

SERFF Tracking Number: ZURC-125290341 State: Arkansas
First Filing Company: American Zurich Insurance Company, ... State Tracking Number: AR-PC-07-026073
Company Tracking Number: CW-FD-26537
TOI: 23.0 Fidelity Sub-TOI: 23.0000 Fidelity
Product Name: Mortgage Bankers Select Bond
Project Name/Number: /

Filing at a Glance

Companies: American Zurich Insurance Company, American Guarantee and Liability Insurance Company, Colonial American Casualty & Surety Company, Fidelity and Deposit Company of Maryland, Zurich American Insurance Company of Illinois, Zurich American Insurance Company

Product Name: Mortgage Bankers Select Bond SERFF Tr Num: ZURC-125290341 State: Arkansas
TOI: 23.0 Fidelity SERFF Status: Closed State Tr Num: AR-PC-07-026073
Sub-TOI: 23.0000 Fidelity Co Tr Num: CW-FD-26537 State Status:
Filing Type: Rate Co Status: Not Applicable Reviewer(s): Betty Montesi,
Llyweyia Rawlins, Brittany Yielding
Author: Roderick Veranga Disposition Date: 09/19/2007
Date Submitted: 09/13/2007 Disposition Status: Exempt from
Review
Effective Date Requested (New): On Approval Effective Date (New): 09/19/2007
Effective Date Requested (Renewal): On Approval Effective Date (Renewal):
09/19/2007

General Information

Project Name: Status of Filing in Domicile: Pending
Project Number: Domicile Status Comments:
Reference Organization: N/A Reference Number: N/A
Reference Title: N/A Advisory Org. Circular: N/A
Filing Status Changed: 09/19/2007
State Status Changed: 09/13/2007 Deemer Date:
Corresponding Filing Tracking Number:
Filing Description:
Dear Reviewer:

In accordance with the filing requirements of your state, we have enclosed for your review and approval the appropriate filing memorandum, forms, and transmittals in support of our Mortgage Bankers Select Bond.

The Fidelity and Deposit Companies have designed this new product called the Mortgage Bankers Select Bond to meet the needs of those involved in mortgage banking.

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We request an implementation date of the earliest effective date permissible.

Should you have any questions regarding this filing, please feel free to contact me.

Sincerely,

Roderick Veranga

Business Analyst

Regulatory Services

Phone: (847) 413-3054

Fax: (847) 605-7768

Email: roderick.veranga@zurichna.com

Company and Contact

Filing Contact Information

Roderick Veranga, Business Analyst roderick.veranga@zurichna.com
1400 American Lane (847) 413-3054 [Phone]
Schaumburg, IL 60196 (847) 605-7768[FAX]

Filing Company Information

American Zurich Insurance Company CoCode: 40142 State of Domicile: Illinois
1400 American Lane Group Code: 212 Company Type:
Schaumburg, IL 60196 Group Name: State ID Number:
(847) 605-6000 ext. [Phone] FEIN Number: 36-3141762

American Guarantee and Liability Insurance CoCode: 26247 State of Domicile: New York
Company Group Code: 212 Company Type:
1400 American Lane Group Name: State ID Number:
Schaumburg, IL 60196 FEIN Number: 36-6071400
(847) 605-6000 ext. [Phone]

Colonial American Casualty & Surety Company CoCode: 34347 State of Domicile: Maryland

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1400 American Lane Group Code: 212 Company Type:
Schaumburg, IL 60196 Group Name: State ID Number:
(847) 605-6000 ext. [Phone] FEIN Number: 52-1096670

Fidelity and Deposit Company of Maryland CoCode: 39306 State of Domicile: Maryland
1400 American Lane Group Code: 212 Company Type:
Schaumburg, IL 60196 Group Name: State ID Number:
(847) 605-6000 ext. [Phone] FEIN Number: 13-3046577

Zurich American Insurance Company of Illinois CoCode: 27855 State of Domicile: Illinois
1400 American Lane Group Code: 212 Company Type:
Schaumburg, IL 60196 Group Name: State ID Number:
(847) 605-6000 ext. [Phone] FEIN Number: 36-2781080

Zurich American Insurance Company CoCode: 16535 State of Domicile: New York
1400 American Lane Group Code: 212 Company Type:
Schaumburg, IL 60102 Group Name: State ID Number:
(847) 605-6000 ext. [Phone] FEIN Number: 36-4233459

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Filing Fees

Fee Required? Yes
Fee Amount: \$100.00
Retaliatory? No
Fee Explanation: \$100 Rate Filing
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
Zurich American Insurance Company	\$100.00	09/13/2007	15601713
American Guarantee and Liability Insurance Company	\$0.00	09/13/2007	
Zurich American Insurance Company of Illinois	\$0.00	09/13/2007	
Colonial American Casualty & Surety Company	\$0.00	09/13/2007	
Fidelity and Deposit Company of Maryland	\$0.00	09/13/2007	
American Zurich Insurance Company	\$0.00	09/13/2007	

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Exempt from Review	Llyweyia Rawlins	09/19/2007	09/19/2007

<i>SERFF Tracking Number:</i>	<i>ZURC-125290341</i>	<i>State:</i>	<i>Arkansas</i>
<i>First Filing Company:</i>	<i>American Zurich Insurance Company, ...</i>	<i>State Tracking Number:</i>	<i>AR-PC-07-026073</i>
<i>Company Tracking Number:</i>	<i>CW-FD-26537</i>		
<i>TOI:</i>	<i>23.0 Fidelity</i>	<i>Sub-TOI:</i>	<i>23.0000 Fidelity</i>
<i>Product Name:</i>	<i>Mortgage Bankers Select Bond</i>		
<i>Project Name/Number:</i>	<i>/</i>		

Disposition

Disposition Date: 09/19/2007

Effective Date (New): 09/19/2007

Effective Date (Renewal): 09/19/2007

Status: Exempt from Review

Comment: Per Arkansas Code 23-67-206: Property and casualty insurance for commercial risk, excluding workers' compensation, employers' liability, and professional liability insurance are exempted from rate and rule filing and review. (see actual code site for details)

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TOI: *23.0 Fidelity* *Sub-TOI:* *23.0000 Fidelity*
Product Name: *Mortgage Bankers Select Bond*
Project Name/Number: */*

An error occurred rendering Disposition 125251749: null.

