NATIONAL CREDIT UNION ADMINISTRATION
WASHINGTON, D.C. 20456

November 8, 1991

Ms. Susan W. Hicks
Technical Manager
Federal Government Division
AICPA
1455 Pennsylvania Ave., NW
Washington, DC 20004-10007

Re: Refund of insurance premium
File No. L-1-717 (Your letter of October 31, 1991)

Dear Ms. Hicks:

You asked us under what conditions an insurance premium paid by a federally-insured credit union to the National Credit Union Share Insurance Fund (NCUSIF) is refundable.

The National Credit Union Administration (NCUA) insures all federally-chartered credit unions and many state-chartered credit unions through the NCUSIF. <u>See</u> §201 of the FCU Act, 12 U.S.C. 1781. In order to be granted and maintain its federal charter, an FCU must maintain insurance through the NCUSIF. <u>See</u> §§201 and 206 of the FCU Act. You note that the FCU Act addresses the proportional reduction of an NCUSIF premium for a state-chartered, federally insured credit union when the credit union substitutes NCUSIF insurance with insurance from another source (<u>see</u> Sections 206(a)(2) and 206(d)(3)), but that the FCU Act does not address premium refunds for FCUs or for NCUSIF-insured, state chartered credit unions if they wish to terminate insurance altogether. FCUs can not remain FCUs without NCUSIF insurance. Therefore, a premium reduction pursuant to Section 206(d)(3) of the FCU Act is inapplicable to FCUs. If an FCU converted its charter to a state-chartered credit union, it could then convert from NCUSIF insurance to insurance from another S[illegible]

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law did not require NCUSIF insurance) and get a proportionate reduction in its premium pursuant to Section 206(d)(3). A state-chartered, NCUSIF insured credit union that decides to drop insurance altogether will continue to be insured by the NCUSIF for one year after the effective date of insurance termination and remains liable for premiums while so insured. (See Section 206(d)(1) of the FCU Act.) Therefore, a rebate of an insurance premium would not be available. Of course, the requirements of Part 708 of the NCUA Rules and Regulations (12 C.F.R. 708) must be met by any credit union terminating NCUSIF insurance.

You also ask about premium refunds in both voluntary and involuntary liquidations. As a matter of practice, very few FCUs are liquidated voluntarily. Most involuntary liquidations are of insolvent credit unions. If a credit union is insolvent and is liquidated, funds from the NCUSIF are used to pay out insured member accounts. Neither the insurance deposit nor the premium will be refunded in that case. See 12 C.F.R. 741.11(j). Although the premium refund of a solvent credit union that is liquidated is not specifically addressed in the FCU Act or the NCUA Regulations, in practice, a prorata portion of the premium would be returned in the case of such a credit union.

I hope that we have been of assistance.

Sincerely,

Robert M. Fenner
General Counsel

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