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January 25, 2012

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Executive Overview: Renewal and Rebuilding in 2012

Michael P. Smith
President & CEO



As European markets roiled and government continued to fumble chances to address the flaws of the financial and housing markets, the New York Bankers Association faced a barrage of even more punitive proposals at the local, state and federal levels. Despite the crush of negative publicity and sour political tones, NYBA was instrumental in aiding the establishment of a new Department of Financial Services under the leadership of Governor Andrew Cuomo, repel a series of harmful foreclosure initiatives, blunt efforts to rank the banks like public eateries, and offer another view of the world of banking than that being promulgated in public halls and national media.

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NYBA continued to take its case to the public with the launching of a website to chronicle our members' work in their communities, working with the court system to alleviate its overload of foreclosure cases and working with its strategic partner, the New York Business Development Corporation, to spur small business lending across the State.

[Benefits and Comp Surveys Aid Decisions](#)

At the federal level, gridlock was the operative word. Ideological differences on the size and cost of government insured that Congress and the President were powerless to deal with fundamental changes in law or regulation. As the authors of the Dodd-Frank Act either left or planned to leave center stage, much of the law was still without regulatory guidance. Flawed mandates, as those embodied in the Durbin debit card law, resisted a bipartisan effort to repeal or delay its implementation.

[Profit Solutions Workers Comp Safety Group Dividend](#)

Despite the continued malaise of 2011, there were signs of hope. A new Governor took strong stands to avoid gridlock. A new and forceful Superintendent took over the Department of Financial Services. Legislation was introduced in the Congress to address some of the flaws of the Dodd Frank law in the area of examinations and audits. New leadership moved into the federal agencies although the Department of Consumer Financial Protection was still without a leader.

[Lender-Placed Insurance at your Fingertips](#)

At the state level, NYBA will move forward aggressively on its foreclosure campaign aimed at improving the court system and delineating commercial from residential properties. It is hoped that municipal finance reform will be achieved in the area of thrift deposit taking and extending the reach of the deposit insurance system to public deposits. NYBA will work with state officials to insure a successful review of the corporate and bank tax code and support efforts to improve job creation and economic development.

[IIG Insurance Analysis: Ahead of the Competition](#)

With this backdrop, NYBA continues to maintain and improve on its world class programming and product offerings. In the Fall, NYBA concluded its three year "hit" run of Forums in New York City with rave reviews while our products area announced a new health care product which will bring substantial savings to participating banks.

[NYBA Co-Sponsors New York Fed Video Competition](#)

We see 2012 as the year of renewal and rebuilding. NYBA will seek strategic partners who want to build, not divide, the private and public sectors. Ultimately, this is the right direction for all bankers in one united chorus.

Register Today for NYBA's Annual Meeting & Legislative Conference



NYBA will be kicking off the year in Albany with **NYBA's Annual Meeting & Legislative Conference on February 13-14, 2012** at the Crowne Plaza (soon-to-be The Hotel Albany -- A Hilton Affiliate). This meeting, which focuses on State legislative and regulatory issues, sets the tone for the year in Albany and is vitally important to our grassroots political action efforts. The program will feature speakers from the legislative, regulatory and economic arenas. NYBA will also schedule "Hill Visits," private

meetings with your legislators.

Please [click here](#) to register with NYBA, and contact the Albany Crowne Plaza directly for room reservations by calling 877-462-4441 and mentioning **Group Code EBZ**. Or click on www.cpalbany.com to reserve a room online, using the **Group Code EBZ**. The reservation deadline for the \$184.00 room rate is January 15.

PAC Campaign in Year End Push



NYBA extends its sincere appreciation for the generous PAC contributions of the following member banks: Adirondack Bank, Alden State Bank, Alliance Financial Corporation, Arrow Financial Corporation, Bank of Akron, Bank of Castile, Bank of Holland, Bank of Richmondville, Bank of Utica, Bridgehampton Bank, Cattaraugus County Bank, Cayuga Lake National Bank, Chemung Canal Trust Company, Community Bank System, Country Bank, Empire State Bank, Evans Bancorp, First National Bank of Dryden, First National Bank of Groton, First National Bank of Jeffersonville, First National Bank of Scotia, First of Long Island Corporation, Five Star Bank, Flushing Savings Bank, Fulton Savings Bank, Hudson Valley Bank, NBT Bancorp, Inc., Northfield Bank, North Country Savings Bank, NYBA Staff, Oneida Savings Bank, Pathfinder Bank, Pioneer Bank, Provident Bank, State Bank of Long Island, Steuben Trust Company, Tioga State Bank, Tompkins Trust Corporation, and Walden Savings Bank. ***If you are not on the list, but would like to be on the PAC Honor Roll at the Annual Meeting in February, call Karen Armstrong at (212) 297-1635.***