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Sub-TOI: 23.0000 Fidelity

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Project Name/Number: /

Rate Information

Rate data applies to filing.

Filing Method:

Rate Change Type:

Neutral

Overall Percentage of Last Rate Revision:

Neutral

Effective Date of Last Rate Revision:

Filing Method of Last Filing:

N/A

Company Rate Information

Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	# of Policy Holders Affected for this Program:	Premium:	Maximum % Change (where required):	Minimum % Change (where required):
American Zurich Insurance Company	0.000%	0.000%	\$0			0.000%	0.000%
American Guarantee and Liability Insurance Company	0.000%	0.000%	\$0			0.000%	0.000%
Colonial American Casualty & Surety Company	0.000%	0.000%	\$0			0.000%	0.000%
Fidelity and Deposit	0.000%	0.000%	\$0			0.000%	0.000%

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<i>Product Name:</i>	<i>Mortgage Bankers Select Bond</i>		
<i>Project Name/Number:</i>	<i>/</i>		

Overall Rate Information for Multiple Company Filings

Overall % Rate Indicated:	0.000%
Overall Percentage Rate Impact For This Filing:	0.000%
Effect of Rate Filing - Written Premium Change For This Program:	\$0
Effect of Rate Filing - Number of Policyholders Affected:	0

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Rate/Rule Schedule

Review Status:	Exhibit Name:	Rule # or Page #:	Rate Action	Previous State Filing Attachments Number:
Accepted for Informational Purposes	CW-RRP1 MBSB w-o KRP		New	CW - RRP1 MBSB w-o KRP _June 07_.pdf

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**MANUAL OF RULES, PROCEDURES AND CLASSIFICATIONS FOR
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I. GENERAL RULES

**A. APPLICATION OF THE SURETY ASSOCIATION MANUAL OF RULES,
PROCEDURES AND CLASSIFICATIONS FOR FIDELITY/FORGERY AND
SURETY BONDS**

Unless stated otherwise herein the General Rules of Section 2. Financial Institutions, Surety Association Manual Of Rules, Procedures And Classifications For Fidelity/Forgery And Surety Bonds (SFAA Manual) are applicable to the Mortgage Bankers Select Bond.

B. BOND/POLICY PERIOD

Bonds/policies may be written on an annual or three-year premium term basis. Use U-FIB-1033-B CW if bond period is greater than one year and coverage is to be provided with an annual aggregate.

C. CLOSED FINANCIAL INSTITUTIONS

See SFAA Manual.

D. COINSURANCE

See SFAA Manual. Use Rider U-FIB-1027-B CW to provide a coinsurance provision.

E. CONCURRENT INSURANCE

See SFAA Manual.

F. DEDUCTIBLES

1. Basic and Optional Coverages

a. Permissible Amounts

<u>Minimum</u>	<u>Maximum</u>
\$1,000	None

b. Application of Deductibles

Deductibles for the Basic Bond Coverage and optional coverages may be written in any amount.

c. Computation of Deductible Amount and Exposure Units

See SFAA Manual.

2. Deductibles in Varying Amounts – Joint Insured Risks

See SFAA Manual.

G. EXCESS COVERAGE

See SFAA Manual.

H. EXPOSURE UNITS

See SFAA Manual.

I. FACTORS OR MULTIPLIERS

See SFAA Manual.

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J. INTERPOLATION – BASIC AND OPTIONAL COVERAGES

See SFAA Manual.

K. LIMIT OF LIABILITY-AGGREGATE LIMIT FORMS OF BONDS/POLICIES

See SFAA Manual.

L. LOSS COSTS

See SFAA Manual.

M. MINIMUM PREMIUM

Use the bond/policy minimum premium filed for use with SFAA Financial Institution products.

N. NEW INSUREDS

See SFAA Manual.

O. PREMIUM CHANGES

See SFAA Manual.

P. PREMIUM PAYMENT PERIOD

1. Prepaid Premiums

a. One Year

Compute the company premium using the annual rates in effect at bond/policy inception.

b. Three Years

Compute the company premium using the annual rates in effect at bond/policy inception multiplied by a term factor of 2.7.

c. Less Than One Year

Calculate the company premium by multiplying the pro rata annual premium by a factor of 1.10. This factor is not applied if the coverage is written to establish a common expiration date with other coverages.

2. Installment Premiums

Multiply the annual premium by a factor of 1.05. The result is the installment premium to be charged each year of the bond/policy premium period.

Q. ROUNDING PROCEDURE

See SFAA Manual.

R. STATISTICAL CODING

See SFAA Manual.

S. RESERVED FOR FUTURE USE

T. PART-TIME EMPLOYEES

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For purposes of computing Company premiums, where the rules refer to “total number of officers and employees” count part-time employees as one half each. Round non-integer totals to the next higher number.

II. ELIGIBILITY

A. WHO MAY BE INSURED

Under Mortgage Bankers Select Bond

Mortgage Bankers and institutions selling real estate mortgage loans to, or servicing real estate mortgages for the secondary mortgage market.

B. WHO MAY BE JOINT INSURED

See SFAA Manual.

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III. MORTGAGE BANKERS SELECT BOND – COVERAGE AND RATING

The Mortgage Bankers Select Bond (U-FIB-0007-A CW) may be written for mortgage bankers. Use the Mortgage Bankers Select Bond for all eligible insureds.

