A rider is usually used to add or amend the insurance terms.
- ▶ Based on the type of business services vendors provide it is not necessary to maintain specific insurance requirement. Almost every organization maintain general liability insurance.
- ▶ Whenever requested by customer, vendors typically add riders to their general liability.
- ▶ It is important to understand the rider and their terms and conditions for any insurance coverage it is pertaining to.

Break From the Words!

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 Jones Insurance Agency, Inc.
 P O Box 407
 Garner, NC 27529
 Hal Averette, CIC, CWCA

919-772-0233
 919-779-4025

CONTACT NAME:
PHONE (A/C, No, Ext):
E-MAIL ADDRESS:
FAX (A/C, No):

INSURED
 Site Specific Contracting, Inc
 4237 Landsburg Dr
 Raleigh, NC 27603-8507

INSURER(S) AFFORDING COVERAGE

INSURER	NAIC #
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How to Review Certificate of Insurance (COI)?

Once determined the appropriate type of insurance coverage, vendor management team should have obtained COI directly from insurance providers

- ▶ COI should include coverages for policies such as
 - ❑ Commercial general liability
 - ❑ Fidelity Bond
 - ❑ Professional liability
 - ❑ Cyber liability
 - ❑ Workers compensation
- ▶ An Organization should have listed as insurance holder in COI.
- ▶ Based on the organization requirement and risk poses by the vendor relationship, the organization should request to be added as an additional insured in vendor's policy.
- ▶ Verify the date and coverage period on COI.

Insurance Monitoring

- ▶ Based on the organization size, there has to be a procedure in place to review insurance coverage on a periodic basis.
- ▶ Organization should develop a mechanism to track COI expiration dates and policies listed under the certificate.
- ▶ Organization may decide to onboard new service/product from an existing vendor where policies listed under COI may need to be updated.
- ▶ Very often many organizations are in very first step of building their vendor management program and not necessarily have copy of COI available for legacy vendors which can be requested during ongoing monitoring activity.
- ▶ Organization should have request 30 days advance notice of an insurance cancellation.

Q&A

Thank You!

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