NYBA Congratulates Steve Rice on Retirement from Career Dedicated to Industry



NYBA announces with congratulations the retirement of Steve Rice, NYBA's Vice President of Member and Public Relations. For the past six years, Steve has directed the Association's federal and state grassroots activities from NYBA's Albany office, written speeches, contributed articles to the Association's publications, hosted weekly State Government Relations Committee meetings and helped raise funds for the Federal PAC. Steve joined NYBA in January of 2006, upon the Association's combination with the Community Bankers of New York State (CBANYS). He was with CBANYS, and its predecessor SBANYS (Savings Banks Association of New York State) for 18 years, and previously worked for NYS Senate Majority Leader Warren Anderson. Steve is a lifelong resident of the Town of Bethlehem and a member of the Town Planning Board. He and his wife, Nancy, have four children and four grandchildren. NYBA wishes to thank Steve for his decades of dedicated service to the banking industry of New York State and wishes him well in his future endeavors. In leaving, Steve noted: "I want to thank NYBA and the membership for the privilege of serving and representing such a vital, important industry throughout the years. It was truly my honor."

2012: Another Busy Year for Association

[Annual Meeting and Legislative Conference](#)

February 13-14
Crowne Plaza Albany -- Albany, NY

[Technology, Compliance & Risk Management Forum](#)

June 6-8
Saratoga Hilton -- Saratoga Springs, NY

[Senior Management Conference](#)

June 20-22
Gideon Putnam -- Saratoga Springs, NY

[66th Annual Trust and Investment Conference](#)

October 1-3
The Otesaga Hotel -- Cooperstown, NY

NYBA Welcomes New Members

Eight firms joined the NYBA family in the last two quarters of the year. We are very pleased to have their participation in the Association and we urge our bank members to take advantage of their knowledge and expertise!

[Financial Services Members](#)

[Barclays Capital](#)

[Lazard Wealth Management](#)
[State Farm Mutual Automobile Insurance](#)

Service Members

[Alston & Bird LLP](#)
[Jaspan Schlesinger LLP](#)
[Pryor Cashman LLP](#)
[Second Market, Inc.](#)
[Weil, Gotshal & Manges LLP](#)

NYBA Professional Development

Developing Tomorrow's Industry Leaders



In today's economic environment, it is more important than ever to provide your employees with the skills and knowledge needed to navigate through challenging times. The New York Bankers Association has had a long-standing commitment to providing its members with timely, high-quality, cost-effective [lifelong learning](#). Through a comprehensive program of schools, seminars, courses, conferences and workshops offered in flexible delivery formats, NYBA helps bankers at every level develop their professional and technical skills.

As your **Local ABA Training Provider**, NYBA is also pleased to offer the entire [American Institute of Banking](#) continuing education curriculum. AIB's curriculum includes more than 100 titles available online or via textbooks/workbooks for classroom delivery.

Remember that member dollars spent on NYBA education represent not only an investment in your people but also an investment in the mission and goals of the Association. It's a win-win strategy. We encourage you to give us a call (212-297-1679) to discuss your bank's professional development needs.

Banking Schools Offer In-Depth Content

[Banking schools](#) help train and develop the industry leaders of tomorrow. NYBA is pleased to partner with the ABA, Pennsylvania Bankers Association and Graduate School of Banking to help your employees build a strong foundation in industry knowledge and gain new ideas and new insights. [Click here](#) to access a list of 2012 banking schools. Contact elegg@nyba.com for more information on any of these programs.

HR Update: 2011 Year in Review...2012 Outlook

NYBA's Human Resources Committee will kick off the New Year with a [webinar](#) on January 31 focusing on the impact of 2011 changes in employment law and a look ahead at 2012. Attorney **Paul Siegel** of Jackson Lewis LLP will discuss specific New York changes and share preventive strategies to consider now. [Click here](#) to enroll now.