**A. COVERAGE CONTAINED IN MORTGAGE BANKERS SELECT BOND
FORM U-FIB-0007-A CW**

1. Basic Bond Coverage

a. Description of Coverage

(1) Insuring Agreement (A) - Fidelity

(A)(1) Covers theft by an employee and loss resulting directly from dishonest or fraudulent acts of an employee acting alone or in collusion with others, with the intent to cause the insured to sustain such loss or to obtain financial benefit for the employee or another person or entity.

(A)(2) Covers loss resulting from dishonest or fraudulent acts of an attorney or loan closing agent in the course of performing loan services for the insured. Such acts must be committed with the manifest intent to cause the insured a loss and to obtain improper financial benefit for the attorney or loan closing agent. The receipt of the improper financial benefit must, in fact, occur.

(2) Insuring Agreement (B) - On Premises

Covers loss of property or real estate documents resulting directly from burglary, robbery, hold-up or larceny committed by a person present in an office or on the premises of the insured. Also covers mysterious unexplainable disappearance, damage or destruction; or theft, false pretenses, common-law or statutory larceny, while the property or real estate documents are lodged or deposited within certain defined locations. Coverage is also provided for loss of real estate documents resulting from fire while the insured is acting as a document custodian.

(3) Insuring Agreement (C) - In Transit

Loss of property or real estate documents resulting directly from robbery, common-law or statutory larceny, misplacement, mysterious unexplainable disappearance, being lost, misappropriated or made away with, and damage thereto or destruction thereof, while the property or real estate documents are in transit anywhere in the custody of a messenger or armored motor vehicle company. Also covers loss of real estate documents resulting directly from robbery, common-law or statutory larceny, misplacement, mysterious unexplainable disappearance, being lost, misappropriated or made away with, and damage thereto or destruction thereof, while in transit anywhere in the custody of a transportation company, including U.S. Postal Express Mail Next Day

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Service.

(4) Insuring Agreement (F) - Counterfeit Money

Loss resulting directly from the receipt by the insured, in good faith, of any counterfeit money of the United States of America, Canada or of any other country in which the insured maintains a branch office.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
\$25,000	None

c. Computation of Company Premium

Insuring Agreements (A)(1), (B), (C) and (F)

- (1) Select an amount of coverage equal to the sum of the actual amount of coverage being written plus any deductible amount.
- (2) From the Table of Exposure Units (SFAA Manual Page FI-74) determine the number of exposure units for amount selected in (1) above, based on the total number of officers and employees.
- (3) From the same Table on FI-75, determine the number of exposure units for the amount selected in (1) above, based on the total number of additional locations as modified by the Conversion Table below.

Additional Locations Conversion Table

No. of Locations	Conversion Factor
Each of the first 25	1.00
Each of the next 25	.25
Each of the next 50	.05
Each over 100	No Charge

- (4) Add the exposure units produced in (2) and (3) above. If a deductible applies, subtract the number of deductible amount exposure units computed in accordance with the Deductibles General Rule.
- (5) Multiply the result obtained in (4) above by the appropriate loss cost shown in Section I. of the SFAA Fidelity and Forgery Loss Cost Addendum.
- (6) Multiply the result obtained in (5) above by the company filed multiplier reflecting profit, expense and any modification to the reference loss cost.
- (7) The premium produced in (6) is then subject to the provisions of Rating Plan LCRP-1. The result is the company premium.

Insuring Agreement (A)(2)

Substituting attorneys and loan closing agents for officers and employees compute the company premium for Insuring Agreement (A)(2) in

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accordance with the rules for Insuring Agreements (A)(1), (B), (C) and (F) above based on the total number of attorneys and loan closing agents (additional location charges do not apply). Use a loss cost equal to 200% of the fidelity loss cost for a Form 15 (not 15* or 15°) as shown in Section I. of the SFAA Fidelity and Forgery Loss Cost Addendum.

2. Insuring Agreement (D) – Forgery or Alteration

a. Description of Coverage

Forgery or Alteration Coverage is optional. Covers loss resulting directly from forgery on, or fraudulent alteration of, on, or in any negotiable instruments (except registered or bearer obligations) made or drawn by or drawn upon the insured.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (D) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

3. Insuring Agreement (E) – Forged Documents

a. Description of Coverage

Forged Documents Coverage is optional. Covers loss resulting directly from the insured having in good faith relied upon an original mortgage, trust deed, note or title insurance policy received by the insured in connection with a real estate loan originated by the insured, originated by a person other than the insured and purchased by the insured, or prepared, directly funded and closed by a person other than the insured in the name of the insured, which real estate loan is held by the insured for its own account; and which original mortgage, trust deed, note or title insurance policy contains a forgery or a fraudulent alteration.

Also covers the insured being legally liable to repurchase a real estate loan from an investor or indemnify an investor as the direct result of a forgery or fraudulent alteration of, on or in any original real estate documents received by the insured in connection with a real estate loan originated by the insured, or any original mortgage, trust deed, note or title insurance policy received by the insured in connection with a real estate loan originated by a person other than the insured and purchased by the insured or prepared, directly funded and closed by a person other than the insured in the name of the insured.

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b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (E) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. Use a loss cost equal to 125% of the Insuring Agreement (E) loss cost. The deductible, if carried, may be written in any amount.

4. Insuring Agreement (G) – Fraudulent Mortgages

a. Description of Coverage

Fraudulent Mortgages Coverage is optional. Covers loss through the insured having in good faith acted upon any real property mortgages or like instruments, which prove to be defective.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (G) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. Use the Fraudulent Real Property Mortgage loss cost for a commercial bank, form no. 24. The deductible, if carried, may be written in any amount.

