

Chapter CU 53

**SURETY BONDS FOR CREDIT UNIONS, SAVINGS
INSURANCE CORPORATIONS AND CREDIT UNION
SERVICE CENTER CORPORATIONS**

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Note: Chapter CU 53 as it existed on September, 30, 1976 was repealed and a new chapter CU 53 was created effective October 1, 1976.

CU 53.01 Obligation of directors to provide surety bond coverage. (1) It shall be the duty of the board of directors/trustees of each credit union or any other corporation operating under ch. 186, Stats., to provide surety bond coverage to equal or exceed the minimum requirements stated herein.

(2) The board of directors/trustees shall, at least annually, carefully review the surety bond coverage in force to determine its adequacy. Bond requirements established herein are minimums and do not relieve the board of directors/trustees of the responsibility for purchasing coverage in higher limits or purchase other insurance coverages when warranted by their organization. As examples, losses due to hurricane; cyclone; earthquake; tornado; audit expense to determine losses incurred under the terms of the bond and for appropriate and/or necessary coverage on locations in addition to, and other than, the main office of the credit union or any other corporations operating under ch. 186, Stats.

(3) The commissioner of credit unions may require additional coverage when, in his opinion, the surety bonds of a credit union, a credit union savings insurance corporation, a credit union service center corporation or any corporation operating under ch. 186, Stats. are insufficient as to coverage.

History: Cr. Register, September, 1976, No. 249, eff. 10-1-76.

CU 53.02 Required surety bond coverage. (1) For all credit unions with assets of less than \$1,000,000 the minimum requirement shall be blanket bond coverage for the following equal to 100% of assets and for credit unions with assets of \$1,000,000 or more, the minimum surety bond coverage shall be \$1,000,000:

(a) Fraud or dishonesty of employes which term includes but is not limited to officers, directors, collectors, messengers, members of committees, internal auditors or their assistants and the following and their employes when performing services or entrusted with the property of the credit union: attorney, data processing companies, accounting services and credit union service centers.

(b) Actual audit expense incurred and paid for the purpose of preparing a proof of claim for a valid and collectible loss under par. (a). Minimum required \$2,000.

(2) Each credit union's blanket surety bond shall also include the following coverage in the minimum amounts as required in sub. (3).

(a) Loss due to burglary, robbery, larceny, holdup, misplacement or mysterious unexplainable disappearance of property on the premises or on locations in addition to and other than the main office of the credit union or in transit in the custody of an employe(s) as defined.

(b) Forgery or alteration of any instrument, negotiable or otherwise, by persons other than employes.

(c) Loss or damage, except by fire, to any of the offices of the insured and to the furnishings, fixtures and equipment caused by burglary, robbery, larceny or theft.

(d) Court costs and attorney fees incurred and paid by the credit union in defending any legal proceeding brought against the credit union to enforce liability, which, if established, would constitute a collectible loss sustained by the credit union under the terms of the surety bond.

(3) The following schedule shall be minimum requirement of blanket coverage for sub. (2) (a) through (d). Only with respect to sub. (2) (a) through (d), at the discretion of the board of directors, the credit union may purchase coverage with a maximum deductible permitted by the schedule:

CREDIT UNION ASSETS	MINIMUM BLANKET BOND COVERAGE	MAXIMUM DEDUCTIBLE PERMITTED
\$ 0 to \$ 25,000	\$ 5,000	\$ -0-
25,001 to 30,000	6,000	-0-
40,001 to 50,000	10,000	-0-
50,001 to 75,000	15,000	-0-
75,001 to 100,000	20,000	-0-
100,001 to 150,000	30,000	500
150,001 to 200,000	40,000	500
200,001 to 300,000	50,000	500
300,001 to 400,000	60,000	500
400,001 to 500,000	70,000	500
500,001 to 750,000	85,000	1,000
750,001 to 1,000,000	100,000	1,000
1,000,001 to 5,000,000	100,000 plus	2,500
Over 5,000,001	\$50,000 for each additional million or fraction thereof of assets over \$1,000,000	5,000

(4) The blanket bond must be a discovery bond or a loss sustained bond with continuity of coverage.

History: Cr. Register, September, 1976, No. 249, eff. 10-1-76.

CU 53.03 Surety bond coverage for savings insurance corporations. (1) The minimum surety bond requirement for credit union savings insurance corporations incorporated under chapter 186, Wis. Stats., shall be blanket coverage of \$1,000,000 and must include the following coverage: Register, July, 1983, No. 331

- (a) Fraud or dishonesty of employe(s) and trustees/directors when performing duties of an employe.
- (b) Misplacement or mysterious unexplainable disappearance on premises or in transit.
- (c) Forgery or alteration of any instrument, negotiable or otherwise, by persons other than employes.
- (d) The blanket bond must be a discovery bond or a loss sustained bond with continuity of coverage.

History: Cr. Register, September, 1976, No. 249, eff. 10-1-76.

CU 53.04 Surety bond coverage for credit union service center corporations. (1) (a) The surety bond coverage requirement shall be based on the total assets of the credit union service center corporation, not the total assets of the credit unions in the center.

(b) The following schedule shall be the minimum requirement of blanket coverage for sub. (2) (a) and (b).

CREDIT UNION CENTER CORPORATION ASSETS	MINIMUM BLANKET BOND COVERAGE
\$ 0 to \$ 25,000	\$ 5,000
25,001 to 30,000	6,000
30,001 to 40,000	8,000
40,001 to 50,000	10,000
50,001 to 75,000	15,000
75,001 to 100,000	20,000
100,001 to 150,000	30,000
150,001 to 200,000	40,000
200,001 to 300,000	50,000
300,001 to 400,000	60,000
400,001 to 500,000	70,000
500,001 to 750,000	85,000
750,001 to 1,000,000	100,000
Over 1,000,000	100,000 plus \$50,000 for each additional million or fraction thereof of assets over \$1,000,000

(2) The surety bond requirements for credit union service center corporations shall include the following coverage in the minimum amounts provided by the schedule in sub. (1) (b):

- (a) Loss due to fraud or dishonesty of employe(s) and directors when performing duties of an employe.
- (b) Loss due to destruction, disappearance or wrongful abstraction of money and securities on the premises of the service center or in transit in the custody of a messenger or an employe.

(3) The board of directors shall at least annually review the crime coverage risks to determine if coverages other than fraud and dishonesty are necessary.

History: Cr. Register, September, 1976, No. 249, eff. 10-1-76.

CU 53.05 Written notice of cancellation. No cancellation or termination of bonds under this chapter shall be effective unless the surety gives in advance at least 10 days written notice by certified mail to the commissioner. A copy of the surety bond, together with all riders and endorsements executed subsequent to the effective date of the bond, shall be furnished to the office of the commissioner of credit unions by the surety carrier.

History: Cr. Register, September, 1976, No. 249, eff. 10-1-76.