1301:9-2-03 **Required bond.**

(A) Each credit union shall obtain and maintain a fidelity bond subject to approval of the superintendent. As a minimum, the fidelity bond must provide coverage for the fraud and dishonesty of all employees, directors, officers, and committee members. If a bonding company has submitted a template bond to be approved by the superintendent and such template is approved, a credit union may use this bond without the superintendent's approval provided the bond's provisions have not been altered since the time of the superintendent's review and approval. It shall be the responsibility of the board of directors to determine what coverage in excess of the minimum requirement is needed for its particular credit union.

(B) The superintendent may require additional coverage for any or all credit unions when, in his or her opinion, current coverage is insufficient.

(C) All bond claims or potential bond claims shall be reported to the superintendent within three days of the filing of the claim or notice of potential claim with the bonding company. The notice to the superintendent shall include a copy of the claim or notice of potential claim.

(D) All bonds shall include a provision, in a form approved by the superintendent, requiring written notification by the surety to the superintendent:

(1) When the bond of a credit union is terminated in its entirety and when bond coverage is terminated, by issuance of a written notice, on an employee, director, officer or committee member. The notification shall be sent to the superintendent and shall include a brief statement of cause for termination.

(2) When the bond coverage is changed by the credit union or surety. The notification shall include a copy of the change in coverage.

(E) The minimum amount of bond coverage required shall be computed based on the credit union's total assets and shall be:

Assets	Minimum bond
$0 to ~~$10,000~~$4,000,000	~~Coverage equal to the credit union's assets~~Lesser of total assets or $250,000

~~$10,001 to $1,000,000~~$4,000,001 to $50,000,000	~~$10,000 for each $100,000 or fraction thereof.~~$100,000 plus $50,000 for each million or faction thereof over $1,000,000
~~$1,000,001 to $50,000,000~~$50,000,001 to $500,000,000	~~$100,000 plus $50,000 for each million or fraction over $1,000,000~~$2,550,000 plus $10,000 for each million or fraction thereof over $50,000,000, to a maximum of $5,000,000
~~$50,000,001 to $295,000,000~~Over $500,000,000	~~$2,550,000 plus $10,000 for each million or fraction thereof over $50,000,000~~One percent of assets, rounded to the nearest hundred million, to a maximum of $9,000,000
~~Over $295,000,000~~	~~$5,000,000~~

(F) The superintendent must approve in writing any proposal made to reduce coverage at least twenty days in advance of the proposed effective date of the reduction.

(G) The maximum amount of deductibles allowed are based on the credit union's total assets. The following table sets out the maximum deductibles:

Assets	Maximum deductible
$0 to $100,000	No deductible allowed
$100,001 to $250,000	$1,000
$250,001 to $1,000,000	$2,000
Over $1,000,001	$2,000 plus 1/1000 of total assets up to a maximum deductible of $200,000

No deductible shall exceed ten percent of the credit union's regular reserve unless the credit union creates a segregated contingency reserve for the amount of the excess. Valuation allowance accounts, such as allowance for loan losses, may not be considered part of the regular reserve when determining the maximum deductible. The superintendent must approve in writing any proposal made by the credit union to implement deductibles at least twenty days in advance of the proposed effective date of the deductibles.

Effective:

Five Year Review (FYR) Dates:

Certification

Date

Promulgated Under:	119.03
Statutory Authority:	1733.41
Rule Amplifies:	1733.23
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