5. Insuring Agreement H – Computer Systems Fraud

a. Description of Coverage

Computer Systems Fraud Coverage is optional. Covers loss resulting directly from a fraudulent entry of electronic data or computer program or change of electronic data or computer program within a covered computer system.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (H) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

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6. Insuring Agreement I – Data Processing Service Operations

a. Description of Coverage

Data Processing Services Operations Coverage is optional, and is available if Insuring Agreement (H) has been purchased. Covers loss sustained by a client of the insured resulting directly from a fraudulent entry of electronic data or computer program into, or change of electronic data or program within a computer system covered under the terms of Insuring Agreement (H), or entry or change of electronic data during electronic transmission or physical transit from the insured to its client and for which loss the insured is legally liable to the client as a provider of data processing services.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement I in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

7. Insuring Agreement (J) – Voice Initiated Transfer Fraud

a. Description of Coverage

Voice Initiated Transfer Fraud Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the insured having, in good faith, transferred funds from a customer's account through a computer system covered under the terms of the Insuring Agreement (H), in reliance upon a fraudulent voice instruction transmitted by telephone.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (J) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

8. Insuring Agreement (K) – Telefacsimile Transfer Fraud

a. Description of Coverage

Telefacsimile Transfer Fraud Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the

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insured having, in good faith, transferred or delivered funds, certificated securities or uncertificated securities through a computer system covered under the terms of Insuring Agreement (H), in reliance upon a fraudulent instruction received through a telefacsimile device.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (K) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

9. Insuring Agreement (L) – Destruction of Data or Programs by Hacker

a. Description of Coverage

Destruction of Data or Programs by Hacker Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the malicious destruction of, or damage to, electronic or computer programs owned by the insured or for which the insured is legally liable while stored within a computer system covered under the terms of Insuring Agreement (H).

The company shall be liable for the cost of duplicating damaged or destroyed data or computer programs from other data or programs furnished by the insured.

If the computer programs cannot be duplicated from another computer program, the company will pay additional costs incurred to restore damaged or destroyed computer programs to substantially the previous level of operational capability. Use Rider U-FIB-1007-B CW if Restoration Coverage is not desired.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (L) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

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10. Insuring Agreement (M) – Destruction of Data or Programs by Virus

a. Description of Coverage

Destruction of Data or Programs by Virus Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the malicious destruction of, or damage to, electronic or computer programs owned by the insured or for which the insured is legally liable while stored within a computer system covered under the terms of Insuring Agreement (H).

The company shall be liable for the cost of duplicating damaged or destroyed data or computer programs from other data or programs furnished by the insured.

If the computer programs cannot be duplicated from another computer program the company will pay additional costs incurred to restore damaged or destroyed computer programs to substantially the previous level of operational capability. Use Rider U-FIB-1007-B CW if Restoration Coverage is not desired.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (M) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

11. Insuring Agreement (N) – Claims Expense

a. Description of Coverage

Covers reasonable expenses incurred by the insured by reason of the insured having retained, with the prior approval of the Underwriter, independent outside accountants or other non-legal experts to determine the amount and extent of loss covered and paid under any of the Insuring Agreements or Coverages provided by this bond, except Insuring Agreement (O).

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
\$2,500	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (N) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of

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coverage selected. Use the Audit Expense loss cost for a savings and loan association. The deductible, if carried, may be written in any amount.

12. Insuring Agreement (O) -- Theft of Secondary Market Institution's Money or Collateral

a. Description of Coverage

Covers loss to a secondary market institution resulting directly from theft by a partner, sole proprietor, major shareholder or non-employee trustee or director. Use U-FIB-1046-A CW to include specific investors beyond Freddie Mac, Fannie Mae and Ginnie Mae.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

- (1) Divide the limit of liability for Insuring Agreement (O) by 1,000.
- (2) Multiply the result obtained in (1) above by the loss cost for sellers or servicers, or sellers and servicers from the following table.

<u>Activity</u>	<u>Loss Cost</u>
Selling <u>or</u> Servicing Mortgage Loans	\$4.28
Selling and Servicing Mortgage Loans	\$8.54

- (3) Multiply the result obtained in (2) above by the company filed multiplier reflecting profit, expense and any modification to the reference loss cost.
- (4) The premium produced in (3) is then subject to the provisions of Rating Plan LCRP-1. The result is the company premium.

13. Coverage for Data Processing Organizations

a. Description of Coverage

Coverage for Data Processing Organizations is optional and must be deleted by rider if no such organizations are to be covered. Coverage is provided by covering, as employees, data processing organizations while acting on behalf of the insured in the data processing of checks and other accounting records of the insured related to such checks. Use Rider U-FIB-1044-A CW if Data Processing Coverage is not desired.

b. Permissible Amounts of Coverage

Coverage is written in the same amount as the Basic Bond Coverage.

c. Computation of Company Premium

Compute the company premium for Data Processing Organizations in accordance with **Section 2.III.A.1.c.** of these rules based on the total number

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of officers and employees (additional location charges do not apply). Multiply the loss cost by the number of Data Processing Organizations to be covered. Coverage for Data Processing Organizations is subject to the same deductible amount applicable to the Basic Bond Coverage.

B. OTHER INSURING AGREEMENTS/COVERAGES

Rights After Cancellation

a. Description of Coverage

The insured may obtain, for an additional premium, a period of 12 months after cancellation within which to discover losses sustained prior to cancellation. This additional period terminates immediately if coverage is replaced in whole or in part. Use U-FIB-1024-B CW to provide the discovery period.

b. Computation of Company Premium

Charge a premium equal to 75% of the last annual premium for a discovery period of 12 months.

C. DISCOVERY – RETROACTIVE DATE

1. The Mortgage Bankers Select Bond is a "discovery" form of bond. The bond indemnifies the insured for losses sustained at any time but discovered during the bond period.
2. The Mortgage Bankers Select Bond may be modified by the Retroactive Date Rider U-FIB-1041-A CW to indemnify the insured for loss caused by acts, all of which occur after the retroactive date shown in the rider. A separate Retroactive Date Rider U-FIB-1042-A CW is available for individual joint insureds or in the case of consolidation, merger or purchase of assets or liabilities of another institution Rider U-FIB-1043-A CW is available. There is no premium consideration for these riders when attached at inception, otherwise see SFAA Manual, FI-5 for midterm changes.

