

The Surety Association of America

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July 22, 2005

Via Electronic Mail

Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-34

Re: Notice of Proposed Rule
National Credit Union Administration
Fidelity Bond and Insurance Coverage for Federal Credit Unions

Dear Ms. Rupp:

The Surety Association of America ("SAA") is a national trade association of insurance companies that are licensed to write fidelity and surety bonds. SAA member companies provide the vast majority of fidelity bonds to credit unions. In fact, all the companies set forth in the listing of "Bonds Approved for FCU Use" on your website (www.ncua.gov) are SAA members or affiliated with SAA members. We write in response to the referenced rulemaking. In particular, we note that the National Credit Union Administration ("NCUA") is considering rescinding the approval of SAA's Financial Institution Bond, Standard Form No. 23 ("Form 23") for credit unions. We ask that NCUA maintain its approval of the SAA form as a permissible form for the following reasons.

First, narrowing the choices of approved forms available to credit unions ultimately could harm credit unions. Greater competition in the market leads to greater responsiveness to the coverage needs of credit unions. Eliminating a form from the array of choices restricts the market. Further, eliminating the Form 23 maintained by SAA has a more profound effect compared to eliminating a form maintained simply by an insurance company. SAA develops fidelity bond forms for financial institutions that are available for use by all SAA members. SAA members simply need to adopt the form in order to use it. Several companies do not develop proprietary forms, but rather rely on SAA for their forms. Therefore, removing the SAA Form 23 from the forms list impacts several companies that use SAA forms.

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Second, we acknowledge that the Form 23 has not been updated in over fifty years. SAA currently is in the process of updating its library of Financial Institution Bond forms. Most recently, we updated the Financial Institution Bond, Standard Form No. 24, which is the form available for commercial banks. SAA is considering developing an updated Form 23 based on the Form 24, 2004 edition. We invite NCUA to provide any guidance with respect to the required coverage provisions as a condition for NCUA approval.

SAA desires to work with NCUA to develop a form that meets your requirements. Our goal is to ensure that the Form 23 remains available for use so that credit unions have a wide array of choices in a competitive market. We would be happy to discuss any proposed changes to the Form 23. You may contact me directly at 202-778-3630 or by email at rduke@surety.org. Thank you for your consideration.

Sincerely,

Robert J. Duke