

CHAPTER 13-03-24
FIDELITY BOND AND INSURANCE COVERAGE OF CREDIT UNIONS

Section

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13-03-24-01. Fidelity bond required.

All credit unions are required to have a fidelity bond for credit union employees and officials and for other insurance coverage for losses such as theft, holdup, vandalism, and similar losses caused by persons outside the credit union.

History: Effective January 1, 2007.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-06-06

13-03-24-02. Annual review required.

1. The board of directors of each 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 state credit union board.
2. The board of directors shall review all applications for purchase or renewal of its fidelity bond coverage. The board shall pass a resolution approving the purchase or renewal of fidelity bond coverage and delegate one member of the board, who is not an employee of the credit union, to sign the purchase or renewal agreement and all attachments; provided, however, that no board members may be a signatory on consecutive purchase or renewal agreements for the same fidelity bond coverage policy.

History: Effective January 1, 2007; amended effective April 1, 2022.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-06-06

13-03-24-03. Acceptable bond forms.

At a minimum, the bond coverage must:

1. Be purchased in an individual policy from a company holding a certificate of authority from the secretary of the treasury.
2. Include fidelity bonds that cover fraud and dishonesty by all employees, directors, officers, supervisory committee members, and credit committee members. Fidelity bond coverage may also cover activities of a credit union service organization provided the credit union owns more than fifty percent of the credit union service organization or the credit union service organization or it is organized by the credit union for the exclusive benefit of the credit union's employees.
3. Include an option for the liquidating agent to purchase coverage in the event of an involuntary liquidation that extends the discovery period for a covered loss for at least one year after liquidation.

4. In the case of a voluntary liquidation, remain in effect, or provide that the discovery period is extended, for at least four months after the final distribution of assets.
5. Be a bond form that has been approved by the national credit union administration board.

History: Effective January 1, 2007; amended effective April 1, 2022.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-06-06

13-03-24-04. Required minimum amount of coverage.

1. The minimum required amount of fidelity bond coverage for any single loss is computed based upon a credit union's total assets.

Assets	Minimum Bond
\$0 to \$4,000,000	Lesser of total assets or \$250,000
\$4,000,001 to \$50,000,000	\$100,000 plus \$50,000 for each million or fraction thereof over \$1,000,000
\$50,000,001 to \$500,000,000	\$2,550,000 plus \$10,000 for each million or fraction thereof over \$50,000,000, to a maximum of \$5,000,000
Over \$500,000,000	One percent of assets, rounded to the nearest hundred million, to a maximum of \$9,000,000

2. This is the minimum coverage required, but a credit union's board of directors should purchase additional coverage when circumstances warrant. In making this determination, a board of directors should consider its own internal risk assessment, its fraud trends and loss experience, and factors, such as its cash on hand, cash in transit, and the nature and risks inherent in any expanded services it offers, such as wire transfer and remittance services.
3. While the above is the 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:
 - a. The amount of the daily cash fund, i.e., daily cash plus anticipated daily money receipts on the credit union's premises; or
 - b. The total amount of the credit union's money in transit in any one shipment.
 - c. Increased coverage is not required pursuant to this subsection when the credit union temporarily increases its cash fund because of unusual events which cannot reasonably be expected to recur.
4. 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.
5. Any proposal to reduce the required bond coverage must be approved in writing by the state credit union board at least twenty days in advance of the effective date of the reduction.

History: Effective January 1, 2007; amended effective April 1, 2022.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-06-06

13-03-24-05. Maximum allowable deductibles.

1. The maximum amount of allowable deductibles is computed based on a 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 \$1,000,000	\$2,000 plus 1/1000 of total assets up to a maximum deductible of \$200,000; for credit unions that have received a composite capital, asset quality, management, earnings, liquidity, and sensitivity to market risk rating of "1" or "2" for the last two full examinations and maintained a net worth classification of well capitalized for the six immediately preceding quarters, the maximum deductible is \$1,000,000

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 state credit union board.
3. A deductible may not exceed ten percent of a credit union's net worth.

History: Effective January 1, 2007; amended effective April 1, 2022.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-06-06

13-03-24-06. Additional coverage required.

The state credit union 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 thirty days.

History: Effective January 1, 2007.

General Authority: NDCC 6-01-04

Law Implemented: NDCC 6-01-06