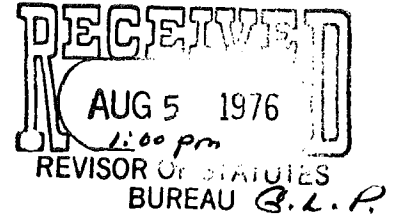


CU 53



CERTIFICATE

STATE OF WISCONSIN)
OFFICE OF THE COMMISSIONER OF CREDIT UNIONS)

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, WILLIAM H. HUGHES, Commissioner of the Office of the Commissioner of Credit Unions, and custodian of the official records of said department, do hereby certify that the annexed recreation of chapter CU 53 relating to surety bonds for credit unions, savings insurance corporations and credit union service center corporations was duly approved and adopted by this department on March 17, 1976.

I further certify that, as required by chapter 162, Laws of 1973, I did on June 23, 1976, notify the chairman of the senate commerce committee and the chairman of the assembly committee on insurance and banking that a public hearing was held at the office of the commissioner of credit unions on June 15, 1976, at 10:00 A.M. in Room 734, Hill Farms State Office Building, Madison, Wisconsin, as required by section 227.021, Wis. Stats.

I further certify that 30 days have passed since the aforementioned notification during which time I have not been requested by said chairmen to appear before either committee relative to the annexed proposed rule and regulation.

CERTIFICATE (Continued)

I further certify that the annexed recreation of chapter CU 53 of the Wisconsin Administrative Code, Rules of the Office of the Commissioner of Credit Unions has been compared by me with the original on file in this department and that the same is a true copy thereof, and of the whole of such original and that section 227.018(2), chapter 162, Laws of 1973, has been complied with.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the department at the Office of the Commissioner of Credit Unions in the City of Madison, this 3rd Day of August, 1976, A. D. 1976.

By William H. Hughes
William H. Hughes, Commissioner

ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

ADOPTING, AMENDING OR REPEALING RULES

Pursuant to authority vested in the Office of the Commissioner of Credit Unions by section 186.23, Wis. Stats., the Commissioner of Credit Unions hereby repeals, amends, and adopts rules as follows:

Section CU 53 of the WISCONSIN ADMINISTRATIVE CODE is repealed.

Section CU 53 of the WISCONSIN ADMINISTRATIVE CODE is recreated to read as follows:

Chapter CU 53

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

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 chapter 186, Wis. 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 chapter 186, Wis. 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 chapter 186, Wis. Stats. are insufficient as to coverage.

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:

ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

ADOPTING, AMENDING OR REPEALING RULES (CONTINUED)

(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 subsection (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 subsection (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 the minimum requirement of blanket coverage for subsection (2), items (a) through (d). Only with respect to subsection (2), items (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:

(RULE CONTINUED ON PAGE 3)

ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

ADOPTING, AMENDING OR REPEALING RULES (CONTINUED)

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-
	30,001 to 40,000	8,000	-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.

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:

(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.

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 subsection (2), items (a) and (b).

ORDER OF THE OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

ADOPTING, AMENDING OR REPEALING RULES (CONTINUED)

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 subsection (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.

CU 53.05 No cancellation or termination of bonds under this chapter shall be effective unless the surety gives in advance at least ten 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.

The rule contained herein shall take effect as provided in section 227.026(1), Wis. Stats.

Dated: August 3, 1976

OFFICE OF THE COMMISSIONER OF CREDIT UNIONS

By 
William H. Hughes, Commissioner