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Safeguarding Your Members Money: NCUA Share Insurance Explained

Quarter 2 Townhall
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Meet Our League Services Team



Sabrina Duckworth-Brown
Compliance Officer, CUCE



Jovelyn Herlick
Senior Director, Client Solutions,
CUCE, NCCO



Crystal Strepper
Senior Compliance Officer/ Training
Coordinator, CUCE, NCRM, NCCO



Tiffany Madara
Compliance Officer, CUCE, NCBSD



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Who We Work With

- ViClarity has served:
 - More than 1,000 credit unions across the U.S. and Ireland
 - More than 150 clients in financial services and healthcare across the U.S. and Europe
- We partner with 7 credit union leagues covering 12 states to provide compliance support services



Did you know?
ViClarity is owned by the Iowa Credit Union League, California/Nevada Credit Union Leagues & Ohio Credit Union League.



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Disclaimer

Information provided in this presentation, including all materials, should not be construed as legal services, legal advice, or in any way establishing an attorney-client relationship. Credit unions should contact their own legal counsel for advice. Information may have changed since this presentation was prepared. This information is intended to only be a summary and is not all inclusive.



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Agenda

- Share Insurance Basics
- Credit Union Requirements
- Calculating Share Insurance
- Examples of Account Calculations
- Common Misconceptions
- Educating Our Members








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Background

-  Shares and deposits of federally-insured credit unions are protected by the National Credit Union Share Insurance Fund (NCUSIF).
-  The NCUSIF is administered by the National Credit Union Administration (NCUA).
-  All federal credit unions are required to be federally insured.
-  NCUSIF also insures state-chartered credit unions.
-  No federally insured credit union may terminate its federal insurance without first notifying its members.



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Credit Union Requirements

Credit unions with NCUSIF coverage on member accounts are required to:

- Inform members about the coverage.
- Follow specific advertising rules.
- Maintain a required NCUSIF deposit.
- Complete required reporting to the NCUSIF.



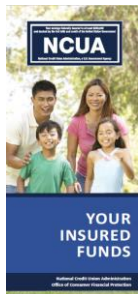
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Coverage Notification

Have one of the following available at each credit union branch:

- A copy of the insurance regulation (NCUA Part 745);
- A copy of the appendix to Part 745 that includes examples of insurance coverage;
- One or more copies of the NCUA brochure, "Your Insured Funds"; or
- Disclosures created internally covering the applicable components of the rule.

Note: All federally insured credit unions utilizing shared branches must comply with the shared branch signage rules. (NCUA 704.4(c))



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Calculating Share Insurance

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Calculating Coverage

- Accounts in federally insured credit unions are insured up to the Standard Maximum Share Insurance Amount (SMSIA) of \$250,000.
- Coverage is based on the concept of ownership rights and capacities.
- Separate insurance is provided for deposits having different ownership rights and capacities. Deposits that a person or entity maintains in different ownership rights and capacities at one credit union are separately insured up to the insurance limit.
- Deposits that a person or entity maintains in the same ownership rights and capacities are added together and insured up to the insurance limit.
- NCUA's Rules and Regulations, Part 745, describe the categories of ownership rights and capacities that are eligible for separate insurance coverage.

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Ownership Categories

Single Ownership Accounts	Joint Ownership Accounts	Guardianship Accounts	Revocable/Irrevocable Trust Accounts
Executor Held Accounts	IRA, Keogh, Deferred Compensation, and Pension Accounts	Corporation, Partnership and Unincorporated Association Accounts	Government Accounts

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Single Ownership

Single ownership accounts are opened when funds are held in the name of only one person.

Funds in single ownership accounts are owned by one person.

All funds in a share account, share draft account, and/or share certificates are added together and insured up to \$250,000.

Funds held in accounts with an agent are added to the member's other individual accounts.

Funds held by a sole proprietor of a business that is not incorporated or a formal partnership are added to the member's other individual accounts.