Build Best Practices in Bank Financial Management

Instructor-led, online **Bank Financial Management** courses help you and your employees develop analytical tools and a deeper understanding of bank financial management concepts. Click the links below for course content and registration. *"I was surprised at how much this class taught me about capital and liquidity. It was very informative, and I would **highly recommend** it to anyone in a bank management role."*

- [Analyzing Bank Performance](#) – start dates of 2/6 and 7/3
- [Managing Funding, Liquidity & Capital](#) – start dates of 1/9 and 5/7
- [Managing Interest Rate Risk](#) – start date of 3/12
- [Managing the Bank's Investment Portfolio](#) – start dates of 2/21 and 6/18

Make Sound Business Decisions Using Benefits and Compensation Surveys

NYBA is pleased to partner with Pearl Meyer & Partners in bringing you New York and/or Northeast-specific data on important benefits and compensation practices.

- [Benefits and HR Policies Survey](#) – comprehensive benefits and personnel policies information; data submission to begin in January 2012, with results available in April.
- [Banking Compensation Survey](#) – provides rich data for over 150 officer and non-officer positions as well as policies and practices governing salary administration, incentive plan design and more. [Click here](#) for a list of 2011 participants. Data submission to begin in April 2012, with results available in August.

Check NYBA's online [Calendar of Events](#) as a **one-stop resource** for professional development. Keep checking back as programs are always in development. If you can't find what you're looking for, call Elisa Legg at 212-297-1679 or email elegg@nyba.com.

Profit Solutions

Increase Growth, Profitability, Productivity and Performance with TracPlus



The New York Bankers Service Corporation (NYBSCO) endorses PerformanceDelta, LLC's **TracPlusSM** performance management solutions. We have made special arrangements for NYBA Member Banks, and believe that **TracPlusSM** will make your bank's performance management easier, more productive and help increase revenues, reduce expenses and improve communication.

TracPlusSM combines in-person consulting services with state-of-the-art, **web-based**, user friendly software tools that have a proven track record of improving employee performance, increasing bank revenues, reducing expenses, and enhancing communication between customers, employees and all levels of bank management.

Designed and built by bankers for bankers, **TracPlusSM** is much more than a lead tracking sales tool!

TracPlusSM is a comprehensive, fully integrated, growth, profitability and performance management solution. PerformanceDelta's award-winning team boasts more than 125 years of combined experience in banking and finance, marketing communications, education and training, employee motivation, and software development.

"Cross-sell is the Holy Grail of Community Banking as we try to deepen relationships and provide solutions to our customers. PerformanceDelta's TracPlus has been a great benefit to our organization in fostering, incenting, tracking, and reporting on relationship building with our customers." David J. Nasca, President & CEO, Evans Bank, N.A. and NYBSCO Board Member.

For more information, please contact Chris Burgess at 601.853.4500 ext.111, or via email at Chris.Burgess@PerformanceDelta.com.

Dividend Declared at 60% of Premium on Workers Comp Safety Group

NYBA is pleased to report that the NYBSCO-endorsed Safety Group, *Financial Services Safety Group #558*, recently declared the 2010-2011 policy term dividend in the amount of 60% of the premiums, less any terrorism and assessment charges. This is the 17th year of continuous dividends!

While dividends are not guaranteed, *Financial Services Safety Group #558* has distributed in excess of 50% annually over the past four years. In addition to the potential for dividends, eligible Members may receive upfront premium discounts of up to 25%. **Between the discount and dividend, your net workers compensation cost could be 50% of standard rates.**

The Safety Group is managed by The Treiber Group, a division of Arthur J. Gallagher Risk Management Services, Inc. and the insurance carrier is the New York State Insurance Fund. The *Financial Services Safety Group #558* was established in 1994 and consists of various financial advisory organizations such as accountants, bond dealers, stockbrokers and financial institutions.

Along with the attractive financial features, this Program provides excellent service. Arthur J. Gallagher Risk Management Services Inc. services include claims management for monitoring proper reserve levels, efficiency in closure, subrogation when eligible, assistance in completion of forms, review of experience rating and review of the accounting and contingent balances of the Safety Group for dividend declarations. The New York State Insurance Fund provides direct billing to the members and members can request certificates of insurance on-line as well as the reporting of claims.

