**Section 190.120 Bond and Insurance Requirements**

a) Bond:

1) The board of directors or liquidating agent of each credit union shall provide a fidelity bond in a form determined by the Secretary to meet the requirements of this Section and issued by a corporate surety authorized to do business in this State. The bond must provide coverage for the fraud and dishonesty of all employees, directors, officers and committee members (see Sections 20(2), (3) and (4) and 30(13) of the Act) and for losses caused by persons outside of the credit union due to theft, holdup, vandalism and other criminal acts. Coverage for the faithful performance of duty is an option the board of directors may provide for all or selected employees, directors, officers and committee members.

2) Each bond shall require the surety to give a minimum of 30 days written notice to the Credit Union Division of the Division prior to cancellation of any or all coverages set out in the bond.

3) Any form of rider or exclusion added to the bond must have prior approval from the Secretary, to insure that at least the minimum bond is in effect and not compromised.

4) A copy of the Declaration Page describing the coverage of the bond and any riders or exclusions are to be forwarded 10 days prior to the anniversary date or a change in coverage to the Division by the surety. The Declaration Page must show at least the following: the form number of the bond, the number of the bond, the name of the credit union, the rating period, or anniversary date, the term of the bond and the maximum limits of liability under the insuring clauses.

b) Bond Schedule:

1) The minimum principal amount of the bond shall be based on the total assets of the credit union, according to the following schedule:

|  |  |
| --- | --- |
| Total Assets | Minimum Coverage |
|  |  |
| $0 to $10,000 | Coverage equal to the credit union's assets |
|  |  |
| $10,001 to $1,000,000 | $10,000 for each $100,000 or fraction thereof |
|   |  |
| $1,000,001 to $50,000,000 | $100,000 plus $50,000 for each million or fraction thereof over $1,000,000 |
|   |  |
| $50,000,001 to $295,000,000 | $2,550,000 plus $10,000 for each million or fraction thereof over $50,000,000 |
|   |  |
| Over $295,000,000 | $5,000,000 |

2) Coverage in amounts in excess of the above minimum requirements may be purchased when the board of directors, in fulfilling its duty to provide adequate fidelity bond coverage, determines the additional coverage is needed. Minimum coverage limits must be extended to cover the additional risk when, aside from events that cannot be expected to recur, the total of cash on premise or in transit exceeds the minimum coverage limits. For purposes of this Section, the term cash shall include currency, coin, share drafts, checks, banknotes, Federal Reserve notes, revenue stamps, postage stamps and SNAP benefits.

3) The board of directors shall review the bond coverage at least once each year to determine that the bond coverage is adequate and at a minimum, is in compliance with the above scheduled requirements. The board of directors may, consistent with the requirements of this Section, elect to purchase bond coverage subject to a deductible.

4) The maximum amount of deductibles allowed shall be based on the total assets of the credit union according to the following:

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

5) No deductible shall exceed 10% of a credit union's Regular Reserve unless the credit union creates a segregated Contingency Reserve for the amount of the excess. The Reserve for Loan Losses account may not be considered part of the Regular Reserve when determining the maximum deductible. The deductible shall not exceed the maximum amounts listed in subsection (b)(4) unless approved by the Secretary in accordance with subsection (b)(6).

6) A deductible may be applied separately to one or more insuring clauses in a blanket bond. Deductibles in excess of those shown in this Section must have the written approval of the Secretary at least 20 days prior to the effective date of the deductibles. For purposes of this Section, the Secretary shall allow an excess deductible if the credit union will not be harmed. In making that determination, the Secretary shall consider, but is not limited to, the adequacy of reserves, the current financial condition of the credit union, financial trends and the credit union's lending record.

7) The Secretary will require increased bond requirements for any credit union when the Secretary determines that current coverage is insufficient. In making that determination, the Secretary shall consider the factors listed in subsection (b)(6). The board of directors of the credit union must obtain additional coverage within 30 days after the date of written notice from the Secretary.

(Source: Amended at 37 Ill. Reg. 12450, effective July 16, 2013)