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Single Ownership Example

Oprah Winfrey deposits \$250,000 into an individual account. The funds in this account are insured for the entire \$250,000. Oprah then opens a second individual account and deposits \$50,000.

The additional \$50,000 would **not** be insured due to the combined accounts exceeding \$250,000.

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Joint Ownership

Joint ownership accounts are opened when funds are to be held in the names of two or more persons

All parts are added together and insured up to \$250,000 separately from deposits held in other ownership categories

Determine each co-owner's share of each joint account by dividing the number of owners into the account balance

If a person is the co-owner on more than one joint account, add together all of the shares that the person has in joint accounts at the credit union. This amount is insured to \$250,000

Any person's share of joint accounts that exceeds \$250,000 will be uninsured, even if other co-owners' shares are less than \$250,000

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Joint Account Example

Example 1:
Martin and Mary Poppins hold a joint account containing \$500,000. The maximum insurance coverage on this account is \$500,000 (\$250,000 per individual).

Example 2:
Mary has joint accounts with her children Timmy, Tommy, and Tammy.

- Account #1 balance is \$175,000, Mary's equal interest is \$87,500.
- Account #2 balance is \$190,000, Mary's equal interest is \$95,000.
- Account #3 balance is \$190,000, Mary's equal interest is \$95,000.

 The combined amount is \$277,500, Mary's interest is insured for a maximum of \$250,000, leaving \$27,500 uninsured.



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Guardianship Accounts

A special share insurance rule applies to accounts held on behalf of a ward or child. Funds held in one or more accounts in the name of a guardian, custodian, or conservator for the benefit of a ward or minor (including UTMA accounts) are added together and insured, in the aggregate, separately from any other accounts of the guardian, custodian, conservator, ward, or minor.

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Revocable Trust

Insurance coverage for revocable trust accounts, Totten trust accounts and pay-on death (POD) accounts when the beneficiary is a natural person, charity, or other nonprofit is \$250,000 from each member/owner to each eligible beneficiary.

- If the beneficiary is a natural person, charity, or other non-profit, the account is insured for the member/owner up to \$250,000 for each beneficiary's interest.
- If the beneficiary is not a natural person, charity, or other non-profit, the funds in the account are added together with other individual accounts of the owner for an aggregate coverage of \$250,000.

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Revocable Trust Example

Snow White deposits \$750,000 in a revocable trust account and names Sleepy, Grumpy, and Doc as beneficiaries.

All beneficiaries are natural persons; therefore, the owner's interest would be insured up to \$250,000 for each beneficiary (maximum coverage of \$750,000).



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Irrevocable Trust

An irrevocable trust account is also insured based on the beneficiary.

- Each beneficiary's interest is insured up to \$250,000, separate from any other accounts held by the trustor, trustee, or beneficiary.
- All trustors or all beneficiaries must be members of the credit union.



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Irrevocable Account Example

Chandler deposits funds in an irrevocable trust naming Joey, Monica, and Ross as beneficiaries.

If Chandler, or all of his named beneficiaries are members of your credit union, then the account is insured for a total of \$750,000 (\$250,000 per beneficiary).



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Executor Held Accounts



Funds held in an account in a decedent's name or in the name of the executor or administrator are insured to \$250,000 in the aggregate for all such accounts.



Individual accounts of the executor, administrator, or beneficiaries of the estate are treated separately from the decedent's estate funds. Either the decedent or the beneficiary(ies) must be a member of the credit union.

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IRA & Keogh Accounts



Individual Retirement Accounts (IRA) and Keogh Accounts are separately insured from all other accounts. In addition, an IRA is separately insured from a Keogh account. IRAs and Keogh accounts are insured for the vested owner or beneficiary up to \$250,000.



Funds deposited as part of a deferred compensation plan are insured up to \$250,000 per plan participant who is a credit union member, and the remaining to \$250,000 for all non-member participants.