Find out today how the *Financial Services Safety Group #558* Program compares to your current program and how its extended services can assist you in managing your risk.

For more information, please contact Gallagher's Wendy Northorn, Senior Account Executive at (516) 622-2477, e-mail wendy_northorn@ajg.com, or NYBSCO's Gus Kananis, Director, Field Marketing, at (518) 434-3556, e-mail gkananis@nyba.com.

Preparedness and Testing are the Key to Survival



The longevity of your financial institution, as well as the livelihoods and safety of you and your employees, isn't something to be left to chance. According to a recent study, 90% of companies who experience a disaster will fail within a year, **UNLESS** they're able to resume operations within 5 business days of a disaster. And, a disaster doesn't have to be a hurricane, earthquake or tornado. Often, it's something as simple as a burst pipe, small fire or even a utility outage.

In order to save the business you have worked so hard to build, it is critical to plan for the unlikely events. The first decision is the one you make on planning **to stay in business**. Start with the basics and keep it simple. Look at how your company functions and which of those functions it cannot do without. Identify potential disasters and plan for the impact and duration of the event, so that your plans will work in any scenario. The duration of the event will affect which portions of the plans you activate. For an instance, a pipe burst in your building may only shut you down for days or weeks, while a complete loss of your building, such as a fire, can potentially shut you down long term. How and where will you get your employees back to work if your building is inaccessible, or no longer there? When developing these plans, you need to **talk to your employees about the organization's recovery planning process, so that everyone is aware and involved in how they will participate in protecting the company and their jobs.**

There are ample resources available to assist in the creation of a disaster recovery plan including preparemybusiness.org, a joint effort between the U.S. Small Business Administration and Agility Recovery to strengthen the resiliency of businesses. www.preparemybusiness.org provides preparedness plans for your business and best practices for testing your plan.

PLANNING FOR YOUR TESTING PROCESS

Testing is the crux of keeping your plan up to date and increasing the resiliency of your institution. Yet, the fact remains that the majority of businesses have *never tested* their recovery plan. How can you be secure in your organization's ability to function as expected during an actual crisis without first putting it to the test? Did you test at your recovery site? How did it go?

Perhaps the word 'test' attaches a 'pass/fail' criterion and should instead be looked at as more of a *practice or drill*. Most businesses who actively test their recovery plan will tell you that there is no such thing as a 'failed' test, unless you fail to enact upon the deficiencies discovered during the test. These exercises are designed to bring certain realities to the surface that may not have been thought about without going through a dry-run.

Your test process should start with the creation of a recovery testing team and then determine what you would like to test and against what type of situation.

Consider phasing your experimentation, such as:

- **Phase I:** Test server and communications recovery
- **Phase II:** Test customer service and internal process recovery
- **Phase III:** Test recovery of complete facility loss, such as power and location

With your disaster recovery solutions provider, you should:

- Determine priorities and objectives among on-site and off-site staff
- Determine realistic Recovery Time Objectives (RTO)
- Build outcomes of your continuity plan
- Challenge all aspects of your recovery operation
- Evaluate how much generator power is needed and transition seamlessly from land power to generator power and back again
- Conduct off-site server restoration and reconstruction and measure against your RTO
- Establish workspace and workflow of your recovery site
- Improve cross-departmental and partner communication
- Confirm connectivity to your recovery network
- Simulation of real-time business transactions
- Improve upon areas that do not meet the RTO's and business objectives

Testing may seem to be a monumental task but we encourage you to test annually – ensuring your plan stays

current, well documented and effective. With staff dedicated solely to assisting members with these needs, we are constantly striving for ways to encourage businesses to test their continuity initiatives. Testing should be a vital component of your continuity plan, not an afterthought.

When developing your plan, remember these words from President Eisenhower, *"In preparing for battle I have always found that plans are useless, but planning is indispensable."* Exercising your plan and involving staff in the planning process will ensure you leave as little to chance as possible.

Continuity Centers is an endorsed NYBSCO partner. For more information about this program, please contact Larry Drago, at LDrago@continuitycenters.com or 1-516-918-4927.