D. OTHER RIDERS

1. Cancel an existing rider – use U-FIB-1001-B CW.
2. Change name or address of insured – use U-FIB-1002-B CW.
3. If the space on the declarations page is too small to list all insureds – use U-FIB-1009-B CW.
4. Noncancelable – use U-FIB-1010-B CW
5. Amend bond period – use U-FIB-1034-B CW.
6. Amend notice of cancellation – use U-FIB-1047-A CW.
7. Annual Aggregate – use U-FIB-1048-A CW.
8. Change bond or policy number – use F270-A CW.

SERFF Tracking Number: ZURC-125290341 State: Arkansas
First Filing Company: American Zurich Insurance Company, ... State Tracking Number: AR-PC-07-026073
Company Tracking Number: CW-FD-26537
TOI: 23.0 Fidelity Sub-TOI: 23.0000 Fidelity
Product Name: Mortgage Bankers Select Bond
Project Name/Number: /

Supporting Document Schedules

Satisfied -Name: Cover Letter, Actuarial Exhibit and
Filing Memorandum

Review Status:

Accepted for Informational 09/19/2007
Purposes

Comments:

Attachments:

AR CW-FD-26537 CL.pdf
Cover Memo MBSB rate filing.pdf
CW - RRP1 MBSB w-o KRP _June 07_.pdf



SENT VIA SERFF
September 13, 2007

Arkansas Insurance Dept
1200 W. 3rd St
Little Rock, AR 72201-1904

Reference: Mortgage Bankers Select Bond

Company	NAIC #	FEIN#
American Guarantee & Liability Insurance Co.	212 26247	36-6071400
American Zurich Insurance Company	212 40142	36-3141762
Colonial American Casualty & Surety Co.	212 34347	52-1096670
Fidelity and Deposit Company of Maryland	212 39306	13-3046577
Zurich American Insurance Company	212 16535	36-4233459
Zurich American Insurance Company of Illinois	212 27855	36-2781080

Company Filing Number: CW-FD-26537

Dear Reviewer:

In accordance with the filing requirements of your state, we have enclosed for your review and approval the appropriate filing memorandum, forms, and transmittals in support of our Mortgage Bankers Select Bond.

The Fidelity and Deposit Companies have designed this new product called the Mortgage Bankers Select Bond to meet the needs of those involved in mortgage banking.

We request an implementation date of the earliest effective date permissible.

Should you have any questions regarding this filing, please feel free to contact me.

Sincerely,

Roderick Veranga
Business Analyst
Regulatory Services
Phone: (847) 413-3054
Fax: (847) 605-7768
Email: roderick.veranga@zurichna.com

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Fax: 847-605-7768
roderick.veranga@zurichna.com

**FIDELITY AND DEPOSIT COMPANY OF MARYLAND
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MORTGAGE BANKERS SELECT BOND**

Introduction

The Fidelity and Deposit Companies have designed a new product called the Mortgage Bankers Select Bond to meet the needs of those involved in mortgage banking. This new product starts with our current Mortgage Bankers Bond based on the SAA rates and adds the following coverages listed below. This memorandum describes the derivation of pricing for the coverages for the Mortgage Bankers Select Bond. For specific loss costs and rating factors, please refer to the rules and rating plan. We wish to apply our countrywide expense indicated LCM of 1.409 to our proposed loss costs.

A majority of the new coverages provided under this bond are similar to the coverages provided under ISO's Crime Policy or SAA's Miscellaneous Surety Bonds. For these coverages, our premium charges are based on the ISO's or SAA's loss costs or rating methodology. For the additional coverages for which neither ISO nor SAA have comparable coverage, we have relied significantly on actuarial judgment.

We intend to monitor our experience closely and adjust our rates as our experience develops.

Brief Description and Derivation of Premium Charge

- 1) **Number of Additional Locations** - Locations are not a meaningful factor in determining exposure to loss. Mortgage bankers tend to have numerous small locations. This exposure is similar to non-financial institution insureds. As such, we have adopted ISO's calculation of exposure units for additional locations. The full exposure unit charge is used for each of the first 25 additional locations, 25% of the exposure unit charge is used for the next 25 additional locations, the 50 additional locations are charged 5% of the exposure unit charge. There is no charge for additional locations in excess of 100.
- 2) **Insuring Agreement (A)(2) Attorney and Loan Closing Agent Fidelity Coverage** - covers loss resulting directly from dishonest or fraudulent acts committed by an attorney or loan closing agent. Our proposed premium is two times the fidelity loss costs for a Form 15. This comes directly from ISO's Fidelity – Mercantile rates for outside agents. The ISO premium charge for agents is double the premium for employees. In addition, we believe the exposure for agents is double the exposure for employees.
- 3) **Insuring Agreement (E) - Forged Documents including Real Estate Loan** – covers direct loss from certain forged instruments received in by the insured in connection with a real estate loan as well as the insured's legal liability to

repurchase a real estate loan as a result of forgery or fraudulent alteration of, on or in real estate documents. We believe our exposure on this agreement is 25% higher than the standard SAA coverage provided for Mortgage Bankers. Therefore, we are proposing a premium charge (surcharging the SAA lost cost for Insuring Agreement (E) by 25%) that is 25% higher than the SAA rate for Insuring Agreement E.