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Corporation, Partnership & Unincorporated Association Accounts

Accounts of unincorporated associations, corporations and partnerships are insured in the aggregate of \$250,000 assuming the entity is engaged in independent activity.

Accounts of a sole proprietorship are not covered under this account category. Sole proprietorship accounts are insured as the single accounts of the owner.

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Business Account Example

The garden club of a church has an account with the credit union where the funds are used for various gardening and fund-raising events for the church. These funds also support the club.

Since the gardening club is engaged in independent activity and legally own the funds, the account is insured up to the maximum \$250,000, separate from any account held by the church.



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Government Accounts

Federal credit unions are authorized by the Federal Credit Union Act to open share, share draft, and share certificate accounts for federal, state and local governments

State-chartered credit unions need to check their state credit union act and state laws to determine if they are authorized to offer public unit accounts

For insurance purposes, the official custodian of these funds and not the public unit itself is insured as the account holder

The official custodian will receive up to \$250,000 insurance for share draft accounts and a separate \$250,000 insurance coverage for the aggregate of share certificates and regular share accounts at the credit union. If the same public unit has more than one official custodian, the funds are insured up to \$250,000 for each custodian's deposit

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InfoSight Share Insurance: Coverage Chart

Categories of Accounts Having Separate Insurance Coverage	Insurance Rule
Individual accounts - share, share draft, money market, certificate, etc.	All standard accounts are added together and insured up to \$250,000.
Joint accounts - share, share draft, money market, certificate, etc. (as beneficiary)	Each co-owner's share in all other joint accounts are added together and insured up to \$250,000 (and separate from individual coverage)
Irrevocable trust accounts - Testamentary, "fiduciary," or payable on death (POD)	Beneficiary may include any natural person as well as charitable organizations and other non-profit entities recognized as such under the Internal Revenue Code of 1986. Some limits have been placed on accounts with more than 125 trustees and more than 16 different beneficiaries. If a beneficiary of such an account is other than those described above, the funds are payable to that beneficiary unless insured as the owner's individual account and aggregated with all of their other individual accounts.
Irrevocable trust accounts - including educational IRAs	All accounts with the same settlor (grantor) and beneficiary added together and insured up to \$250,000 per beneficiary, separate from other accounts covered by the grantor or beneficiary.
IRA and Keogh accounts	The individual's IRA, Roth IRA and SEP accounts are added together and insured up to \$250,000.
Employee Benefit Plans	NCUA will provide "pass-through" share insurance coverage to any employee benefit plan accounts, which means the insurance coverage will be assigned to a per participant basis. These accounts include employee welfare benefit plans, employee pension benefit plans, Keogh accounts and "401 Plans," which include certain defined contribution plans of tax-exempt organizations, along with state and local governments. However, as a participant in a plan, the plan is limited to that participant's individually capitalized credit unions. NCUA's interpretation of the new deposit insurance reform law is that it has authority to allow full insurance coverage for all participants in an employee benefit plan, even if a participant is not a member of the credit union in which the accounts are maintained.
Corporation, partnership, and unincorporated association accounts	Separate accounts of a business or association are insured up to \$250,000 unless NCUA determines that the business was not "engaged in an independent activity" for any purpose other than expanding insurance coverage. In those circumstances the funds would be added to the owner's individual accounts and insured up to \$250,000.
Public funds accounts	The official custodian of the funds is insured separately to \$250,000.

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Common Misconceptions

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The More Accounts, The More Coverage?

- Many members do not realize that placing funds in different types of deposit accounts does not provide for separate insurance coverage. All types of deposit accounts that a depositor has in the same ownership category are combined and insured up to the insurance limit for that ownership category.
- Example: Mrs. Jones has three accounts in her name alone at a credit union, the funds in all three accounts will be added together and insured up to \$250,000 in total, **not** \$750,000.

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To Trust, or Not to Trust...