WNC's iClient Puts Lender-Placed Insurance at Your Fingertips

They say technology is only good if it works – especially if it's delivered through the Internet. Well, this one does just that. If the goal is to fully protect a bank's insurable interest in mortgaged real estate and consumer loan collateral – efficiently, cost effectively and reliably – WNC's proprietary Internet-based application iClient® may be the best solution available today.



How so? Because iClient® was developed by WNC for and with banks, tested rigorously, proven daily, and continuously enhanced based on client feedback. iClient® proves how close collaboration between a bank and its insurance partner achieves shared goals.

An experienced and pioneering force in the insurance industry since 1962, WNC Insurance Services is NYBSCO's endorsed provider for lender placed flood, hazard and wind property insurance, consumer loan collateral protection, and outsourced insurance tracking.

So what is iClient® really? What does it do so well that helps banks increase productivity, lower cost and remove worry? Anywhere you're able to access the Internet, iClient® is ready to deliver the following key benefits:

- Know which mortgage loans are uninsured in real time, any time
- Place coverage to protect your interest immediately – no waiting, no paper forms
- Quickly find out how much coverage will cost
- Cancel any coverage you placed online
- View insurance documents and transactions from your desktop
- File a claim, review claim status and notes any time
- Download reports on demand

How much does it cost to have iClient®? Zero. With your NYBA membership, all that's needed is to set up your bank's unique iClient® User ID and password protected account so you can experience for yourself the advantages of insurance expertise and Internet-driven technology.

iClient® is like having a "golden keyboard" that allows you to monitor your insurance exposures and take immediate action when needed – without leaving the comfort of your office. iClient® is technology that works.

To find out more about WNC Insurance Services and iClient®, contact Michael Randall, Senior Vice President, WNC Insurance Services, at 803-237-5428 or mrandall@wncfirst.com.

Institutional Insurance Group – Proprietary Insurance Company Analysis



The New York Bankers Service Corporation (NYBSCO) is pleased to endorse Institutional Insurance Group (IIG) a national firm dedicated to providing the highest level of knowledge, products and service to a select clientele interested in utilizing institutional insurance products as a financial tool.

Institutional insurance products have been widely used by major corporations and high net worth investors to mitigate liabilities, provide tax efficiency, and improve total return on assets. The use of these products is a growing technology at both the corporate and individual level.

Most banks utilize insurance companies for a variety of purposes, including Bank-Owned Life Insurance, Group Life & Health Benefits, Investment Securities, and Insurance & Annuity offerings to bank customers.

IIG specializes in educating, evaluating, and customizing solutions within the following markets:

- Bank Owned Life Insurance (BOLI)
- Large Corporate Owned Life Insurance (COLI)
- Alternative Funding Vehicles (AFV)
- Non-Qualified Executive Benefit Programs

IIG's Analytics Stand Apart From the Competition

IIG has developed a *proprietary insurance company analysis and reporting process* to help banks monitor the performance and financial strength of insurance companies.

- **Insurance Company Statutory vs. GAAP accounting;**
- **Insurance Company Organizational & Capital Structures;**
- **Credit Priority of Insurance Company Stakeholders - Policy Holders, Bond Holders, Equity Owners;**
- **Importance of Independent Analysis beyond Monitoring of Rating Agencies;**
- **General Financial Analysis of Insurance Company Statutory Financials;**

NYBSCO will be hosting a webinar featuring IIG's Proprietary Insurance Company Analysis in early 2012. Keep an eye out for an email with information about the date, time and how to register!

In the meantime, we encourage you to take full advantage of the broad array of resources IIG brings to their clients. Find out more by contacting Matt Henebry at (860) 413-3600, mhenebry@institutional-insurance.com or Gus Kananis at 518-434-3556, gkananis@nyba.com.

NYBA Co-Sponsors New York Fed Video Competition



The New York Bankers Association was pleased to co-sponsor the New York Fed's 2011 Financial Services Awareness Video Competition. Click [here](#) to view the winning video, "Credit Costs," by Kenneth Bordes-Hollon of New York City College of Technology. NYBA President & CEO Mike Smith presented the first prize award to the students who produced the video at a special screening. Among the judges were New York City Consumer Affairs Commissioner Jonathan Mintz and New York Jet D'Brickshaw Ferguson.

New York Bankers Association

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