

DCU Opinion Number 01-5

Date: June 4, 2001

From: Parker Cann, Director of Credit Unions

Subject: Bond Coverage Which Meets Minimums Established in NCUA Rules Is Generally Adequate Under Washington State Credit Union Act

Issues

How much bond coverage is required for Washington State-chartered credit unions (credit unions)?

Analysis

The Washington State Credit Union Act (CU Act) requires credit unions to be adequately insured against risk, and requires each director, officer, committee member, and employee of a credit union to be adequately bonded. RCW 31.12.367(1). In addition, credit unions must also satisfy minimum bond and insurance coverage provisions in Part 713 of NCUA rules. See NCUA rules at Section 741.201. For example, Part 713 requires at least \$5 million in bond coverage for credit unions with total assets over \$295 million. In general, we view bond and insurance coverage in compliance with the NCUA rules to be adequate under the CU Act.

However, each credit union should determine whether the required minimum bond and insurance coverage is sufficient to adequately insure against the risk in its operations.

The Division of Credit Unions (Division) may as a matter of safety and soundness require additional bond or insurance coverage when the Division determines that a credit union's current coverage is inadequate. For example, the Division may require a credit union with significant weaknesses in compliance with consumer protection laws to purchase an endorsement for coverage in this area.

Conclusion

Credit unions must have as a minimum the bond and insurance coverage set forth in Part 713 of NCUA's rules. However, a credit union should determine what amount of bond and insurance coverage is adequate to cover its risk.

Opinion index heading: Corporate governance: RCW 31.12.105 -.367

Opinion index and list descriptor: Bond Coverage Which Meets Minimums Established in NCUA Rules Is Generally Adequate Under Washington State Credit Union Act