- A common mistake that members make in calculating coverage for revocable trust accounts is assuming that every person named on a revocable trust account receives up to \$250,000 in insurance coverage. This is not correct.
- Insurance coverage up to \$250,000 is provided for each beneficiary that the account owner names on a revocable trust account. The owner of the revocable trust account does not receive an additional \$250,000.

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Gotta Keep 'Em Separated

- Deposits held by two or more irrevocable trusts established by the same grantor for the same beneficiaries are not separately insured.
- The interests of a beneficiary in two or more irrevocable trust accounts established by the same grantor are added together and insured up to \$250,000.
- If an irrevocable trust does not meet the requirements for separate coverage in the irrevocable trust category (for example, if the grantor retains an interest in some or all of the trust), the portion of the trust that does not meet the requirements (for example, the retained interest) will be combined with the owner's single accounts and the total insured up to a maximum of \$250,000.

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Living Single!

Owners of sole proprietorships deposit accounts are added together with any other single account and the combined total is insured to a maximum of \$250,000.

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Educate Your Members

If your credit union members have questions regarding share insurance, there are a number of resources that can help you, help them.

- NCUA has published a [brochure](#) for credit unions to provide to their members to explain share insurance
- NCUA offers a [share insurance estimator](#) that can help credit unions work out how different accounts will be insured
- Comprehensive share insurance information can be found in [InfoSight](#)
 - Set up your login on their home page if you don't already have one
- ViClarity credit union clients are welcome to submit share insurance questions to our League Service Compliance Team by emailing or calling us on the hotline

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Scenario 1: Multiple Qualifying Accounts, Same Account Category

Qualifying Account	Account Category	Coverage Limit	Sample Actual Balance*
Checking Account (1 Owner)	Single Ownership	Up to \$250,000	\$175,000
Savings Account (1 Owner)	Single Ownership	Combined with Other Accounts	\$175,000
Share Certificate (1 Owner)	Single Ownership	Combined with Other Accounts	\$175,000
TOTAL COVERAGE		Up to \$250,000	\$250,000
AMOUNT LEFT UNINSURED			\$275,000

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Scenario 2: Multiple Qualifying Accounts, Separate Account Categories

Qualifying Account	Account Category	Coverage Limit	Sample Actual Balance*
Checking Account (1 Owner)	Single Ownership	Up to \$250,000	\$175,000
Savings Account (2 Owner)	Joint Ownership	Up to \$500,000 (\$250,000 per Co-Owner)	\$175,000
IRA (1 Owner)	Retirement Account	Up to \$250,000	\$175,000
IRA (1 Owner)	Retirement Account	Up to \$250,000	\$175,000
TOTAL COVERAGE		Up to \$1,250,000	\$700,000
AMOUNT LEFT UNINSURED			\$0

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Questions?



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Compliance & Regulatory Support

Call or email the compliance hotline:

League Contact Information		
Credit Union League	Phone Number	Email Address
California/Nevada	949.751.8672	CAW@ViClarity.com
Nebraska	866.499.7590 Ext. 2	Nebraska@ViClarity.com
Ohio	949.751.8673	OCUCompliance@ViClarity.com
Iowa	949.751.8677	Regulatory@iowacreditunion.com
CCUR	800.843.1242 Ext. 4	csa@vclarity.com



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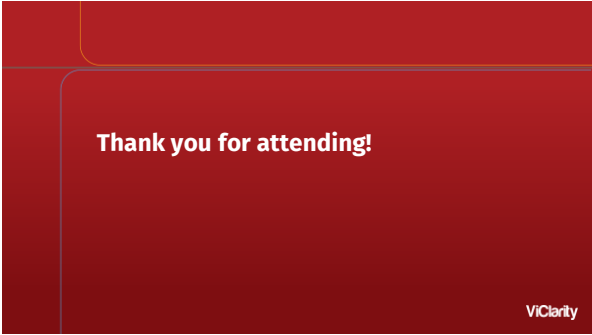
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