- 4) **Insuring Agreement (G) – Fraudulent Mortgages** – This coverage is optional. We are using the approved SAA Fraudulent Real Property Mortgage lost cost for commercial banks.
- 5) **Insuring Agreement (N) – Claims Expense** – In our judgment, the exposure for claims expense is similar to the audit expense exposure for savings and loan associations. As such, we are using the approved SAA Audit Expense lost cost for savings and loan associations.
- 6) **Insuring Agreement (O) – Theft of Secondary Market Institution's Money or Collateral** – This coverage is comparable to the SAA's Assigned Accounts Bonds: Risk Type D (Class 543 - Bonds guaranteeing that all accounts are valid or that all collections on accounts assigned will be turned over by assignor to the assignee and Risk Type G (Class 545 - Bonds guaranteeing that all accounts assigned are valid and that all collections thereon by assignor will be turned over to the assignee. We are using SAA's approved lost cost for these class codes.
- 7) **Insuring Agreement Kidnap Ransom Extortion** this is our filed approved Kidnap/Ransom/Extortion Policy in rider format for use with our Mortgage Bankers Select Bond and SAA's Standard Form Nos. 14, 15 and 25.
- 8) **Rights After Cancellation** provides a period of 12 months within which to discover losses sustained prior to date of cancellation. This exposure is similar to an extended reporting period on a professional liability policy. We are using the same 75% of the last annual premium for this extended period.

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**MANUAL OF RULES, PROCEDURES AND CLASSIFICATIONS FOR
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I. GENERAL RULES

**A. APPLICATION OF THE SURETY ASSOCIATION MANUAL OF RULES,
PROCEDURES AND CLASSIFICATIONS FOR FIDELITY/FORGERY AND
SURETY BONDS**

Unless stated otherwise herein the General Rules of Section 2. Financial Institutions, Surety Association Manual Of Rules, Procedures And Classifications For Fidelity/Forgery And Surety Bonds (SFAA Manual) are applicable to the Mortgage Bankers Select Bond.

B. BOND/POLICY PERIOD

Bonds/policies may be written on an annual or three-year premium term basis. Use U-FIB-1033-B CW if bond period is greater than one year and coverage is to be provided with an annual aggregate.

C. CLOSED FINANCIAL INSTITUTIONS

See SFAA Manual.

D. COINSURANCE

See SFAA Manual. Use Rider U-FIB-1027-B CW to provide a coinsurance provision.

E. CONCURRENT INSURANCE

See SFAA Manual.

F. DEDUCTIBLES

1. Basic and Optional Coverages

a. Permissible Amounts

<u>Minimum</u>	<u>Maximum</u>
\$1,000	None

b. Application of Deductibles

Deductibles for the Basic Bond Coverage and optional coverages may be written in any amount.

c. Computation of Deductible Amount and Exposure Units

See SFAA Manual.

2. Deductibles in Varying Amounts – Joint Insured Risks

See SFAA Manual.

G. EXCESS COVERAGE

See SFAA Manual.

H. EXPOSURE UNITS

See SFAA Manual.

I. FACTORS OR MULTIPLIERS

See SFAA Manual.

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J. INTERPOLATION – BASIC AND OPTIONAL COVERAGES

See SFAA Manual.

K. LIMIT OF LIABILITY-AGGREGATE LIMIT FORMS OF BONDS/POLICIES

See SFAA Manual.

L. LOSS COSTS

See SFAA Manual.

M. MINIMUM PREMIUM

Use the bond/policy minimum premium filed for use with SFAA Financial Institution products.

N. NEW INSUREDS

See SFAA Manual.

O. PREMIUM CHANGES

See SFAA Manual.

P. PREMIUM PAYMENT PERIOD

1. Prepaid Premiums

a. One Year

Compute the company premium using the annual rates in effect at bond/policy inception.

b. Three Years

Compute the company premium using the annual rates in effect at bond/policy inception multiplied by a term factor of 2.7.

c. Less Than One Year

Calculate the company premium by multiplying the pro rata annual premium by a factor of 1.10. This factor is not applied if the coverage is written to establish a common expiration date with other coverages.

2. Installment Premiums

Multiply the annual premium by a factor of 1.05. The result is the installment premium to be charged each year of the bond/policy premium period.

Q. ROUNDING PROCEDURE

See SFAA Manual.

R. STATISTICAL CODING

See SFAA Manual.

S. RESERVED FOR FUTURE USE

T. PART-TIME EMPLOYEES

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For purposes of computing Company premiums, where the rules refer to “total number of officers and employees” count part-time employees as one half each. Round non-integer totals to the next higher number.

II. ELIGIBILITY

A. WHO MAY BE INSURED

Under Mortgage Bankers Select Bond

Mortgage Bankers and institutions selling real estate mortgage loans to, or servicing real estate mortgages for the secondary mortgage market.

B. WHO MAY BE JOINT INSURED

See SFAA Manual.

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III. MORTGAGE BANKERS SELECT BOND – COVERAGE AND RATING

The Mortgage Bankers Select Bond (U-FIB-0007-A CW) may be written for mortgage bankers. Use the Mortgage Bankers Select Bond for all eligible insureds.

**A. COVERAGE CONTAINED IN MORTGAGE BANKERS SELECT BOND
FORM U-FIB-0007-A CW**

1. Basic Bond Coverage

a. Description of Coverage

(1) Insuring Agreement (A) - Fidelity

(A)(1) Covers theft by an employee and loss resulting directly from dishonest or fraudulent acts of an employee acting alone or in collusion with others, with the intent to cause the insured to sustain such loss or to obtain financial benefit for the employee or another person or entity.

(A)(2) Covers loss resulting from dishonest or fraudulent acts of an attorney or loan closing agent in the course of performing loan services for the insured. Such acts must be committed with the manifest intent to cause the insured a loss and to obtain improper financial benefit for the attorney or loan closing agent. The receipt of the improper financial benefit must, in fact, occur.

(2) Insuring Agreement (B) - On Premises

Covers loss of property or real estate documents resulting directly from burglary, robbery, hold-up or larceny committed by a person present in an office or on the premises of the insured. Also covers mysterious unexplainable disappearance, damage or destruction; or theft, false pretenses, common-law or statutory larceny, while the property or real estate documents are lodged or deposited within certain defined locations. Coverage is also provided for loss of real estate documents resulting from fire while the insured is acting as a document custodian.

