 <b>Office of Credit Unions</b> <b>Policies and Procedures</b>	<b>POLICY NUMBER</b>
	<b>10910</b>
<b>BOND/INSURANCE</b>	<b>EFFECTIVE DATE</b>
	<b>11/01/2018</b>
<b>SUBJECT</b>	<b>REVISION DATE</b>
	<b>11/01/2018</b>
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## I. PURPOSE


Bond and other insurance coverage is required of all credit unions to insure against unforeseen losses such as employee or director dishonesty, and losses in relation to the services provided to the membership. Coverage must be reviewed by examiners from a safety and soundness aspect as well as compliance. Review of credit union records and discussions with management should help determine if a bond claim is required or should have been filed.

## II. PRIMARY REFERENCES

1. Michigan Credit Union Act:
  - a. [Section 341\(8\)\(b\)](#): Qualifications of elected or appointed persons
  - b. [Section 342\(4\)\(l\)](#): Fixing the amount of surety bond coverage
2. [NCUA Rules and Regulations Part 713](#) Fidelity Bond and Insurance Coverage
3. [NCUA Rules and Regulations Part 741.201](#) Minimum Fidelity Bond Requirements

## III. MINIMUM PROCEDURES

1. Determine the amount of minimum coverage necessary for compliance with [NCUA Rules and Regulations, Part 713](#):
  - a. Within AIREX Exam.xls, from the Checklist page, select the “Bond Coverage Calculation”. Based upon the reported asset size of the credit union on the most recently submitted 5300 Call Report, the calculated required blanket bond coverage appears.
2. Review the bonding company binder of covered losses:
  - a. The declarations page should address the losses covered along with the amount of insurance coverage for each occurrence.
  - b. Typically, the employee dishonesty coverage is the highest coverage item present and should be compared to the calculated required blanket figure for adequacy.
3. Determine if existing coverage and deductibles are adequate or inadequate:
  - a. For coverage that meets or exceeds regulatory minimums, document on a copy of the declarations page the coverage was sufficient based upon assets as of the examination date and retain a copy with the workpapers.

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- b. For coverage that does not meet minimum regulatory requirements, notify management of this discrepancy; management must contact the bonding company to obtain an increased amount of coverage within 30 days and notify the Board of Directors.
  
- 4. Review board minutes for the following:
  - a. Discussion of bond claims against the bonding company.
  - b. Discussion of items which should be addressed as a bond claim.
  - c. Documentation of the Board of Director’s annual review of the adequacy of the bond coverage currently held based upon the current asset size of the institution, loss exposure, and internal controls.
  
- 5. Ensure coverage exists and is adequate for the following:
  - a. Other assets owned (OREOs, other repossessed properties/vehicles) and credit union owned vehicles.
  - b. All buildings, leasehold improvements and other fixed assets.
  - c. Workman’s Compensation and General Liability Insurance.