

Part 713 Fidelity Bond and Insurance Coverage for Federal Credit Unions

§ 713.1 What is the Scope of This Section?

This section provides the requirements for fidelity bonds for Federal credit union employees and officials and for other insurance coverage for losses such as theft, holdup, vandalism, etc., caused by persons outside the credit union.

§ 713.2 What are the Responsibilities of a Credit Union's Board of Directors Under this Section?

The board of directors of each Federal credit union must at least annually review its fidelity and other insurance coverage to ensure that it is adequate in relation to the potential risks facing the credit union and the minimum requirements set by the Board.

§ 713.3 What Bond Coverage Must a Credit Union Have?

At a minimum, your bond coverage must:

- (a) Be purchased in an individual policy from a company holding a certificate of authority from the Secretary of the Treasury; and
- (b) Include fidelity bonds that cover fraud and dishonesty by all employees, directors, officers, supervisory committee members, and credit committee members.

§ 713.4 What Bond Forms May Be Used?

- (1) The following basic bonds may be used without prior NCUA Board approval:

Credit Union Form No.	Carrier
Credit Union Blanket Bond Standard Form 23 of the Surety Association of America (revised May 1950).	Various
Extended Form 23	USFG
100	CUMIS (only approved for corporate credit union use)
200	CUMIS
300	CUMIS
400	CUMIS
AIG 23	National Union Fire Insurance Co. of Pittsburgh, PA
Reliance Preferred Form 23	Reliance Insurance Company
Form 31	ITT Hartford
Form 24 with Credit Union Endorsement.	Continental (only approved for corporate credit union use)
Form 40325	St. Paul Fire and Marine
Form F2350	Fidelity & Deposit Co. of Maryland
Form 9993 (6/97)	Progressive Casualty Insurance Co.
Credit Union Blanket Bond (1/96).	Cooperativas de Seguros Múltiples de Puerto Rico

- (b) To use any of the following, you need prior written approval from the Board:
- (1) Any other basic bond form; or
 - (2) Any rider or endorsement that limits coverage of approved basic bond forms.

§ 713.5 What is the Required Minimum Dollar Amount of Coverage?

- (a) The minimum required amount of fidelity bond coverage for any single loss is computed based on a Federal credit union's total assets.

Assets	Minimum bond
\$0 to \$10,000	Coverage equal to the credit union's assets.
\$10,001 to \$1,000,000	\$10,000 for each \$100,000 or fraction thereof.
\$1,000,001 to \$50,000,000	\$100,000 plus \$50,000 for each million or fraction over \$1,000,000.
\$50,000,001 to \$295,000,000	\$2,550,000 plus \$10,000 for each million or fraction thereof over \$50,000,000.
Over \$295,000,000	\$5,000,000

- (b) This is the minimum coverage required, but a Federal credit union's board of directors should purchase additional coverage when circumstances, such as cash on hand or cash in transit, warrant.
- (c) While the above is the required minimum amount of bond coverage, credit unions should maintain increased coverage equal to the greater of either of the following amounts within thirty days of discovery of the need for such increase:

- (1) The amount of the daily cash fund, i.e. daily cash plus anticipated daily money receipts on the credit union's premises, or
- (2) The total amount of the credit union's money in transit in any one shipment.
- (3) Increased coverage is not required pursuant to paragraph (c) of this section, however, when the credit union temporarily increased its cash fund because of unusual events which cannot reasonably be expected to recur.
- (d) Any aggregate limit of liability provided for in a fidelity bond policy must be at least twice the single loss limit of liability. This requirement does not apply to optional insurance coverage.
- (e) Any proposal to reduce your required bond coverage must be approved in writing by the NCUA Board at least twenty days in advance of the proposed effective date of the reduction.

§ 713.6 What is the Permissible Deductible?

- (a)
 - (1) The maximum amount of allowable deductible is computed based on a Federal credit union's asset size, as follows:

Assets	Maximum Deductible
\$0–\$100,000	No deductibles allowed
\$100,001–\$250,000	\$1,000.
\$250,001–\$1,000,000	\$2,000.
Over \$1,000,001	\$2,000 plus 1/1000 of total assets up to a maximum deductible of \$200,000.

- (2) The deductibles may apply to one or more insurance clauses in a policy. Any deductibles in excess of the above amounts must receive the prior written permission of the NCUA Board.
- (b) A deductible may not exceed 10 percent of a credit union's Regular Reserve unless a separate Contingency Reserve is set up for the excess. In computing the maximum deductible, valuation accounts such as the allowance for loan losses cannot be considered.

§ 713.7 May the NCUA Board Require a Credit Union to Secure Additional Insurance Coverage?

The NCUA Board may require additional coverage when the Board determines that a credit union's current coverage is inadequate. The credit union must purchase this additional coverage within 30 days.