(3) Insuring Agreement (C) - In Transit

Loss of property or real estate documents resulting directly from robbery, common-law or statutory larceny, misplacement, mysterious unexplainable disappearance, being lost, misappropriated or made away with, and damage thereto or destruction thereof, while the property or real estate documents are in transit anywhere in the custody of a messenger or armored motor vehicle company. Also covers loss of real estate documents resulting directly from robbery, common-law or statutory larceny, misplacement, mysterious unexplainable disappearance, being lost, misappropriated or made away with, and damage thereto or destruction thereof, while in transit anywhere in the custody of a transportation company, including U.S. Postal Express Mail Next Day

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Service.

(4) Insuring Agreement (F) - Counterfeit Money

Loss resulting directly from the receipt by the insured, in good faith, of any counterfeit money of the United States of America, Canada or of any other country in which the insured maintains a branch office.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
\$25,000	None

c. Computation of Company Premium

Insuring Agreements (A)(1), (B), (C) and (F)

- (1) Select an amount of coverage equal to the sum of the actual amount of coverage being written plus any deductible amount.
- (2) From the Table of Exposure Units (SFAA Manual Page FI-74) determine the number of exposure units for amount selected in (1) above, based on the total number of officers and employees.
- (3) From the same Table on FI-75, determine the number of exposure units for the amount selected in (1) above, based on the total number of additional locations as modified by the Conversion Table below.

Additional Locations Conversion Table

No. of Locations	Conversion Factor
Each of the first 25	1.00
Each of the next 25	.25
Each of the next 50	.05
Each over 100	No Charge

- (4) Add the exposure units produced in (2) and (3) above. If a deductible applies, subtract the number of deductible amount exposure units computed in accordance with the Deductibles General Rule.
- (5) Multiply the result obtained in (4) above by the appropriate loss cost shown in Section I. of the SFAA Fidelity and Forgery Loss Cost Addendum.
- (6) Multiply the result obtained in (5) above by the company filed multiplier reflecting profit, expense and any modification to the reference loss cost.
- (7) The premium produced in (6) is then subject to the provisions of Rating Plan LCRP-1. The result is the company premium.

Insuring Agreement (A)(2)

Substituting attorneys and loan closing agents for officers and employees compute the company premium for Insuring Agreement (A)(2) in

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accordance with the rules for Insuring Agreements (A)(1), (B), (C) and (F) above based on the total number of attorneys and loan closing agents (additional location charges do not apply). Use a loss cost equal to 200% of the fidelity loss cost for a Form 15 (not 15* or 15°) as shown in Section I. of the SFAA Fidelity and Forgery Loss Cost Addendum.

2. Insuring Agreement (D) – Forgery or Alteration

a. Description of Coverage

Forgery or Alteration Coverage is optional. Covers loss resulting directly from forgery on, or fraudulent alteration of, on, or in any negotiable instruments (except registered or bearer obligations) made or drawn by or drawn upon the insured.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (D) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

3. Insuring Agreement (E) – Forged Documents

a. Description of Coverage

Forged Documents Coverage is optional. Covers loss resulting directly from the insured having in good faith relied upon an original mortgage, trust deed, note or title insurance policy received by the insured in connection with a real estate loan originated by the insured, originated by a person other than the insured and purchased by the insured, or prepared, directly funded and closed by a person other than the insured in the name of the insured, which real estate loan is held by the insured for its own account; and which original mortgage, trust deed, note or title insurance policy contains a forgery or a fraudulent alteration.

Also covers the insured being legally liable to repurchase a real estate loan from an investor or indemnify an investor as the direct result of a forgery or fraudulent alteration of, on or in any original real estate documents received by the insured in connection with a real estate loan originated by the insured, or any original mortgage, trust deed, note or title insurance policy received by the insured in connection with a real estate loan originated by a person other than the insured and purchased by the insured or prepared, directly funded and closed by a person other than the insured in the name of the insured.

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b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (E) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. Use a loss cost equal to 125% of the Insuring Agreement (E) loss cost. The deductible, if carried, may be written in any amount.

4. Insuring Agreement (G) – Fraudulent Mortgages

a. Description of Coverage

Fraudulent Mortgages Coverage is optional. Covers loss through the insured having in good faith acted upon any real property mortgages or like instruments, which prove to be defective.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (G) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. Use the Fraudulent Real Property Mortgage loss cost for a commercial bank, form no. 24. The deductible, if carried, may be written in any amount.

5. Insuring Agreement H – Computer Systems Fraud

a. Description of Coverage

Computer Systems Fraud Coverage is optional. Covers loss resulting directly from a fraudulent entry of electronic data or computer program or change of electronic data or computer program within a covered computer system.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (H) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

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6. Insuring Agreement I – Data Processing Service Operations

a. Description of Coverage

Data Processing Services Operations Coverage is optional, and is available if Insuring Agreement (H) has been purchased. Covers loss sustained by a client of the insured resulting directly from a fraudulent entry of electronic data or computer program into, or change of electronic data or program within a computer system covered under the terms of Insuring Agreement (H), or entry or change of electronic data during electronic transmission or physical transit from the insured to its client and for which loss the insured is legally liable to the client as a provider of data processing services.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement I in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

7. Insuring Agreement (J) – Voice Initiated Transfer Fraud

a. Description of Coverage

Voice Initiated Transfer Fraud Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the insured having, in good faith, transferred funds from a customer's account through a computer system covered under the terms of the Insuring Agreement (H), in reliance upon a fraudulent voice instruction transmitted by telephone.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (J) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

8. Insuring Agreement (K) – Telefacsimile Transfer Fraud

a. Description of Coverage

Telefacsimile Transfer Fraud Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the

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insured having, in good faith, transferred or delivered funds, certificated securities or uncertificated securities through a computer system covered under the terms of Insuring Agreement (H), in reliance upon a fraudulent instruction received through a telefacsimile device.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (K) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

9. Insuring Agreement (L) – Destruction of Data or Programs by Hacker

a. Description of Coverage

Destruction of Data or Programs by Hacker Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the malicious destruction of, or damage to, electronic or computer programs owned by the insured or for which the insured is legally liable while stored within a computer system covered under the terms of Insuring Agreement (H).

