



National Credit Union Administration

March 21, 2014

Robert K. Rusch
Associate General Counsel
CUNA Mutual Group
5910 Mineral Point Road
Madison, Wisconsin 53705

Dear Mr. Rusch:

RE: Multiple Insured Parties Under Fidelity Bond

You have asked whether a federally insured credit union may include one or more credit union service organizations (CUSOs) as additional insureds under its fidelity bond. Also, if the answer is yes, you have asked whether there are any limitations or other requirements that apply when adding such additional insureds. The answer to your first question is no, a federally insured credit union may not include one or more CUSOs or other parties as additional insureds under its fidelity bond. Therefore, it is not necessary to answer your second question.

NCUA rules require all federally insured credit unions to obtain fidelity bond coverage under an individual policy. 12 C.F.R. §§ 713.3(a), 741.201(a). Further, in Legal Opinion Letter 04-0744 (enclosed), NCUA opined that a CUSO that provides management services for multiple credit unions could not purchase a single fidelity bond with each credit union named as an insured. While the earlier situation is different from the question that you ask, the same reasoning and requirement apply.

The requirement for a federally insured credit union to obtain an individual fidelity bond policy has not changed since NCUA issued Legal Opinion Letter 04-0744, and we conclude that adding one or more CUSOs to a federally insured credit union's fidelity bond would violate the rule. As the earlier Legal Opinion Letter explained, a purpose of the individual policy requirement is to avoid diluting or conflicting with the individual credit union's coverage. In addition, this requirement prevents a claim against one insured from depleting coverage limits for the credit union.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael J. McKenna'.

Michael J. McKenna
General Counsel

GC/IMM:bhs
SSIC 3500
14-0311
Enclosure

September 21, 2004

Robert M. Konop, Esq.
Vice President and Associate General Counsel
CUNA Mutual Group
P.O. Box 1084
Madison, WI 53701-1084

Re: Multiple Credit Unions Sharing Single Fidelity Bond.

Dear Mr. Konop:

You have asked if a credit union service organization (CUSO) that provides management services for several credit unions may purchase a single fidelity bond that names all its credit unions as insureds. No, our regulations require that each federally insured credit union must be insured under its own individual bond.

You have indicated that none of the credit unions managed by the CUSO has any employees of its own, but that each credit union maintains its own corporate identity. The CUSO proposes to purchase a single fidelity bond, with coverage in excess of the mandatory limits for any one of its managed credit unions, but which names all of the credit unions as insureds under the single bond.

NCUA rules require that a federal credit union must obtain bond coverage in an individual policy. 12 C.F.R. §713.3(a). Part 713 of our rules applies to federally insured credit unions as well. 12 C.F.R. §741.201. As noted in the preamble to the final Part 713 rulemaking, the principal reason for not permitting a credit union's bond to cover additional insureds is to ensure that the coverage of the other insureds does not conflict with or in any way dilute the individual credit union's required coverage. 64 Fed.Reg. 28718, 28719 (May 27, 1999). The restriction on additional insureds prevents a claim against an additional insured from exhausting the single and aggregate loss limits on the credit union's minimum required coverage. 12 C.F.R. §713.5(a) and (d).

Sincerely,

/s/

Sheila A. Albin
Associate General Counsel

GC/RPK:bhs
04-0744