



NATIONAL CREDIT UNION ADMINISTRATION
Washington, D.C. 20456

Office of General Counsel

GC/MM:sg
SSIC 7000
89-1027

January 2, 1990

Ms. Jean Kushel
Lawyers Credit Union
Biscayne Building
19 West Flagler Street
12th Floor
Miami, Florida 33130

Re: Insurance Coverage of Various Accounts (Your
October, 20, 1989, Letter)

Dear Ms. Kushel:

You have asked us for information on how corporate accounts, profit sharing accounts, and trust accounts are insured by the National Credit Union Share Insurance Fund (NCUSIF).

BACKGROUND

The Federal Credit Union Act authorizes insurance coverage up to \$100,000 for various types of accounts. If a member has more than one single-ownership account in a federally-insured credit union, those accounts are generally added together and are insured up to \$100,000 in the aggregate. However, there are several types of accounts that can qualify for separate insurance coverage, some of which are discussed below. Part 745 of the NCUA Rules and Regulations (12 C.F.R. 745) sets forth how accounts are insured by the NCUSIF.

Corporate accounts are insured in accordance with Section 745.6 of the NCUA Rules and Regulations (12 C.F.R. 745.6), which states:

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Accounts of a corporation, partnership, or unincorporated association engaged in any independent activity shall be insured up to \$100,000 in the aggregate. The account of a corporation, partnership, or unincorporated association not engaged in an independent activity shall be deemed to be owned by the person or persons owning such corporation or comprising such partnership or unincorporated association and, for account insurance purposes, the interest of each person in such an account shall be added to any other account individually owned by such person and insured up to \$100,000 in the aggregate. For purposes of this section, "independent activity" means an activity other than one directed solely at increasing insurance coverage.

In general, corporate accounts are separately insured up to \$100,000 in the aggregate, as long as the corporate entity is engaged in an independent activity. If not, the account is added to the owning member's other accounts for insurance purposes.

Irrevocable trust accounts are insured in accordance with Section 745.9-1 of the NCUA Regulations. This section states in part that all trust interests:

. . . for the same beneficiary, deposited in an account and established pursuant to valid trust agreements created by the same settlor (grantor) shall be added together and insured up to \$100,000 in the aggregate, separately from other accounts of the trustee of such trust funds or the settlor or beneficiary of such trust arrangements.

Revocable trust accounts are treated differently for insurance purposes. Revocable trust accounts that are testamentary in nature are insured pursuant to Section 745.4 of the NCUA Regulations. Generally, testamentary accounts are added with a member's individual accounts and insured to \$100,000 in the aggregate. (See Section 745.4(c) of the NCUA Regulations.) There is, however, additional insurance coverage available for certain beneficiaries of testamentary accounts. Section 745.4(b) states:

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(b) If the named beneficiary of a testamentary account is a spouse, child, or grandchild of the owner, the account shall be insured up to \$100,000 in the aggregate as to each such beneficiary, separately from any other accounts of the owner or beneficiary, regardless of the membership status of the beneficiary.

Those revocable trust accounts which are not testamentary in nature are treated as accounts "held by agents or nominees," and are insured in accordance with Section 745.3(a)(2) of NCUA's Regulations, which states:

Funds owned by a principal and deposited in one or more accounts in the name or names of agents or nominees shall be added to any individual account of the principal and insured up to \$100,000 in the aggregate.

IRA/Keogh Accounts are insured in accordance with Section 745.9-2(a) of the NCUA Regulations (12 C.F.R. 745.9-2(a)), which states that the:

. . . present vested ascertainable interest of a participant or designated beneficiary in a trust or custodial account maintained pursuant to a pension or profit-sharing plan described under §401(d) (Keogh account) or §408(a) (IRA) of the Internal Revenue Code shall each be insured up to \$100,000 separately from other accounts of the participant or designated beneficiary. An IRA account shall be separately insured from a Keogh account.

Deferred compensation accounts are insured in accordance with Section 745.9-3 of the NCUA Regulations (12 C.F.R. 745.9-3), which states:

Funds deposited by an employer pursuant to a deferred compensation plan (including §401(k) of the Internal Revenue Code) shall be insured up to \$100,000 as to the interest of each plan participant who is a member, separately from other accounts of the participant or employer.

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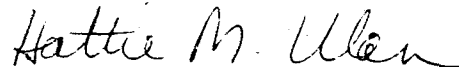
IRA, Keogh, and deferred compensation accounts are insured separately from each other and from other types of accounts that the member maintains in the same credit union.

ANALYSIS

As you can see from the cited regulations, a member may obtain insurance coverage in excess of \$100,000 at a credit union if the member establishes different types of accounts that qualify for separate insurance coverage. For example, a member may establish a regular share account of \$100,000 and an IRA of \$100,000 and be insured for \$200,000. However, if a member deposited the entire \$200,000 in an IRA, the member's insurance coverage would only be \$100,000. Since there are numerous ways to establish insurance in excess of \$100,000, it is up to the member, after conferring with the credit union, to determine which way to structure the accounts.

The regulations cited in this letter apply to Federal credit unions and federally-insured state-chartered credit unions. Enclosed is a pamphlet entitled "Your Insured Funds" (NCUA Publication 8046), which you may find helpful.

Sincerely,



HATTIE M. ULAN
Associate General Counsel

Enclosure