The company shall be liable for the cost of duplicating damaged or destroyed data or computer programs from other data or programs furnished by the insured.

If the computer programs cannot be duplicated from another computer program, the company will pay additional costs incurred to restore damaged or destroyed computer programs to substantially the previous level of operational capability. Use Rider U-FIB-1007-B CW if Restoration Coverage is not desired.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (L) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

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10. Insuring Agreement (M) – Destruction of Data or Programs by Virus

a. Description of Coverage

Destruction of Data or Programs by Virus Coverage is optional and is available if Insuring Agreement (H) has been purchased. Covers loss resulting directly from the malicious destruction of, or damage to, electronic or computer programs owned by the insured or for which the insured is legally liable while stored within a computer system covered under the terms of Insuring Agreement (H).

The company shall be liable for the cost of duplicating damaged or destroyed data or computer programs from other data or programs furnished by the insured.

If the computer programs cannot be duplicated from another computer program the company will pay additional costs incurred to restore damaged or destroyed computer programs to substantially the previous level of operational capability. Use Rider U-FIB-1007-B CW if Restoration Coverage is not desired.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (M) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of coverage selected. The deductible, if carried, may be written in any amount.

11. Insuring Agreement (N) – Claims Expense

a. Description of Coverage

Covers reasonable expenses incurred by the insured by reason of the insured having retained, with the prior approval of the Underwriter, independent outside accountants or other non-legal experts to determine the amount and extent of loss covered and paid under any of the Insuring Agreements or Coverages provided by this bond, except Insuring Agreement (O).

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
\$2,500	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

Compute the company premium for Insuring Agreement (N) in accordance with **Section 2.III.A.1.c.** of these rules and procedures for the amount of

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coverage selected. Use the Audit Expense loss cost for a savings and loan association. The deductible, if carried, may be written in any amount.

12. Insuring Agreement (O) -- Theft of Secondary Market Institution's Money or Collateral

a. Description of Coverage

Covers loss to a secondary market institution resulting directly from theft by a partner, sole proprietor, major shareholder or non-employee trustee or director. Use U-FIB-1046-A CW to include specific investors beyond Freddie Mac, Fannie Mae and Ginnie Mae.

b. Permissible Amounts of Coverage

<u>Minimum</u>	<u>Maximum</u>
Same as Basic Bond Coverage	Not to exceed the amount of Basic Bond Coverage

c. Computation of Company Premium

- (1) Divide the limit of liability for Insuring Agreement (O) by 1,000.
- (2) Multiply the result obtained in (1) above by the loss cost for sellers or servicers, or sellers and servicers from the following table.

<u>Activity</u>	<u>Loss Cost</u>
Selling <u>or</u> Servicing Mortgage Loans	\$4.28
Selling and Servicing Mortgage Loans	\$8.54

- (3) Multiply the result obtained in (2) above by the company filed multiplier reflecting profit, expense and any modification to the reference loss cost.
- (4) The premium produced in (3) is then subject to the provisions of Rating Plan LCRP-1. The result is the company premium.

13. Coverage for Data Processing Organizations

a. Description of Coverage

Coverage for Data Processing Organizations is optional and must be deleted by rider if no such organizations are to be covered. Coverage is provided by covering, as employees, data processing organizations while acting on behalf of the insured in the data processing of checks and other accounting records of the insured related to such checks. Use Rider U-FIB-1044-A CW if Data Processing Coverage is not desired.

b. Permissible Amounts of Coverage

Coverage is written in the same amount as the Basic Bond Coverage.

c. Computation of Company Premium

Compute the company premium for Data Processing Organizations in accordance with **Section 2.III.A.1.c.** of these rules based on the total number

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of officers and employees (additional location charges do not apply). Multiply the loss cost by the number of Data Processing Organizations to be covered. Coverage for Data Processing Organizations is subject to the same deductible amount applicable to the Basic Bond Coverage.

B. OTHER INSURING AGREEMENTS/COVERAGES

Rights After Cancellation

a. Description of Coverage

The insured may obtain, for an additional premium, a period of 12 months after cancellation within which to discover losses sustained prior to cancellation. This additional period terminates immediately if coverage is replaced in whole or in part. Use U-FIB-1024-B CW to provide the discovery period.

b. Computation of Company Premium

Charge a premium equal to 75% of the last annual premium for a discovery period of 12 months.

C. DISCOVERY – RETROACTIVE DATE

1. The Mortgage Bankers Select Bond is a "discovery" form of bond. The bond indemnifies the insured for losses sustained at any time but discovered during the bond period.
2. The Mortgage Bankers Select Bond may be modified by the Retroactive Date Rider U-FIB-1041-A CW to indemnify the insured for loss caused by acts, all of which occur after the retroactive date shown in the rider. A separate Retroactive Date Rider U-FIB-1042-A CW is available for individual joint insureds or in the case of consolidation, merger or purchase of assets or liabilities of another institution Rider U-FIB-1043-A CW is available. There is no premium consideration for these riders when attached at inception, otherwise see SFAA Manual, FI-5 for midterm changes.

D. OTHER RIDERS

1. Cancel an existing rider – use U-FIB-1001-B CW.
2. Change name or address of insured – use U-FIB-1002-B CW.
3. If the space on the declarations page is too small to list all insureds – use U-FIB-1009-B CW.
4. Noncancelable – use U-FIB-1010-B CW
5. Amend bond period – use U-FIB-1034-B CW.
6. Amend notice of cancellation – use U-FIB-1047-A CW.
7. Annual Aggregate – use U-FIB-1048-A CW.
8. Change bond or policy number – use F270-A CW.